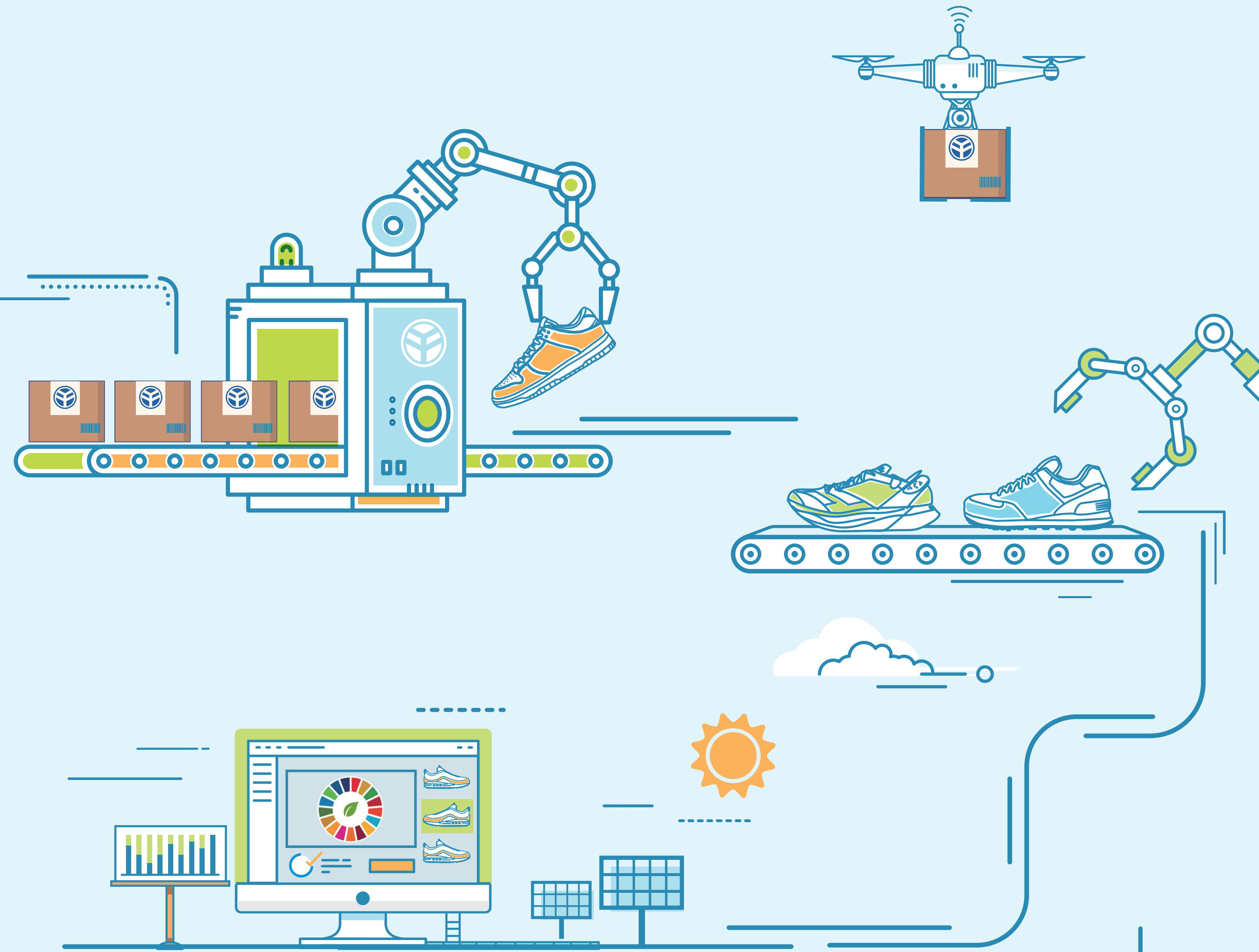
裕元工業(集團)有限公司
Yue Yuen Industrial (Holdings) Limited

Incorporated in Bermuda with limited liability
於百慕達註冊成立之有限公司

Stock Code 股份代號：551



2024 年報
ANNUAL REPORT

VISION

To provide end-to-end solutions that delivers the sports industry the highest possible value while supporting healthy lifestyle around the world.

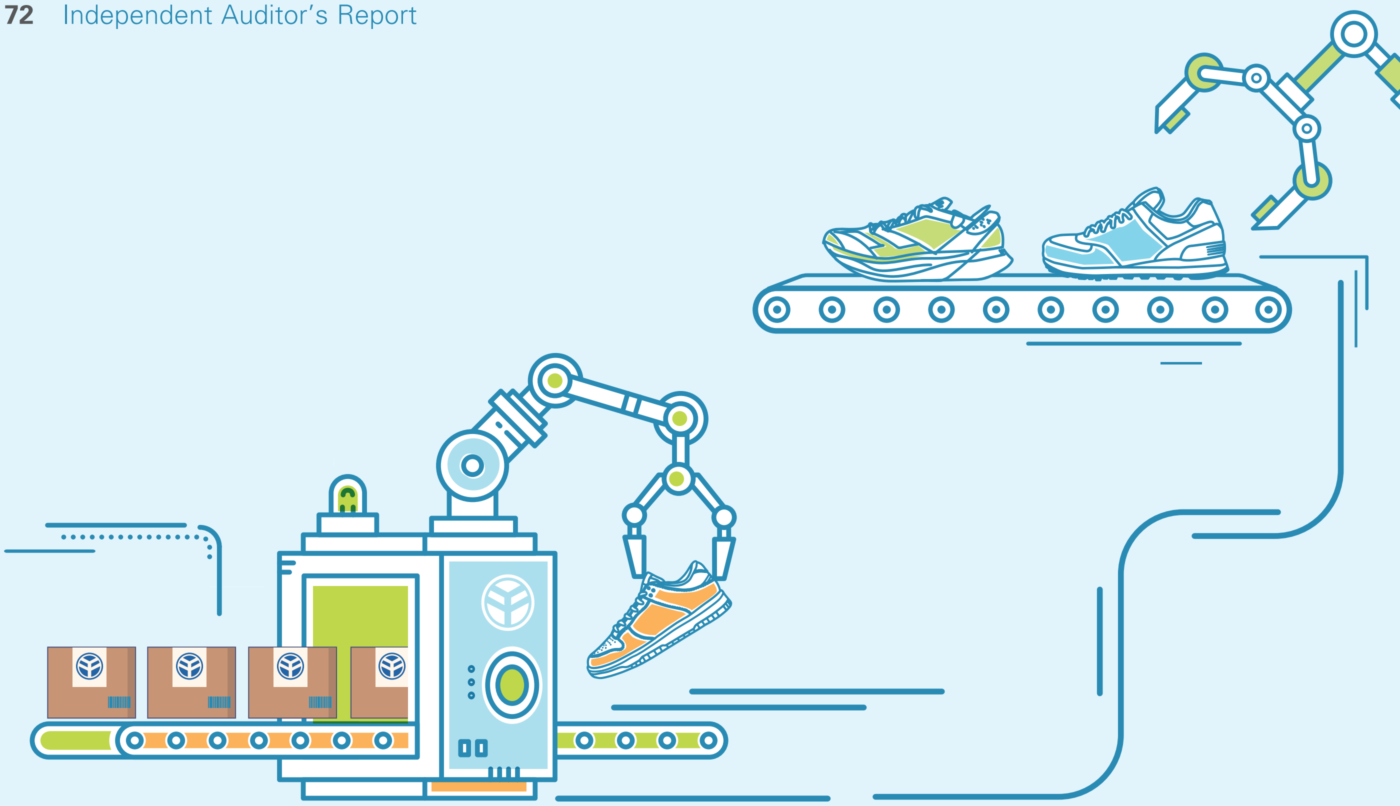
MISSION

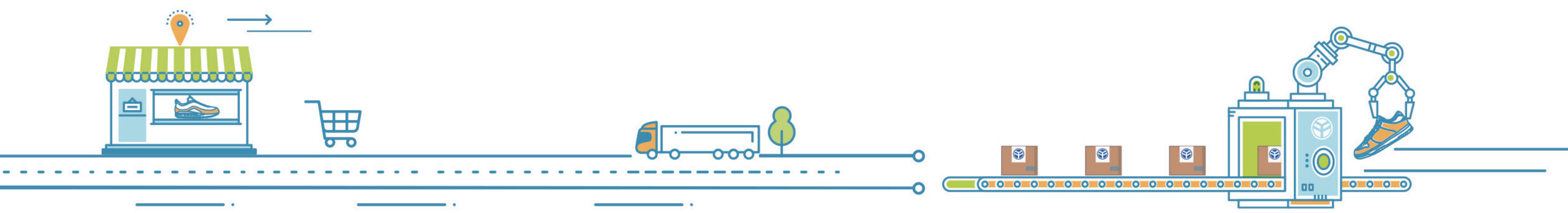
We are creating a smart technology-based footwear manufacturing operation that provides best-in-class innovative solutions to international brand customers.

We are also committed to becoming a fully integrated sporting goods retailer in the Greater China region, in order to provide an end-to-end platform to our brand customers while enhancing our strategic relationships with them.

We will continually strive to create value for all of our stakeholders while acting as a responsible global corporate citizen.

CONTENTS





Corporate Overview

Financial and Operating Highlights for the year ended December 31, 2024

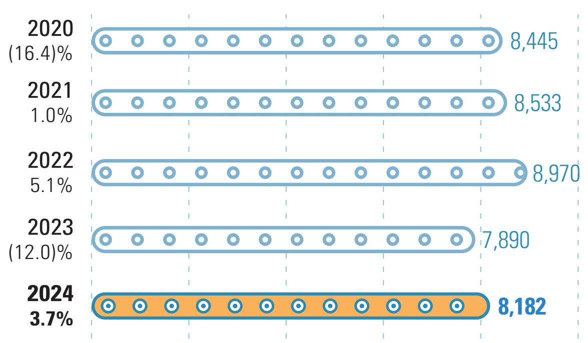
(US$ million, except where otherwise stated)	2024	2023	% Change
Total Shoe Volume (million pairs)	**255.3**	218.3	16.9
Revenue	**8,182.2**	7,890.2	3.7
Profit attributable to Owners of the Company	**392.4**	274.7	42.8
Recurring Profit attributable to Owners of the Company	**378.6**	263.4	43.7
Free Cash Flow	**325.8**	744.1	(56.2)
Capital Expenditure	**211.3**	200.6	5.3
EBITDA	**899.7**	777.5	15.7
Basic Earnings Per Share (US cents)	**24.37**	17.05	42.9
Dividend Per Share			
Interim	**HK$0.40**	HK$0.20	100.0
Final	**HK$0.90**	HK$0.70	28.6
Full Year	**HK$1.30**	HK$0.90	44.4
Total Equity	**4,914.4**	4,710.0	4.3
Return on Equity (%)	**8.8**	6.5	2.3pp
Gearing Ratio* (%)	**15.4**	20.7	(5.3)pp
Net Debt to Equity Ratio* (%)	**Net cash**	Net cash	N/A
Outstanding Shares (# of shares)	**1,604,556,486**	1,612,183,986	(0.5)

* Debt excludes lease liabilities

Key Shareholder Value Indices

Revenue

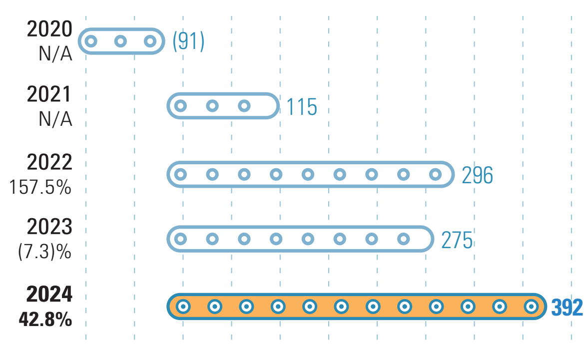
US$ million



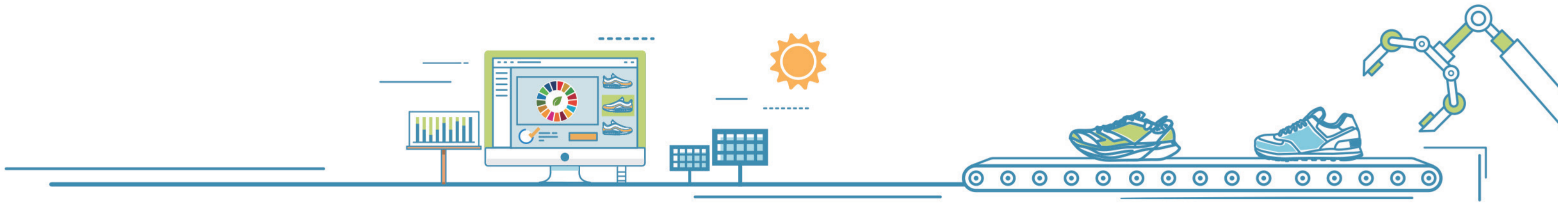
% change

Profit/(Loss) Attributable to Owners of the Company

US$ million



% change

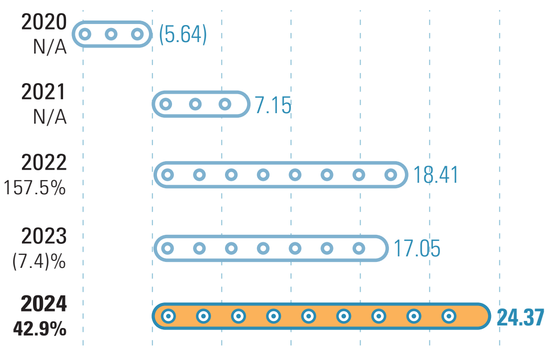


Corporate Overview

Key Shareholder Value Indices (continued)

Earnings/(Loss) Per Share

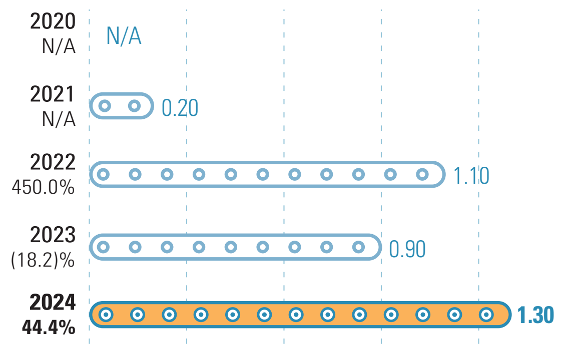
US cents



% change

Dividend Per Share

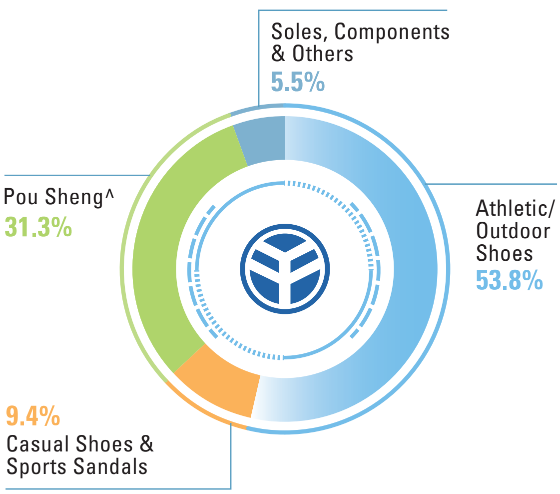
HK$



% change

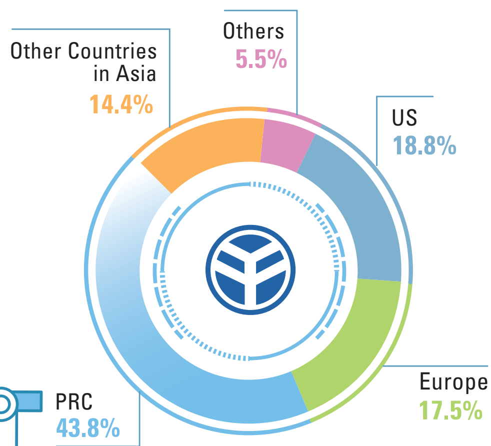
Revenue by Category and Geography for the year ended December 31, 2024

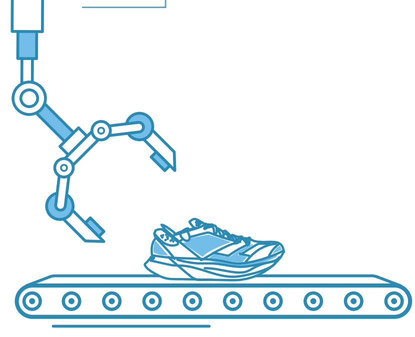
Revenue by Category

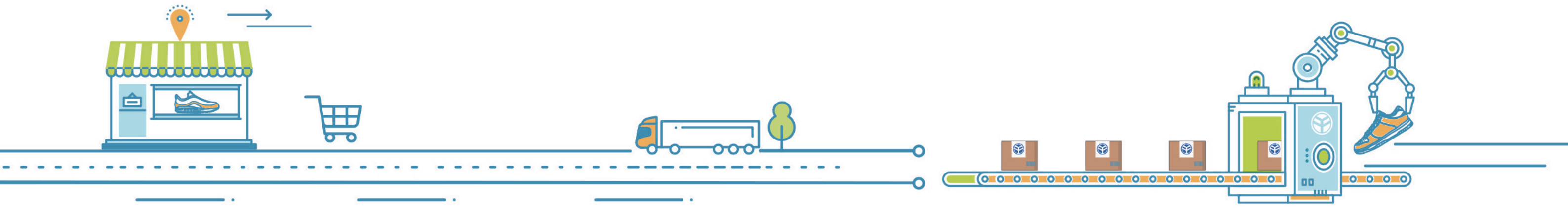


^ Sales of the Group's retail subsidiary in the Greater China region, including shoes, apparel, commissions from concessionaire sales and others

Revenue by Geography







Corporate Information

(As of March 11, 2025)

Executive Directors

Lu Chin Chu *(Chairman)*
Tsai Pei Chun, Patty [5] *(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 [1, 2, 3, 4]
Ho Lai Hong [1, 3, 5, 6]
Lin Shei-Yuan [1, 3, 5]
Yang Ju-Huei [1, 3]

Notes:

1. *Member of audit committee*
2. *Chairman of audit committee*
3. *Member of remuneration committee*
4. *Chairman of remuneration committee*
5. *Member of nomination committee*
6. *Chairman of nomination committee*

Company Secretary

Ng Yin Ling, Jennifer

Authorized Representatives

Shih Chih-Hung
Ng Yin Ling, Jennifer

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business in Hong Kong

22nd Floor, C-Bons International Center
108 Wai Yip Street
Kwun Tong, Kowloon, Hong Kong

Auditor

Deloitte Touche Tohmatsu
(Registered Public Interest Entity Auditor)

Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Bankers

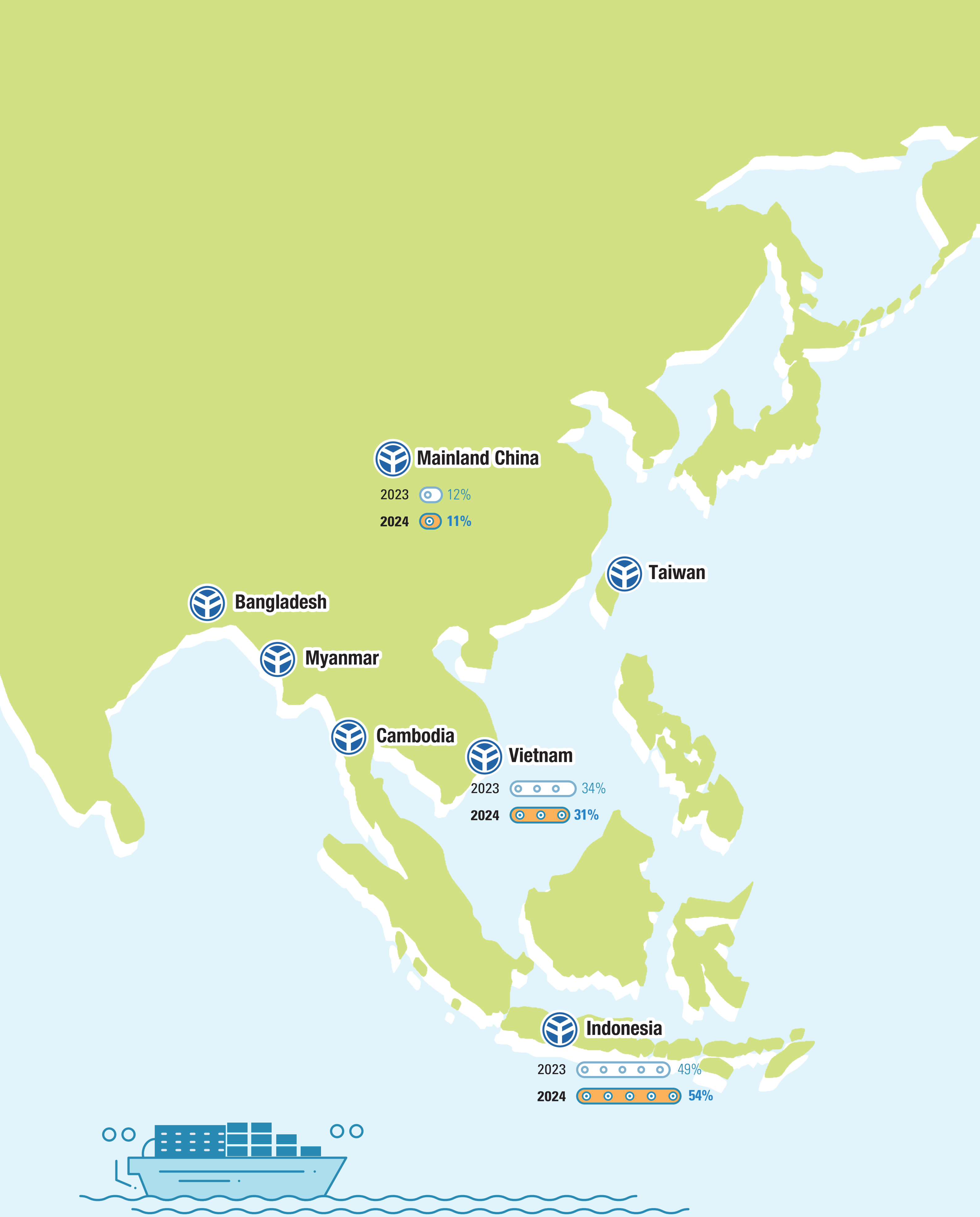
(Listed in alphabetical order)

- Australia and New Zealand Banking Group Limited
- Bank of Nova Scotia
- Bank of Singapore Limited
- Bank SinoPac
- BNP Paribas
- Cathay United Bank Company, Limited
- CTBC Bank Co., Ltd.
- Citibank, N.A.
- Credit Agricole Corporate & Investment Bank
- DBS Bank Ltd.
- Hang Seng Bank, Limited
- Mizuho Bank, Ltd.
- MUFG Bank, Ltd.
- OCBC Bank (Hong Kong) Limited
- Standard Chartered Bank (Hong Kong) Limited
- Sumitomo Mitsui Banking Corporation
- Taipei Fubon Commercial Bank Co., Ltd.
- Taishin International Bank Co., Ltd
- Taiwan Shin Kong Commercial Bank Co., Ltd.
- UBS AG
- United Overseas Bank Ltd.

Website

www.yueyuen.com

STOCK CODE: 00551



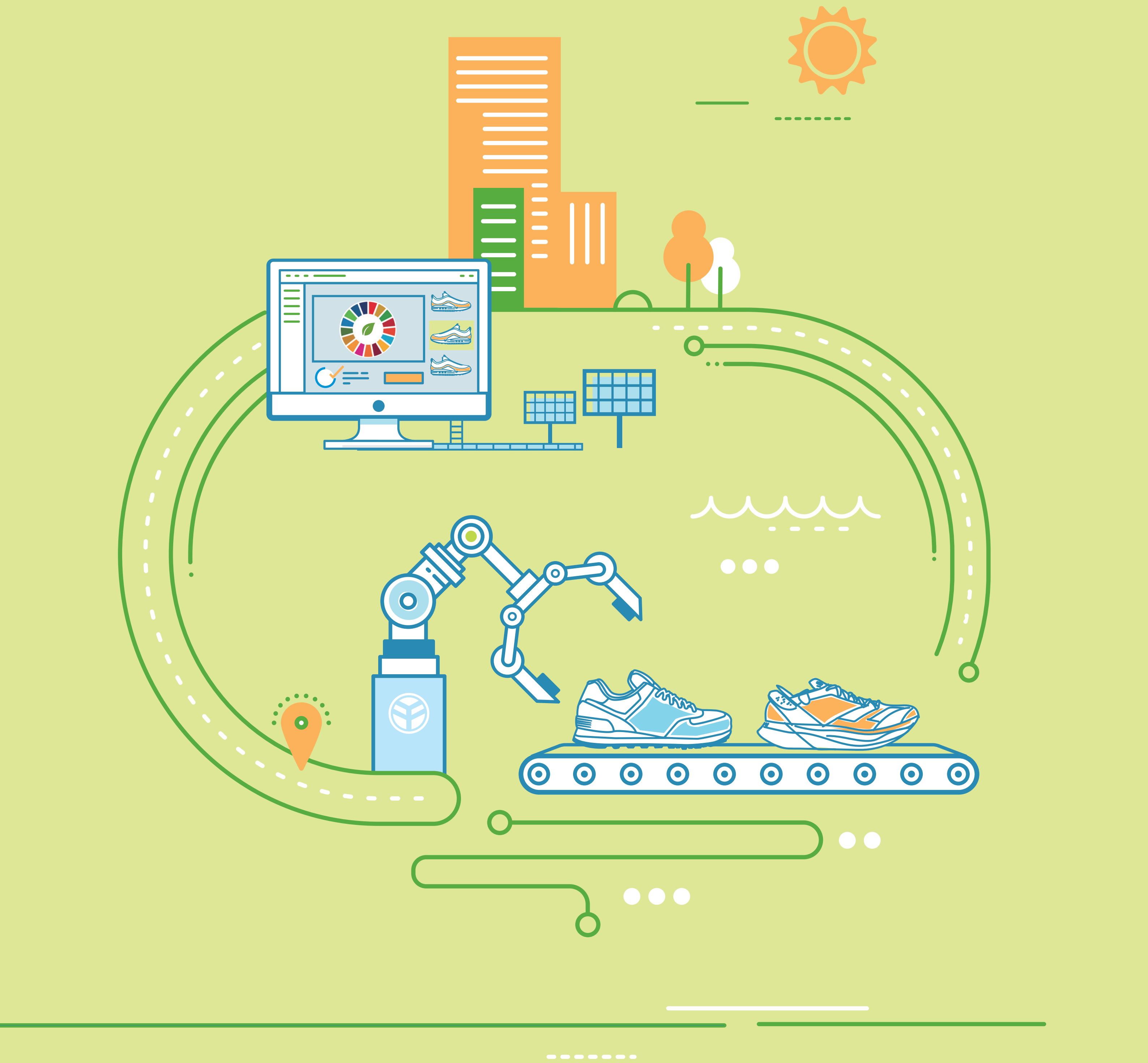
Note: The bar charts demonstrate the shipment volume by region

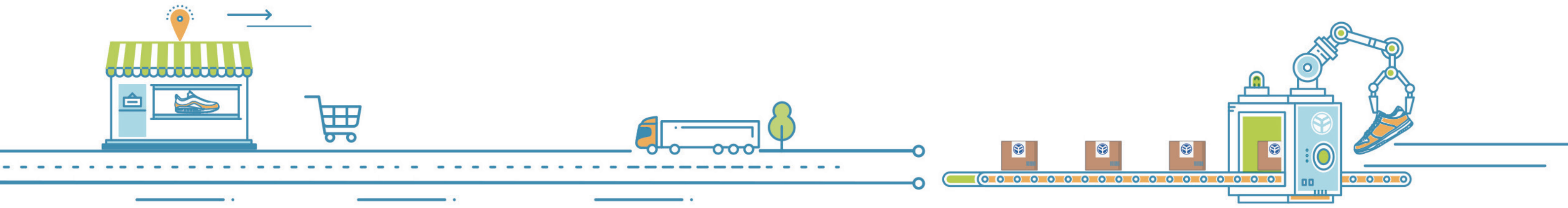
Chairman's Statement

LOOKING FOR SUSTAINABLE GROWTH

Dear Shareholders,

I am pleased to present the annual results of Yue Yuen Industrial (Holdings) Limited (the "Company" and together with its subsidiaries, the "Group") for the financial year ended December 31, 2024 (the "Year"), to the shareholders of the Company (the "Shareholders").





Chairman's Statement

Further Normalization of Demand for Global Footwear Leads to a Substantial Recovery

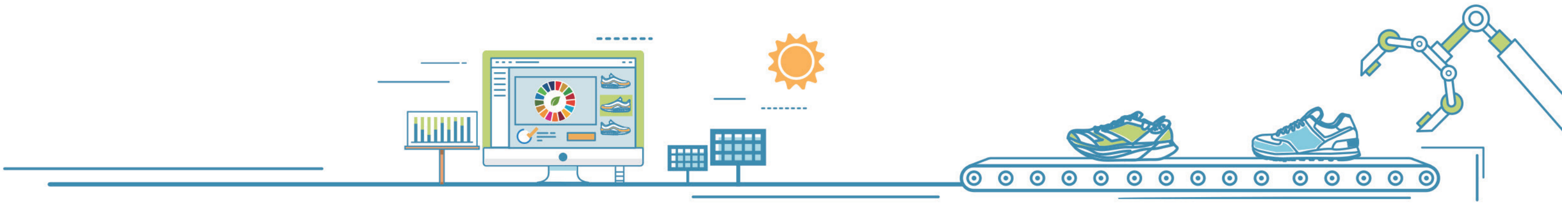
In 2024, global demand for footwear products rebounded significantly following the completion of destocking cycles that shaped market dynamics. According to official statistics, the value of Vietnamese footwear exports in 2024 increased by 13.0% year-on-year to US$22.9 billion, while the value of Indonesian sports shoe exports increased by 9.3% year-on-year to US$4.7 billion. Meanwhile, the value of Chinese footwear exports in 2024 declined by 4.9% year-on-year to US$46.9 billion, while the volume of Chinese footwear exports increased by 3.3% year-on-year to 9.2 billion pairs. This recovery in demand benefited the Group's footwear manufacturing business. Supported by our flexible production scheduling, shipment volumes increased quarter by quarter, leading to a substantial rise in shipments compared to the previous year. Strong order fulfillment also resulted in a significant increase in overall capacity utilization rate and improved production efficiency across our manufacturing business.

However, consumption momentum in mainland China remained subdued, weighed down by macroeconomic factors and uneven consumer confidence. According to the National Bureau of Statistics of China, the retail value of clothes, shoes, hats and textiles grew by just 0.3% year-on-year in 2024. This trend inevitably impacted our retail business, Pou Sheng International (Holdings) Limited ("Pou Sheng"). Despite operating in an environment where currently price concessions are favored to drive higher sales volumes, Pou Sheng remained focused on enhancing sales quality. Nevertheless, Pou Sheng recorded an 8.0% decline in sales year-on-year in RMB terms.

Excellence Strategy Drives Profitability and Safeguards Shareholder Returns

During the Year, the Group's overall revenue increased by 3.7% to approximately US$8.2 billion, mainly driven by the strong performance of its manufacturing business. Rising demand and preferences from brand customers for high-quality suppliers, along with quarter-on-quarter increases in our shoe manufacturing orders, resulted in a 16.9% increase in shipment volumes to 255.3 million pairs. Revenue from footwear manufacturing increased 11.0% year-on-year.

The scale of topline growth in our manufacturing business created operating leverage, as we also continued to pursue organizational restructuring and process optimization opportunities during the Year. We also further enhanced our profitability through a combination of flexible production scheduling, orderly overtime arrangements, the steady ramp-up of new capacity, and a strong focus on cost reduction and efficiency improvement. These efforts supported a 0.7 percentage point expansion in the gross margin of our manufacturing business, reaching 19.9%. Additionally, the operating profit margin was exceptional, hitting a new high since 2010.



Chairman's Statement

As a forward-looking pioneer in our industry, we were among the first to establish early production capacity in Indonesia. In 2024, Indonesia accounted for 54% of our total footwear shipments, while Vietnam and mainland China accounted for 31% and 11%, respectively. Our strategic foresight and professional judgement in establishing multinational operations are closely aligned with the needs of our brand partners, who are increasingly prioritizing strategic supply chain partners with diverse production locations and robust development capabilities.

Meanwhile, despite the challenging sportswear market in mainland China, Pou Sheng achieved satisfactory profitability by strategically enhancing its business portfolio, improving all-rounded operational turnover efficiency, prioritizing digital transformation, and implementing cost reduction and efficiency improvement initiatives.

As a result of the overall improvement in our profitability and solid financial position, the profit attributable to owners of the Company increased by 42.8% to approximately US$392.4 million during the Year. In line with our commitment to deliver sustainable returns to shareholders, our full year payout ratio remained stable at nearly 70%. We remain committed to maintaining a relatively steady dividend level over the long term.

Driving Resilience and Optimizing Long-term Quality Through Digital Transformation

Building on the strong momentum achieved in 2024, we remain committed to executing our strategies to further enhance the short- and long-term profitability of our manufacturing and retail businesses, powered by our ongoing digital transformation and our unwavering dedication to advancing smart manufacturing and retail excellence.

On the manufacturing side, we will continue to invest in digital lean management and intelligent automation, staying true to our mission of becoming a smart technology-based footwear manufacturer. We will further integrate our manufacturing management systems and target the full rollout of our SAP ERP system and One Common Platform ("OCP") across all our factories in 2025. This will optimize our eco-intelligent and smart manufacturing approach, strengthen process re-engineering, improve productivity, and maximize the value of our investments. We are also piloting an artificial intelligence ("AI") agent as a key component of our iterative digital innovation strategy. Altogether, this will enable us to enhance our operational capabilities to meet fast-changing market demands, while providing highly customized innovative solutions with greater agility and a stronger focus on Environmental, Social and Governance ("ESG")-centric management.

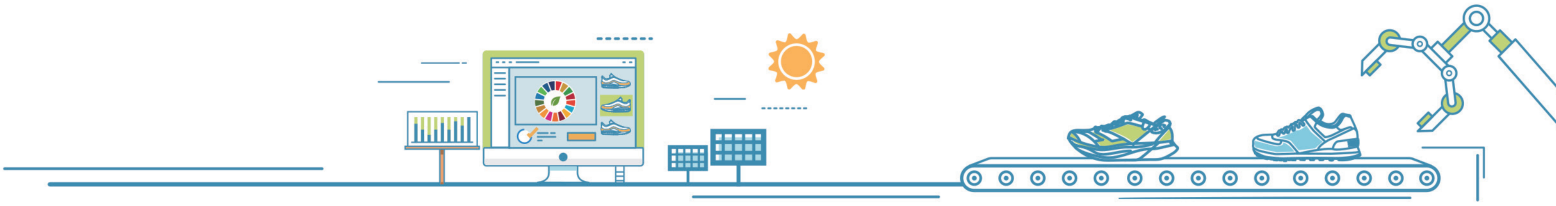
Chairman's Statement

On the retail side, Pou Sheng focused on further strengthening its operational and digital capabilities, supported by a multi-faceted operation matrix, while dynamically managing its retail footprint and omni-channel presence and effectively connecting online and offline communities. This includes implementing a multi-storefront model within its public traffic domain and Pan-WeChat Ecosphere, covering live-streaming by Key Opinion Staff on Douyin and YYsports Douyin stores authorized by brand partners. These efforts saw the contribution from omni-channels rise to 28% of total revenue. Pou Sheng also successfully upgraded its SAP ERP system during the Year, laying a solid foundation for strategic decision-making at the management level, while integrating its business and finance functions and further strengthening its business intelligence platform and, as a results, enabled us to monitor its entire operations through digital cloud-based financial dashboards in real-time, improving operational efficiency.

Developing a Competitive Edge by Embedding Sustainability at Our Core

Sporting goods companies worldwide have established ambitious goals of ESG and developed strategic action plans. As part of this global effort, we are committed to leading the industry by collaborating with brand partners on key projects, ensuring our role as an essential and influential force within the value chain.

Our commitment to sustainable manufacturing garnered recognition from a number of distinguished external parties in 2024. We received a 'BB' MSCI ESG rating, along with strong CDP ratings for Climate Change and Water Security at the Management level. Our ESG and Corporate Sustainability Assessment ("CSA") scores, awarded as part of the annual assessment conducted by S&P Global, both improved compared with the previous year. This positioned us ahead of 87% of the 188 companies assessed in the Textiles, Apparel & Luxury Goods industry. Additionally, we were honored as an 'Industry Mover' in the S&P Global Sustainability Yearbook (China) 2024 for the first time, marking a significant milestone in our sustainability journey.



Chairman's Statement

Long-term Prospects for the Sportswear Industry Remain Positive

Positive post-pandemic tailwinds have fueled a sustained and growing demand for sports, which is showing no signs of slowing down as more people recognize the importance of health and wellness while embracing the functionality and comfort of sports footwear across various social settings. This trend spans all age groups, from Gen Z consumers in emerging markets to increasingly active retirees. Our long-term prospects for the industry are still encouraging despite ongoing global macroeconomic and geopolitical uncertainties. According to the latest industry report published by the World Federation of the Sporting Goods Industry ("WFSGI") and McKinsey, the global sporting goods industry is projected to achieve a compound annual growth rate ("CAGR") of 6% from 2024 to 2029, leading the market value to reach US$548 billion by 2029. The report shows that exercise has evolved into a fashionable lifestyle and a defining element of social identity, leading to the greater importance of sports, especially for Gen Z and millennials, and demonstrating the further enhancement of the athleisure trend. According to market research agency Statista, the volume of the global footwear market is estimated to reach 14.9 billion pairs by 2029, while the demand for footwear made with innovative eco-friendly materials and production method continues to increase.

We will actively leverage these trends, continually improving the quality of our operations to seize new opportunities. We will continue to safeguard our sustainable growth by staying agile in response to an ever-changing market environment, supported by our excellent operational foundations and convictions. By doing so, we aim to create lasting value and deliver long-term returns for our shareholders and stakeholders.

On behalf of the board of directors of the Company (the "Board"), I would like to take this opportunity to thank our customers, suppliers, business associates, and shareholders for their invaluable and enduring support. I would also like to thank my dedicated colleagues for their hard, irreplaceable and valued work.

Lu Chin Chu
Chairman

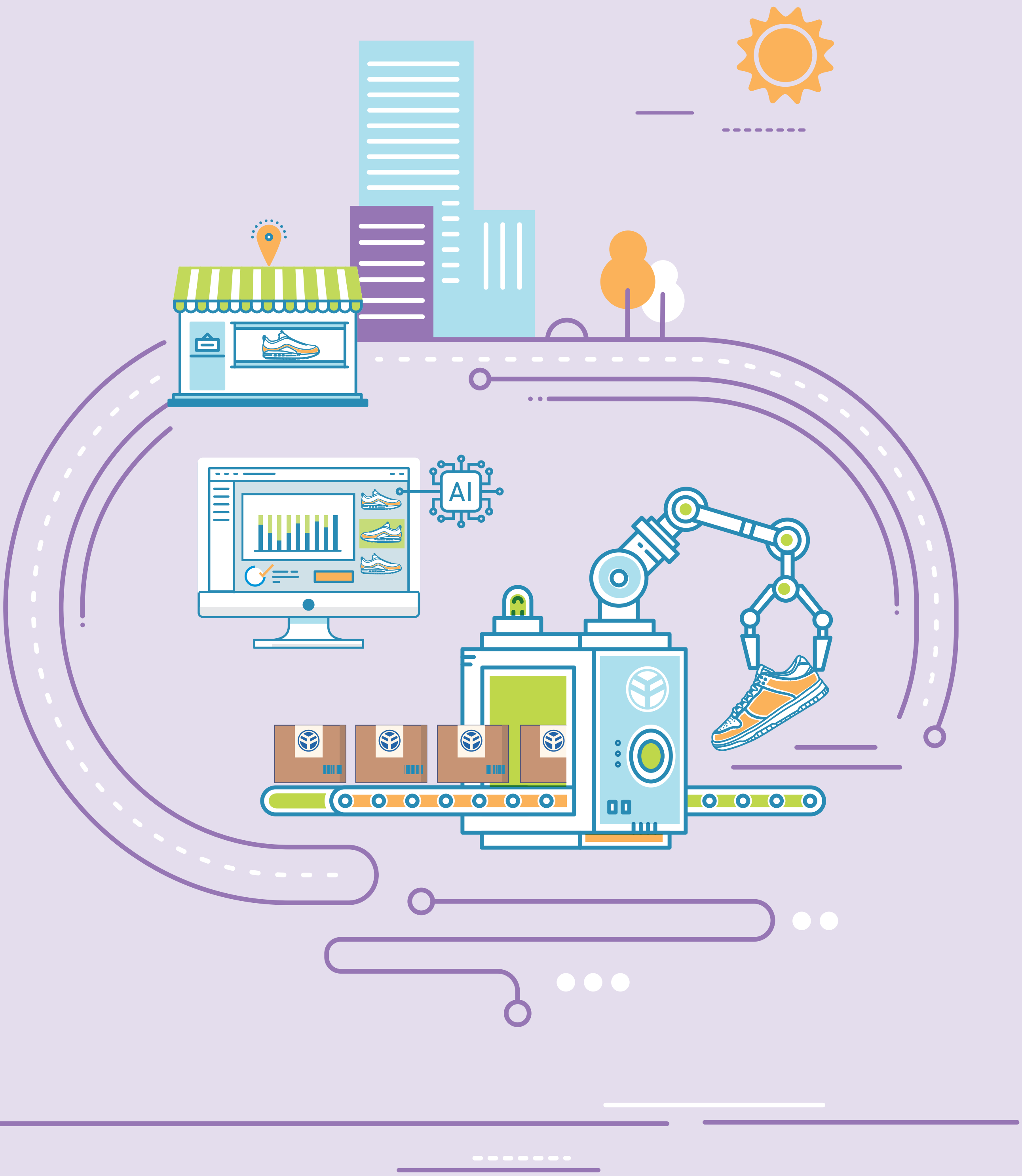
Hong Kong
March 11, 2025

BUILD VALUE FOR OUR STAKEHOLDERS

Business Review

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

In the Year, there was a substantial recovery in global demand for footwear following the completion of the destocking cycle seen in 2023. The value of footwear exports from major production countries in Southeast Asia also reflected a similar trend. Amid the ongoing normalization of the global footwear market, brand customers prioritized strategic supply chain partners with strong development capabilities. During the Year, the Group's manufacturing business saw a substantial rise in demand for its footwear products, with footwear shipment volumes growing robustly and the year-on-year decline in average selling prices narrowing with each passing quarter. Strong order fulfillment, coupled with a substantial increase in the Group's overall capacity utilization rate and production efficiency, led to a solid growth in gross profit and operating profit.


AI

Management Discussion and Analysis

Business Review (continued)

Throughout the Year, the Group experienced some uneven production leveling across its various manufacturing plants, with production capacity in certain production lines being outstripped by demand. However, the situation improved in the second half of the Year, thanks to the Group's proactive efforts to balance demand and its order pipeline, as well as through flexible production scheduling, orderly overtime arrangements, and the steady ramp-up of new production capacity. At the same time, the Group's sustained focus on restructuring, cost-reduction and efficiency-improvement initiatives, as well as digital smart manufacturing management, improved its overall profitability.

Sales momentum at the Group's retail subsidiary, Pou Sheng, was soft, with weak store traffic across various cities in mainland China amidst a mixed sportswear consumption landscape. Despite this, Pou Sheng continuously improved sales conversion rates within its directly operated brick and mortar ("B&M") channel as it further progressed its retail refinement strategy and dynamically managed its store portfolio, optimizing store-level productivity and efficiency. At the same time, Pou Sheng's omni-channel sales remained resilient as it leveraged its continuously improving omni-channel capabilities, while maintaining a high degree of agility and flexibility in its decision-making processes. For more details on the financials and strategies of the Group's retail business, please refer to the 2024 annual report of Pou Sheng.

As a responsible leader in the footwear industry, Yue Yuen is a member of the WFSGI and supports the principles of the WFSGI Code of Conduct, while also advocating for the United Nations Global Compact ("UNGC") and key Sustainable Development Goals ("SDGs"). The Group remains committed to sustainability, ethical conduct and its corporate values. Whenever making important business decisions, the Group considers the interests of all stakeholders. The Group monitors and manages its business using comprehensive guidelines for employee relations, workplace safety, and the efficient use of raw materials, energy, and other environmental factors, as well as an eco-intelligent management system. By fostering a culture of ethical conduct and integrity, the Group fulfills its corporate responsibility.

The Group has achieved significant recognition for its sustainability and corporate governance from distinguished external parties. In the assessment conducted by S&P Global, Yue Yuen achieved an S&P Global ESG Score of 48 for 2024 (2023: 41) and a CSA score of 43 (2023: 34). This performance placed the Group ahead of 87% of the 188 companies in the Textiles, Apparel & Luxury Goods industry. The Group was also selected in the S&P Global Sustainability Yearbook (China) 2024 for the first time and was named an 'Industry Mover' in recognition of the significant improvement in its ESG performance.

The Group secured a top three position in the Best ESG category in the "2024 Asia (ex-Japan) Executive Team" rankings published by Institutional Investor magazine, which is determined by investment professionals. Additionally, it received the Grand ESG Award from the Hong Kong Investor Relations Association for the first time. Based on the data reported through the CDP's 2024 disclosure, the Group earned a 'B-' rating for Water Security and a 'B' rating for Climate Change, both at the Management level. Furthermore, the Group received its 'BB' MSCI ESG rating, reflecting its efforts and that of its parent company, Pou Chen Corporation ("Pou Chen"), in setting targets and taking action to promote sustainability and corporate governance.

Management Discussion and Analysis

Business Review (continued)

As a people-oriented business, the Group abides by its Code of Conduct and is dedicated to promoting a caring culture. Talent cultivation is one of the key strategies for its long-term sustainable development. The Group's parent company, Pou Chen, continues to be accredited by the Fair Labor Association ("FLA"), and together with the Group, builds a great workplace, and places the health, safety and welfare of all employees as a top priority, while promoting human rights and providing fair compensation for its employees. For more details, please refer to the Company's 2024 ESG Report, which aligns with the Hong Kong Listing Rules and refers to international sustainability standards issued by organizations including the Global Reporting Initiative ("GRI") and the Sustainability Accounting Standards Board ("SASB").

Results of Operations

During the Year under review, the Group recorded revenue of US$8,182.2 million, representing an increase of 3.7% compared with the previous year. The profit attributable to owners of the Company was US$392.4 million, an increase of 42.8% as compared to US$274.7 million recorded for the previous year. The profit attributable to owners of the manufacturing business increased by 51.1% to US$349.7 million, while the profit attributable to owners of Pou Sheng increased by 0.2% to RMB491.5 million. The basic earnings per share was 24.37 US cents, compared to 17.05 US cents for the previous year.

Revenue Analysis

During the Year under review, revenue attributed to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) increased by 11.0% to US$5,169.0 million, compared with the previous year. The fulfillment of orders strengthened quarter-on-quarter throughout the Year, with footwear shipment volumes increasing by 16.9% to 255.3 million pairs. The average selling price decreased by 5.1% to US$20.25 per pair due to a high base effect and changes to its product mix.

The Group's athletic/outdoor shoes category accounted for 85.2% of footwear manufacturing revenue in the Year under review. Casual shoes and sports sandals accounted for 14.8% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 53.8% of total revenue, followed by casual shoes and sports sandals, which accounted for 9.4% of total revenue.

The Group's total revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) was US$5,620.8 million for the Year under review, representing an increase of 11.1% as compared with the previous year.

Management Discussion and Analysis

Results of Operations (continued)

Revenue Analysis (continued)

For the retail business, revenue attributed to Pou Sheng decreased by 9.5% to US$2,561.4 million for the Year under review, compared to US$2,830.7 million in the previous year. In RMB terms (Pou Sheng's reporting currency), revenue decreased by 8.0% to RMB18,453.9 million, compared to RMB20,064.5 million in the previous year. This decrease was mostly attributable to an increasingly dynamic retail environment in mainland China, where a significant drop in store traffic and a substantial decline in same-store sales hindered its overall sales. Despite these challenges, Pou Sheng's omni-channels remained resilient, with Douyin live-stream sales doubling. As of December 31, 2024, Pou Sheng had 3,448 directly operated retail stores across the Greater China region, representing a net closure of 75 stores as compared with the 2023 year-end. Ensuring a holistic approach to new store openings and selectively rightsizing or upgrade of its stores is at the core of Pou Sheng's retail refinement strategy, enabling it to focus on enhancing store-level efficiency.

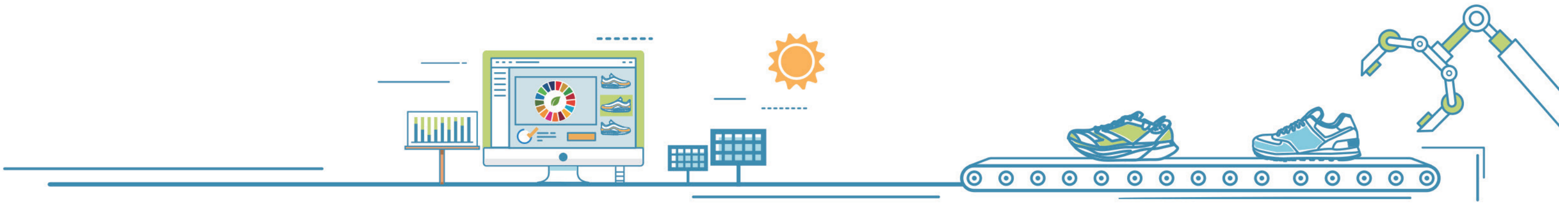
Total Revenue by Category

	For the year ended December 31,				
	2024		2023		*change*
	US$ million	**%**	*US$ million*	*%*	*%*
Athletic/Outdoor Shoes	**4,403.6**	**53.8**	4,041.1	51.2	9.0
Casual Shoes & Sports Sandals	**765.4**	**9.4**	616.4	7.8	24.2
Soles, Components & Others	**451.8**	**5.5**	402.0	5.1	12.4
Pou Sheng*	**2,561.4**	**31.3**	2,830.7	35.9	(9.5)
Total Revenue	**8,182.2**	**100.0**	7,890.2	100.0	3.7

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

Sales in the Group's manufacturing business are primarily derived from manufacturing orders. Manufacturing orders from international brands are received by business units that manage each customer and normally take about ten to twelve weeks to fill. Reducing lead times for product creation and production to get closer to the end consumer market remains at the core of many customers' long-term success, with an increasing number of orders requesting shorter lead times of between 30-45 days. Nevertheless, the short-term priorities of some customers are balancing agile capacity allocation, as well as on-time delivery and quick response time alongside macroeconomic uncertainties in the short term.

Pou Sheng's sales are recorded daily, or at periodic intervals if from sub-distributors.



Management Discussion and Analysis

Results of Operations (continued)

Production Review

In 2024, the Group's manufacturing business shipped a total of 255.3 million pairs of shoes, an increase of 16.9% compared to the 218.3 million pairs shipped in the previous year. The average selling price per pair was US$20.25, a decrease of 5.1% as compared to US$21.34 in the previous year.

In terms of production allocation, Indonesia, Vietnam and mainland China continued to be the Group's main production locations by shoe volume in 2024, representing 54%, 31% and 11% of total shoe shipments, respectively.

Cost and Expenses Review

With respect to the cost of goods sold by the Group's manufacturing business in 2024, total main material costs were US$2,006.2 million (2023: US$1,843.8 million). Direct labor costs and production overheads were US$2,497.5 million (2023: US$2,243.5 million). The total cost of goods sold by the Group's manufacturing business was US$4,503.7 million (2023: US$4,087.3 million). For the Group's retail business, Pou Sheng, cost of sales were US$1,685.7 million (2023: US$1,877.6 million).

During the Year under review, the Group's gross profit increased by 3.5% to US$1,992.7 million, while the overall gross profit margin was 24.4%. The gross profit of the manufacturing business increased by 14.9% to US$1,117.0 million, with the gross profit margin of the manufacturing business increasing by 0.7 percentage points to 19.9% as compared to the previous year. This increase was mainly attributed to strong demand for its footwear manufacturing orders, which led to a substantial increase in the Group's overall capacity utilization rate and production efficiency, as well as the steady ramp-up of new production capacity. These factors more than offset the negative impact from uneven production leveling. For the retail business, the gross profit margin for Pou Sheng was 34.2%, an increase of 0.5 percentage points, due to well-managed discount controls and effective inventory management.

Cost of Goods Sold Analysis – Manufacturing Business

	For the year ended December 31,				
	2024		2023		*change*
	US$ million	**%**	*US$ million*	*%*	*%*
Main Material Costs	**2,006.2**	**44.5**	1,843.8	45.1	8.8
Direct Labor Costs & Production Overheads	**2,497.5**	**55.5**	2,243.5	54.9	11.3
Total Cost of Goods Sold	**4,503.7**	**100.0**	4,087.3	100.0	10.2

The Group's total selling and distribution expenses for 2024 decreased by 6.3% to US$838.2 million (2023: US$894.2 million), equivalent to approximately 10.2% (2023: 11.3%) of revenue.

Administrative expenses for 2024 increased by 1.2% to US$553.4 million (2023: US$546.6 million), equivalent to approximately 6.8% (2023: 6.9%) of revenue.

Management Discussion and Analysis

Results of Operations (continued)

Cost and Expenses Review (continued)

Other income for 2024 decreased by 9.5% to US$122.7 million (2023: US$135.6 million), equivalent to approximately 1.5% (2023: 1.7%) of revenue. Other expenses decreased by 17.9% to US$177.4 million (2023: US$216.2 million), equivalent to approximately 2.2% (2023: 2.7%) of revenue, within which no expenses for production capacity adjustments were incurred, compared to one-off expenses of approximately US$31.1 million for production capacity adjustments incurred in 2023. Other expenses for the Year included US$12.3 million of administrative penalties related to the tax disputes relating to subsidiaries of the Company in Indonesia ("Tax Disputes") while there were no such expenses in 2023.

As a result, the Group's net operating expenses for the Year decreased by US$75.1 million or 4.9%.

Product Development

In the Year under review, the Group spent US$142.2 million (2023: US$157.9 million) on product development, including investments in sampling and digital prototyping, technological and process engineering, as well as production efficiency enhancements. For each of the major brand customers that has an R&D team, a parallel independent product development center exists within the Group to support the said R&D team to incorporate innovation, technology and sustainable materials into product development work. The Group is also cooperating with its customers to implement digital transformation to seek efficiency improvements in development, production processes and lead times, while formulating new techniques to produce best-quality footwear for world-renowned brand customers.

Finance Costs and Tax Expense

In the Year under review, interest paid on bank borrowings (excluding lease liabilities) amounted to US$52.8 million (2023: US$71.0 million). The decline was mainly due to debt repayment, which resulted in lower total bank borrowings. In the Year, in accordance with applicable Financial Reporting Standard, interest paid on lease liabilities amounted to US$9.9 million (2023: US$12.7 million).

Income tax expense for the Year amounted to US$147.4 million with US$28.2 million related to the Tax Disputes. Excluding the Tax Disputes, profit before taxation amounted to US$584.4 million and income tax expense amounted to US$119.2 million, resulting in effective tax rate of 20.4% (2023: 20.8%).

Recurring Profit Attributable to Owners of the Company

In the Year under review, the Group recognized a non-recurring profit attributable to owners of the Company of US$13.8 million. This included a one-off gain on the partial disposal of associates and gain on deemed disposal of an associate totaling US$31.5 million which was largely offset by a combined loss of US$11.3 million due to fair value changes on financial instruments at fair value through profit or loss ("FVTPL") and fair value changes on investment properties (net of tax), and a combined impairment loss of US$6.6 million on interests in a joint venture and an associate.

Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company for the Year was US$378.6 million, representing an increase of 43.7% compared with US$263.4 million for the previous year.

Management Discussion and Analysis

Liquidity, Financial Resources, Capital Structure and Others

Cash Flow

The Group recorded net cash generated from operating activities (net of tax) of US$537.1 million in 2024 (2023: US$944.7 million). Free cash inflow amounted to US$325.8 million (2023: US$744.1 million). Net cash used in investing activities amounted to US$58.5 million (2023: US$151.7 million) while net cash used in financing activities was US$631.0 million (2023: US$859.7 million), mainly for dividend payment and the repayment of bank borrowings. The overall net decrease in cash and cash equivalents amounted to US$152.4 million (2023: US$66.7 million).

Financial Position and Liquidity

The Group's financial position remained solid. As at December 31, 2024, the Group had bank balances and cash of US$943.2 million* (December 31, 2023: US$1,142.1 million) and total bank borrowings of US$757.3 million (December 31, 2023: US$972.7 million). The Group's gearing ratio (total bank borrowings to total equity) was 15.4% (December 31, 2023: 20.7%). As at December 31, 2024, the Group had net cash of US$185.9 million (December 31, 2023: US$169.4 million). As at December 31, 2024, the Group had current assets of US$3,844.9 million (December 31, 2023: US$3,783.9 million) and current liabilities of US$1,769.8 million (December 31, 2023: US$1,984.7 million). The current ratio was 2.2 as at December 31, 2024 (December 31, 2023: 1.9).

* *Ending bank balances and cash as at December 31, 2024 included bank deposits with original maturity over three months which amounted to US$186.3 million (December 31, 2023: US$218.9 million).*

Funding and Capital Structure

The Group principally meets its current and future working capital, capital expenditure and other investment requirements through a combination of funding sources, including cash flows from operations and bank borrowings. With regard to the choice of debt versus equity financing, which would thus affect its capital structure, the Group will consider the impact on its weighted average cost of capital and its leverage ratio, etc., with an aim of lowering the weighted average cost of capital while maintaining its gearing ratio at a comfortable level. In line with the growing sustainable financing trend, the Group also arranged some of its financing activities with banks that incorporate ESG elements.

The Group used debt financing mostly by means of bank loans. In terms of the maturity profile of loans, most of the bank loans for the Group's manufacturing business were long-term committed facilities that partly meet the funding needs of its capital expenditures and long-term investments. Short-term revolving loan facilities were also utilized regularly for daily working capital purposes. At present, the Group maintains an abundant level of bank facilities to meet its working capital needs. As of December 31, 2024, around 66.0% of the Group's total bank borrowings were long-term bank loans, with the Group arranging the early refinancing or prepayment of long-term loans expiring in 2024. As at December 31, 2024, no assets of the Group were pledged to secure banking facilities for the Group.

Management Discussion and Analysis

Liquidity, Financial Resources, Capital Structure and Others (continued)

Funding and Capital Structure (continued)

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

All of the Group's bank borrowings relating to its manufacturing business are on a floating rate basis, while the bank borrowings relating to its retail business are mostly fixed-rate.

Capital Expenditure

In 2024, the Group's overall capital expenditure reached US$211.3 million (2023: US$200.6 million). The capital expenditure for its manufacturing business was US$159.8 million (2023: US$152.0 million), which was directed towards the strategic expansion and optimization of its manufacturing capacity, along with focused investments in digital transformation to achieve manufacturing excellence.

During the Year under review, capital expenditure for its retail business, Pou Sheng, increased slightly to US$51.5 million (2023: US$48.6 million). Pou Sheng maintained its retail refinement strategy with a selective approach to opening and upgrading experience-driven retail stores, further advancing its long-term digital transformation strategy and optimizing its SAP ERP system.

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

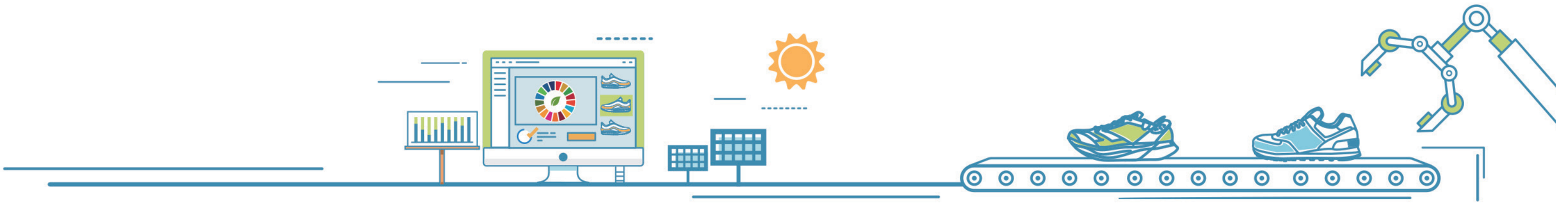
In the Year under review, the Group did not undertake any significant investments or material acquisitions/ disposals. Apart from investments for operation purposes which are made in the ordinary and usual course of business, according to the Company's announcement dated April 17, 2023, the Group has entered into a memorandum of understanding with the Tamil Nadu Government in India, under which an indirect wholly-owned subsidiary of the Company will invest approximately 23 billion Rupees (equivalent to approximately US$276 million) in phases in an investment project to establish a manufacturing base in a special economic zone in India. This investment project will be funded by the internal resources of the Group and/or bank borrowings, if necessary. During the Year, the land for the relevant project was transferred and preparations for factory construction commenced. The expansion project is expected to progress in an orderly manner, based on operating conditions and the needs of the Group's brand customers in the future. All major developments concerning this project will be disclosed in a timely manner in accordance with regulations.

The Group currently has no plans for acquiring assets.

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have material acquisition or disposals of subsidiaries, associates and joint ventures in 2024.



Management Discussion and Analysis

Liquidity, Financial Resources, Capital Structure and Others (continued)

Contingent Liabilities

The Group had provided guarantees to banks in respect of banking facilities granted to joint ventures and an associate, the detail of which can be seen in Note 40 to the consolidated financial statements in this annual report.

Foreign Exchange Exposure

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

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

Share of Results of Associates and Joint Ventures

In 2024, the share of results of associates and joint ventures was a combined profit of US$78.4 million, compared to a combined profit of US$62.2 million in the previous year.

Dividends

The Board has resolved to declare a final dividend of HK$0.90 per share (2023: HK$0.70 per share) for shareholders whose names appear on the register of members of the Company on Monday, June 9, 2025. The final dividend shall be paid on Tuesday, June 24, 2025. Together with the interim dividend, the total dividend for the Year would be HK$1.30 per share (2023: HK$0.90 per share), representing the dividend payout ratio of nearly 70%.

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

Employees

As at December 31, 2024, the Group had approximately 285,500 employees employed across all regions in which it operates, an increase of 7.9% as compared to approximately 264,700 employees employed as at December 31, 2023. The Group's manufacturing business employed approximately 265,500 employees, an increase of 9.4%, while Pou Sheng employed around 20,000 employees a decrease of 9.5%. The Group adopts a remuneration system based on an employee's performance throughout the Year and prevailing salary levels in the market.

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

Management Discussion and Analysis

Employees (continued)

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

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

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

Prospects

The Group is optimistic about its sustainable growth momentum. It remains confident in the long-term prospects of both the global footwear and sports industries, bolstered by strong demand for high-quality suppliers. However, the near-term business environment is inevitably unsettled with the risk of volatile sentiment due to uncertainties regarding global tariffs and inflation, uneven consumer confidence, and ongoing regional conflicts impacting shipping lanes.

Yue Yuen remains committed to its mid- to long-term capacity allocation strategy. This includes diversifying its manufacturing capacity in regions such as Indonesia and India, where labor supply and infrastructure are supportive of sustainable growth. It will proactively monitor the economic and industry-specific environments and implement its comprehensive plan that maintain a disciplined approach to capacity expansion and the steady ramp-up of newly added capacity, thereby balancing demand with its order pipeline and labor supply, further enhancing production efficiency.

It will further strengthen its operational resilience through its highly flexible and agile manufacturing excellence strategies, while leveraging its core competitive edges and superior adaptability. Supported by strict cost and expense controls, these efforts aim to safeguard profitability while maintaining a healthy cash flow and a solid financial position. Meanwhile, the Group will harness its strategy of balancing sustainable value and volume growth, capitalizing on the 'athleisure' trend and its integrated product development capability which combines automation technology with R&D strength to seek quality orders with a solid product mix.

Prospects (continued)

The Group will also continue to pursue its long-term digital transformation strategy, focusing on achieving operational excellence through digital lean management. It will also progressively invest in intelligent automation in stages and redefine productivity using innovative solutions powered by AI. This involves utilizing AI and leveraging data-driven decision-making and predictive analysis, linking and verifying data to make forward-looking management predictions. Supported by extensive practical experience with current trends, the approach will further enhance system efficiency.

The Group expects to fully complete the roll-out of its SAP ERP system and OCP in 2025. Focusing more on decision-making and operational management applications, along with iterative and incremental upgrades, the system will establish a manufacturing excellence framework and strengthen the Group's sustainable corporate operating capabilities. This will be further bolstered by the progressive integration of AI agents and eco-intelligent modules in the future. As a powerful management tool, it will also enhance the Group's competitive adaptability and process optimization capabilities, and its ability to cater to the fast-moving market and operational environment. These include increased demand from brand customers for greater versatility, flexibility, more efficient turnaround times, on-time delivery, end-to-end capabilities and most importantly, ESG-centric management.

The Group's retail subsidiary, Pou Sheng, will continue to advance its retail refinement strategy dynamically managing its B&M and omni-channel footprint, as well as introducing new store concepts and broadening its category offerings while maintain its unwavering commitment to operational excellence. It will also continue maximizing its strategic partnerships with business associates, while maintaining dynamic inventory controls and effectively managing its working capital to safeguard its margins and shareholder return.

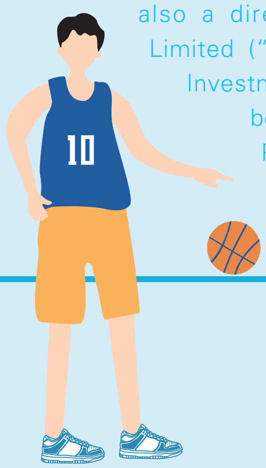
Looking into the long-term future, the Group remains confident that the aforementioned strategies will enable it to safeguard its core operational capabilities, continue providing its brand partners with comprehensive, the best possible solutions. With a forward-thinking approach, the Group aims to attain an even more superior position in the market, while safeguarding its long-term profitability and ability to deliver sustainable returns and create value for shareholders.

Biographical Details of Directors and Senior Management

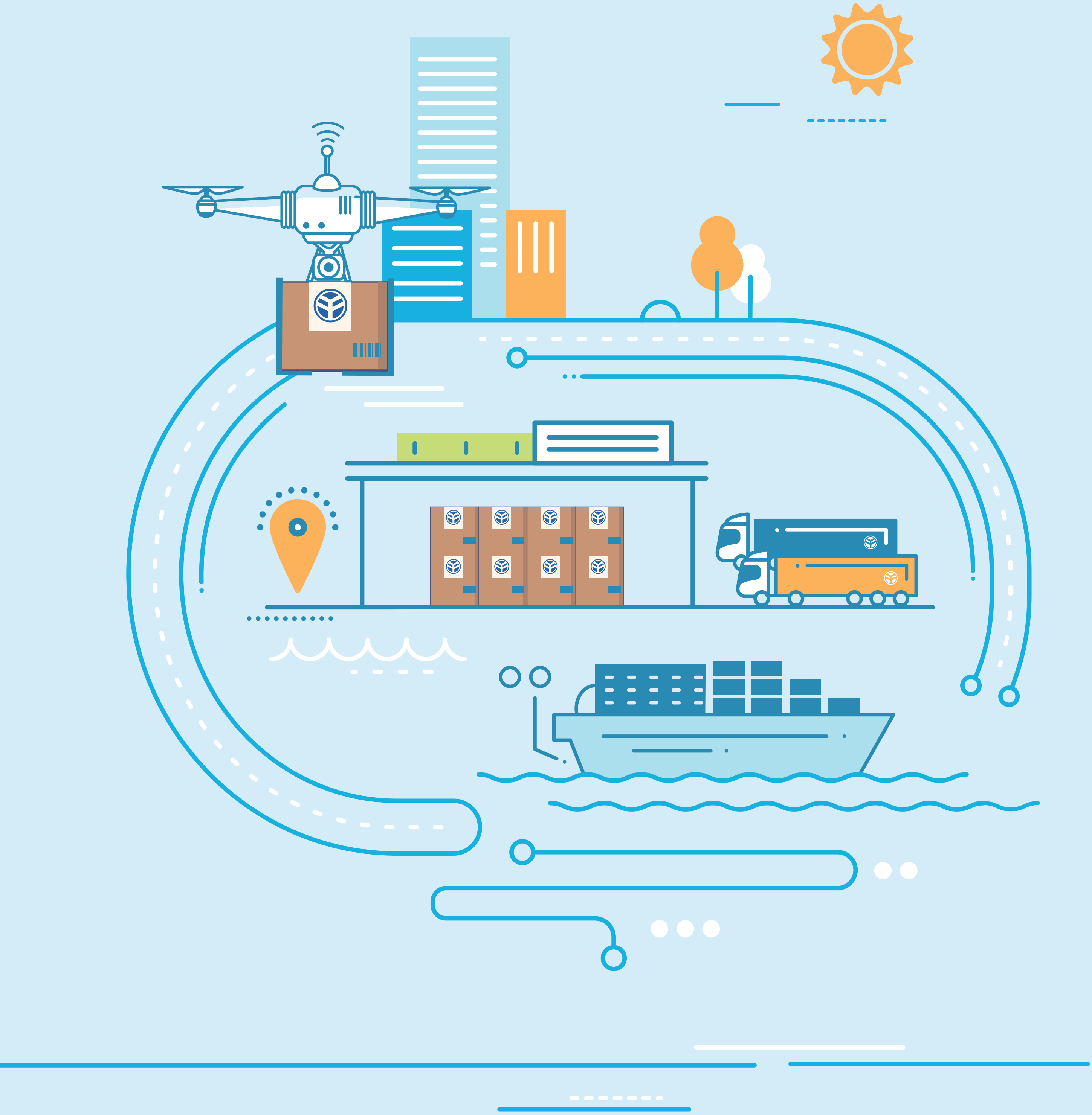
TREASURE AND TALENTS CONNECT PEOPLE

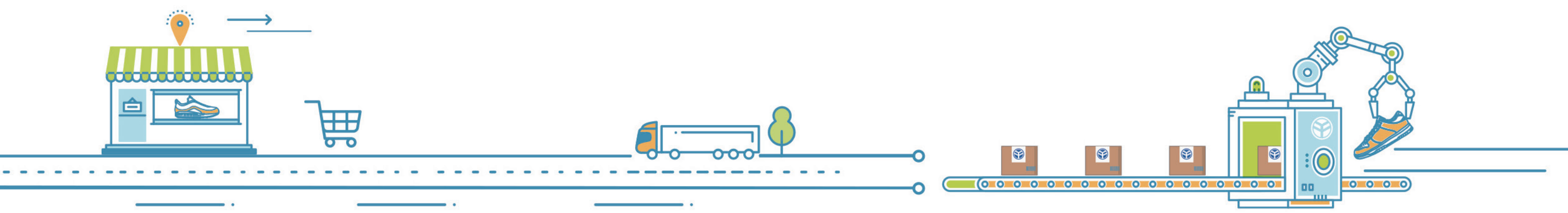
Executive Directors

Mr. Lu Chin Chu, aged 71, has been an executive director of the Company and the chairman of the Board since March 26, 2014 as well as an executive director of the Company from February 15, 1996 to March 4, 2011. He is also a director of certain subsidiaries of the Company. Mr. Lu is in charge of the management of the real estate of the Group. He graduated from National Chung Hsing University in Taiwan with a Master Degree in Business Administration. Mr. Lu has over 47 years of experience in the manufacturing of footwear and footwear materials. He joined Pou Chen Corporation ("PCC"), being listed on the Taiwan Stock Exchange Corporation ("TWSE"), in 1977. Mr. Lu is currently the president and a director as well as the president of the real estate department of PCC involving primarily in board level and strategic issues. He is also a director of Wealthplus Holdings Limited ("Wealthplus") and Win Fortune Investments Limited ("Win Fortune"), both are wholly-owned subsidiaries of PCC.



PCC, through Wealthplus and Win Fortune, has interests in the shares of the Company ("Shares") which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Lu is also currently a director of San Fang Chemical Industry Co., Ltd., a company listed on TWSE, involving in its board level activities and is not engaged in its day-to-day management. He was a director of Evermore Chemical Industry Co., Ltd., a company listed on TWSE, from June 19, 2006 to January 16, 2018. Mr. Lu was also a non-executive director of Prosperous Industrial (Holdings) Limited ("Prosperous") from March 29, 2018 to March 31, 2020 and a non-executive director of Luen Thai Holdings Limited from September 17, 2007 to February 15, 2017, both companies being listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").





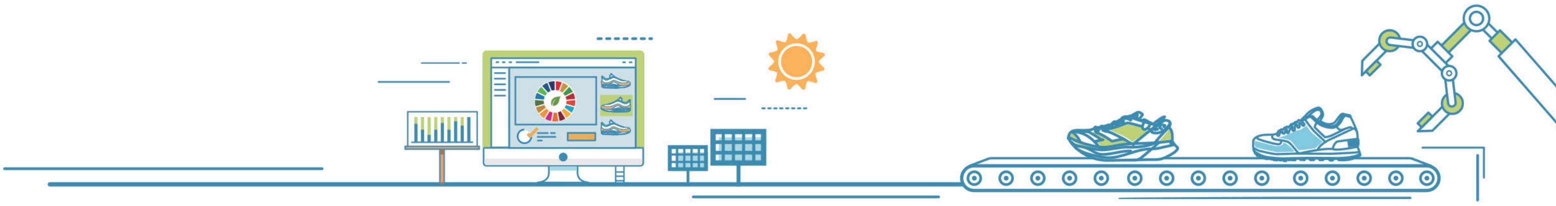
Biographical Details of Directors and Senior Management

Ms. Tsai Pei Chun, Patty, aged 45, has served as an executive director and managing director of the Company since January 18, 2005 and June 28, 2013 respectively, focusing on the strategic planning and enterprise developments of the Group. She is also a member of the nomination committee of the Company. Ms. Tsai graduated from the Wharton School of the University of Pennsylvania in the United States of America in May 2002 with a Bachelor of Science Degree in Economics with a concentration in Finance and a College Minor in Psychology. Ms. Tsai joined PCC in 2002. She is currently a director of PCC as well as its subsidiary namely Wealthplus. Both PCC and Wealthplus are having interests in the Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO. Ms. Tsai also serves as a non-executive director of Pou Sheng, a non-wholly owned subsidiary of the Company whose shares are listed on the main board of the Stock Exchange. She previously served as a board director of Mega Financial Holding Company Limited, a company listed on the TWSE.

Mr. Chan Lu Min, aged 70, has been an executive director of the Company since March 7, 2001. He is also a director of certain subsidiaries of the Company. Mr. Chan is a graduate of the Statistics Department, National Chung Hsing University in Taiwan. Mr. Chan has 44 years of finance and accounting experience in Taiwan. He joined PCC in 1977 and he is currently a director and the chairman of PCC as well as the president of administration management department and in charge of finance and accounting. He is also a director of Wealthplus and Win Fortune. PCC, through Wealthplus and Win Fortune, has interests in the Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO. He was a director of Nan Shan Life Insurance Co., Ltd., being a public company in Taiwan.

Mr. Lin Cheng-Tien, aged 65, has been an executive director of the Company since March 20, 2015. He is also a director of certain subsidiaries of the Company. Mr. Lin graduated from South Fields College (currently as Leicester College) in United Kingdom, majoring in shoe manufacturing. Mr. Lin has more than 34 years of experience in the footwear sector. He joined PCC in 1990 and is currently a senior executive vice president of PCC, responsible for the production, sales and marketing of certain footwear brand customers. He was the head of a business unit of PCC. Prior to joining the Group, Mr. Lin had worked with a renowned footwear manufacturing company in Taiwan responsible for the business and development of different brands.

Mr. Liu George Hong-Chih, aged 52, joined the Company on April 29, 2013 and was appointed as an executive director of the Company on June 28, 2013. He is also a director of certain subsidiaries of the Company. Mr. Liu holds a Master of Business Administration Degree in Finance and Entrepreneurial Management from the Wharton School of University of Pennsylvania in the United States of America and Bachelor of Arts Degree in Economics and International Studies from Yale University in the United States of America. He is currently a vice president of PCC, responsible for the business development and production management of certain major brands. Mr. Liu worked as a management consultant with Bain & Company in the United States of America and Beijing, China, after graduating from Yale University. He was with Morgan Stanley from 2000 to 2010 with primary responsibility in deal origination and execution and client coverage in Greater China. Mr. Liu last held the position of executive director with Morgan Stanley. In June 2010, Mr. Liu joined China International Capital Corporation Limited as managing director and head of Hong Kong Investment Banking Department.



Biographical Details of Directors and Senior Management

Mr. Shih Chih-Hung, aged 59, joined the Group in 2007 and has been appointed as an executive director and chief financial officer of the Company on September 2, 2022. He is also the director of certain subsidiaries of the Company. Mr. Shih graduated from Chung Yuan Christian University in Taiwan with a Bachelor Degree in Accounting. He joined PCC in 1991 and is currently one of the vice president of PCC being responsible for daily accounting and financial management. He is an executive director of Eagle Nice (International) Holdings Limited, a company listed on the main board of the Stock Exchange since April 1, 2020. He was previously a director of Nan Pao Resins Chemical Co., Ltd from May 20, 2022 to October 6, 2022, Evermore Chemical Industry Co., Ltd from May 10, 2022 to June 27, 2024 and Elitegroup Computer Systems Co., Ltd from July 21, 2021 to November 14, 2023, all companies are listed on the TWSE.

Independent Non-executive Directors

Mr. Wong Hak Kun, aged 68, has been an independent non-executive director, the chairman of the audit committee as well as remuneration committee of the Company since June 1, 2018. He is graduated from The University of Hong Kong with a Bachelor Degree in Social Sciences. Mr. Wong is a member of Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, Chartered Institute of Management Accountants as well as The Hong Kong Chartered Governance Institute. He is also a fellow of The Hong Kong Institute of Directors. Mr. Wong has over 36 years of audit, assurance and management experiences with Deloitte China ("Deloitte"), of which he was a partner since 1992 and Managing Partner of Deloitte Audit and Assurance practice before his retirement from Deloitte in May 2017.

Mr. Wong is currently an independent non-executive director of (a) Lung Kee Group Holdings Limited (formerly known as Lung Kee (Bermuda) Holdings Limited) and (b) Hangzhou SF Intra-city Industrial Co., Ltd (both companies are listed on the Stock Exchange), (c) Guangzhou Automobile Group Co., Ltd. (a company listed on the Stock Exchange and the Shanghai Stock Exchange) and (d) Haier Smart Home Co., Ltd., (a company listed on the Stock Exchange, the Shanghai Stock Exchange and the Frankfurt Stock Exchange). Mr. Wong was previously an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (shares of which are delisted on the Stock Exchange), from June 21, 2018 to July 24, 2021.

Mr. Ho Lai Hong, aged 67, has been an independent non-executive director, the chairman of nomination committee, the member of audit committee and remuneration committee of the Company since May 24, 2019. He holds a Master of Business Administration Degree from The Hong Kong Polytechnic University. Mr. Ho is a fellow member of The Hong Kong Chartered Governance Institute, a fellow member of the Hong Kong Securities and Investment Institute, a fellow and council member of the Hong Kong Institute of Directors. Mr. Ho has over 30 years of corporate banking, corporate finance and management experiences with Mizuho Bank Ltd. Prior to his retirement from Mizuho Bank Ltd. in March 2018, he was the General Manager/Alternate Chief Executive of Mizuho Bank Ltd. Hong Kong Branch. Mr. Ho is currently an executive director (re-designated from independent non-executive director on November 9, 2023) and chief executive officer (with effect from January 1, 2024) of Texwinca Holdings Limited (a company listed on the Stock Exchange). He was an independent non-executive director of KRP Development Holdings Limited, Leo Paper Group (Hong Kong) Limited and Foshan Water and Environmental Protection Co., Ltd.

Biographical Details of Directors and Senior Management

Mr. Lin Shei-Yuan, aged 62, has been an independent non-executive director, the members of audit committee, remuneration committee and nomination committee of the Company since November 12, 2021. He obtained a Master of Business Administration degree from Boston University in the United States of America in 1992. Mr. Lin is a seasoned banker with 30 years of working experiences in the banking industry in Taiwan. He is currently the partner of IIH Assets Management Company Limited. He was the head of corporate and institutional banking of Australia and New Zealand Bank, Taiwan from September 2012 to February 2018, and before that, he was the general manager of international corporate banking of Standard Chartered Bank, Taiwan from December 2008 to August 2012. Mr. Lin served Citibank, Taiwan for more than 11 years since August 1997, with his rank up to the managing director of corporate banking and senior credit officer. During his tenure at the banks, Mr. Lin was mainly responsible for managing the corporate finance services and building up sustainable platforms to serve Taiwan listed clients required for their local and multinational operations. He accomplished a number of milestone financing programs and mergers and acquisitions transactions in Greater China and Southeast Asia.

Dr. Yang Ju-Huei (also known as Steffi Yang), aged 48, has been an independent non-executive director, the member of the audit committee as well as remuneration committee of the Company since June 1, 2023. She graduated from University of Cambridge in United Kingdom with a Doctor of Philosophy Degree in Economics in 2005. She had been elected as a distinguished scholar of Gates Cambridge Trust, and had worked as a research fellow at British Academy. Dr. Yang is currently an associate professor at Financial Management College of CTBC Business School, having previously served as an adjunct associate professor for College of Management in National Taiwan University. Dr. Yang has a strong academic background, specializing in behavioral economics. Dr. Yang was previously a director of CTBC Investment Co., Ltd., which is a subsidiary of CTBC Financial Holding Co., Ltd., a company listed on the TWSE, from February 1, 2018 to November 26, 2024. She was also an independent director of Feei Cherng Develop Technology Co., Ltd. (a company listed on the Taipei Exchange) from May 24, 2024 to August 21, 2024.

Senior Management

Mr. Song Wan Fan, Johnny, aged 67, joined the Group in 2015 and is a director of certain subsidiaries of the Company. He joined PCC in 1995 and currently is one of the vice president responsible for the management of business development and production management of certain major brand customers. Before joining the Group, he had worked at renowned footwear companies in Taiwan and was responsible for product quality control and administration of factory affairs. He has over 29 years' experience in development and factory management.

Mr. Chou Wei Te, Rick, aged 57, joined the Group in 2015 and is a director of certain subsidiaries of the Company. He joined PCC in 2003 and currently is one of the executive assistant vice president. He is mainly responsible for the promulgation and implementation of administrative policies of the Group in China, Indonesia, Vietnam, Bangladesh, Cambodia, Myanmar and India. He holds a Master's degree in Shipping Management and a Bachelor's degree in Accounting. Before joining the Group, he worked in a private enterprise and was responsible for accounting and financial management. He has over 29 years' experience in finance, accounting, and administration management.

Biographical Details of Directors and Senior Management

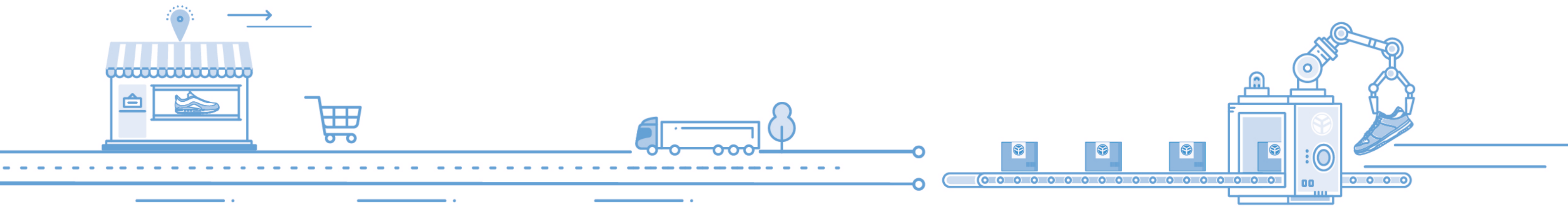
Mr. Chau Chi Ming, Dickens, aged 61, is a senior director of Finance & Treasury Department of the Group, and is responsible for daily financial management and treasury functions. He is also a director of certain subsidiaries of the Company. He was the company secretary of the Company (the "Company Secretary") from January 12, 2014 to March 23, 2016 and July 31, 2019 to August 11, 2023. He was also appointed as Head of Investment Management Division under the Strategy and Investment Department of PCC and the acting Head of Strategy and Investment Department of PCC from January 1, 2021 and September 2, 2022 to May 29, 2023 respectively, responsible for the PCC's post-investment management in relation to various joint ventures and associated companies. Mr. Chau had worked in the corporate banking field with an international bank before joining the Group in 1993. He graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree, majoring in Finance. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chau has been a non-executive director of Prosperous since March 31, 2020.

Ms. Chua Chun Po, aged 45, is a director of Accounting of the Group, and is responsible for accounting and financial reporting of the Group. She is also a director of certain subsidiaries of the Company. Ms. Chua holds a Bachelor of Business Administration Degree, majoring in Accountancy and has over 20 years of experience in accounting and auditing. She is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group in 2014, she worked in a reputable international accounting firm, a professional accounting body and a Hong Kong listed company.

Ms. Yau Suet Fong, Christina, aged 64, joined the Group in 1993 and is a director of Accounting & Special Projects of the Group responsible for the financial and management accounting of several major subsidiaries of the Group, tax review and special projects. Ms. Yau is also a director of certain subsidiaries of the Company. She holds a Bachelor of Business (Accounting) Degree from Charles Sturt University in Australia and has more than 33 years of accounting experience.

Ms. Wang Chi, Olivia, aged 44, joined the Group in 2017 and is a director of Investor Relations of the Group, and is responsible for leading the strategic planning and coordination of investor relations activities and oversees all matters related, including ESG-related communication for Yue Yuen and Pou Sheng. Ms. Wang possesses 18 years of professional experience in capital market and investor relations strategies. Ms. Wang holds a Master Degree in Corporate Finance from The Hong Kong Polytechnic University, School of Accounting and Finance, a Master of Science Degree in Public Policy & Management from Carnegie Mellon University, Heinz College in the United States of America, as well as a Bachelor of Political Science Degree from National Taiwan University.

Ms. Ng Yin Ling, Jennifer, aged 51, joined the Group in 2021 and is a director of Legal of the Group, responsible for managing the legal affairs of the Group. Ms. Ng has been the Company Secretary since August 11, 2023. She is a practising solicitor in Hong Kong, who was admitted as a solicitor of the High Court of Hong Kong in 2008 and has 17 years of legal experience gained from private practice (focusing on corporate finance and commercial area) with various law firms and serving as legal counsel at listed companies. She holds the Graduate Diploma in English and Hong Kong Law (Common Professional Examination), a Postgraduate Certificate in Laws from The University of Hong Kong, STEP (Society of Trust and Estate Practitioners) Diploma, a Master of Arts degree in Language and Law and a Bachelor of Arts degree in Translation and Interpretation from City University of Hong Kong.



Directors' Report

The directors of the Company (the "Directors") have the pleasure to present the annual report and the audited consolidated financial statements of the Group for the Year.

Principal Activities

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. Retail operation also includes provision of large scale commercial spaces to retailers and distributors.

Results and Dividends

The results of the Group for the Year are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 77 and 78 of this annual report. The dividends paid during the Year and proposed to be paid for the Year are set out in Note 12 to the consolidated financial statements.

During the Year, an interim dividend of HK$0.40 per share was paid to the Shareholders for the six months ended June 30, 2024. The Directors recommended the payment of a final dividend of HK$0.90 per share to the Shareholders whose names appear on the register of members of the Company on June 9, 2025, amounting to approximately HK$1,444,094,000, subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on May 23, 2025 ("2025 AGM").

Subsidiaries, Associates and Joint Ventures

Details of the principal subsidiaries, associates and joint ventures of the Group as at December 31, 2024 are set out in Notes 45, 20 and 21 to the consolidated financial statements respectively.

Investment Properties

Details of the movements in the investment properties of the Group during the Year are set out in Note 14 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements.

Share Capital

Details of movement in the share capital of the Company during the Year are set out in Note 32 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity from pages 81 to 82 of this annual report and Note 34 to the consolidated financial statements, respectively.

Distributable Reserves

As at December 31, 2024, the Company's reserves available for distribution to the Shareholders were US$2,024,189,000 which comprised contributed surplus of US$38,126,000 and retained profits of US$1,986,063,000 of the Company.

Under the Companies Act 1981 of Bermuda (as amended) (the "Companies Act of Bermuda"), the contributed surplus account of the Company is available for distribution to the Shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
(b) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Directors' Report

Five Year Financial Summary

A financial summary of the Group for the past five financial years is set out on page 206.

Donations

During the Year, the Group made charitable and other donations amounted to approximately US$2.5 million.

Directors

The Directors during the Year and up to the date of this report were as follows:

Executive Directors:
Mr. Lu Chin Chu *(Chairman)*
Ms. Tsai Pei Chun, Patty *(Managing Director)*
Mr. Chan Lu Min
Mr. Lin Cheng-Tien
Mr. Liu George Hong-Chih
Mr. Shih Chih-Hung *(Chief Financial Officer)*

Independent non-executive Directors ("INEDs"):
Mr. Wong Hak Kun
Mr. Ho Lai Hong
Mr. Lin Shei-Yuan
Dr. Yang Ju-Huei

Biographical details of the Directors and senior management of the Company ("Senior Management") as at the date of this report are set out from pages 24 to 29 of this annual report. Details of Directors' remuneration are set out in Note 11 to the consolidated financial statements.

Mr. Lin Cheng-Tien, Mr. Liu George Hong-Chih, Mr. Ho Lai Hong and Mr. Lin Shei-Yuan will retire from office by rotation at the 2025 AGM in accordance with Bye-law 84 of the bye-laws of the Company (the "Bye-laws"). All of them, being eligible, shall offer themselves for re-election.

None of the Directors being proposed for re-election at the 2025 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, except for contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the Year.

Permitted Indemnity Provisions

During the Year and up to the date of this report, the Company has in force the permitted indemnity provisions which are provided for in the Bye-laws and in the Directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the officers of the Group respectively.

Directors' Report

Directors' Interests in Competing Business

As at December 31, 2024, none of the Directors was interested in, apart from the Group's business, any business which compete or was likely to compete, either directly or indirectly, with the businesses of the Group.

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of publication of the Company's 2024 interim report are set out below:

Dr. Yang Ju-Huei ceased to be a director of CTBC Investment Co., Ltd., which is a subsidiary of CTBC Financial Holding Co., Ltd., a company listed on Taiwan Stock Exchange Corporation, on November 26, 2024.

Mr. Ho Lai Hong ceased to be an independent non-executive director of KRP Development Holdings Limited (a company listed on the Stock Exchange) on March 23, 2025.

Emolument Policy

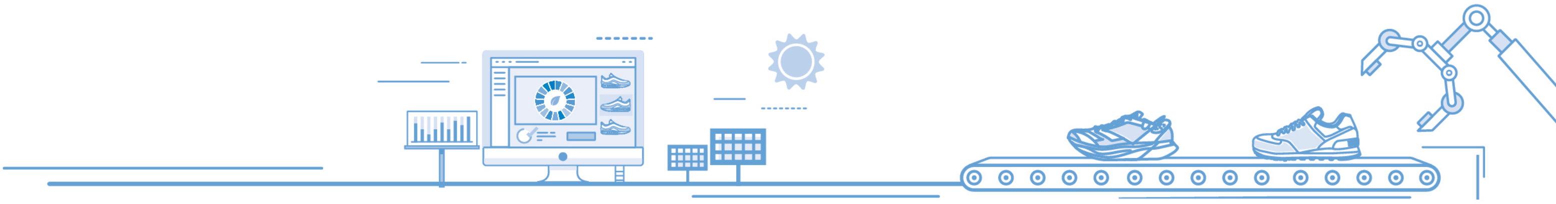
The emoluments of the Directors shall be decided by the Board as recommended by the remuneration committee of the Company ("Remuneration Committee") having regard to a written remuneration policy (which ensures a clear link to business strategy and a close alignment with the Shareholders' interest and current market best practice). Remuneration should be paid with reference to the Board's corporate goals and objectives, the salaries paid by comparable companies, time commitment and responsibilities of the executive Directors and INEDs, internal equity of employment conditions across the Group and applicability of performance-based remuneration. The Directors' fees are paid in line with market practice. No individual should determine his or her own remuneration.

Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Remuneration package includes, as the case may be, base salaries, discretionary bonus relating to the financial performance of the Group and individual performance, Share options, awarded Shares and other competitive fringe benefits such as medical and life insurances. Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 11 to the consolidated financial statements.

The Company adopted the Yue Yuen Share Option Scheme and the Yue Yuen Share Award Scheme to provide its Directors and eligible employees with incentives and rewards to recognize their contributions and to align their interest with the Company, details of which are set out in the section "Share Incentive Schemes" and Note 35 to the consolidated financial statements.

Directors' and Chief Executives' Interests in Securities

As at December 31, 2024, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) as required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or demanded to have under such provisions of the SFO); or (b) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules, were as follows:



Directors' Report

Directors' and Chief Executives' Interests in Securities (continued)

(a) *Interests in the ordinary Shares and underlying Shares of HK$0.25 each*

Name of Directors	Capacity	Number of Shares/underlying Shares held (*Long position*)					Percentage of issued Shares (*Note 1*)
		Personal interests	Family interests	Corporate interests	Other interests	Total	
Lu Chin Chu	Beneficial owner	533,000	–	–	–	533,000	0.03%
Chan Lu Min	Beneficial owner	629,000	–	–	–	629,000	0.03%
Lin Cheng-Tien	Beneficial owner	301,000	–	–	–	301,000	0.01%
Liu George Hong-Chih	Beneficial owner	704,000 (*Note 2*)	–	–	–	704,000	0.04%
Shih Chih-Hung	Beneficial owner	41,000	–	–	–	41,000	0.00%

(b) *Interests in the ordinary shares and underlying shares of HK$0.01 each of Pou Sheng, an associated corporation of the Company within the meaning of Part XV of the SFO*

Name of Directors	Capacity	Number of shares/underlying shares of Pou Sheng held (*Long position*)					Percentage of issued shares of Pou Sheng (*Note 3*)
		Personal interests	Family interests	Corporate interests	Other interests	Total	
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%

(c) *Interests in the ordinary shares and underlying shares of NT$10.00 each of PCC, an associated corporation of the Company within the meaning of Part XV of the SFO*

Name of Directors	Capacity	Number of shares/underlying shares of PCC held (*Long position*)					Percentage of issued shares of PCC (*Note 4*)
		Personal interests	Family interests	Corporate interests	Other interests	Total	
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	366,452	–	–	–	366,452	0.01%
Lin Cheng-Tien	Beneficial owner	297,760	–	–	–	297,760	0.01%
Shih Chih-Hung	Beneficial owner	–	40,000	–	–	40,000	0.00%

Directors' and Chief Executives' Interests in Securities (continued)

Notes:

1. The total number of issued Shares as at December 31, 2024 is 1,604,556,486.
2. Mr. Liu George Hong-Chih is interested in 90,000 Shares, which was granted by the Company with vesting conditions pursuant to the Yue Yuen Share Award Scheme, details of which are set out in the section headed "Share Incentive Schemes – (b) Share Award Scheme of the Company" of this report.
3. The total number of issued shares of Pou Sheng as at December 31, 2024 is 5,326,179,615.
4. The total number of issued shares of PCC as at December 31, 2024 is 2,946,787,213.

Other than the interest 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 December 31, 2024.

Equity-linked Agreement

Save for the Yue Yuen Share Option Scheme, details of which is set out in the section headed "Share Incentive Schemes", no equity-linked agreement that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the Year.

Share Incentive Schemes

(a) *Share Option Scheme of the Company*

The Company recognizes the importance of attracting talents and retaining employees and the contributions by other eligible participants by providing them with incentives and rewards through granting Share-based incentives so as to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Company believes that this will align their interests with that of the Company. In this connection, the Company has adopted a share option scheme, details of which are stipulated as follows:

On May 31, 2019, the Company adopted a share option scheme (the "Yue Yuen Share Option Scheme") under which the Board may at its discretion grant Share options to any eligible participants, including Directors (including executive Directors, non-executive Directors and INEDs) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The Yue Yuen Share Option Scheme is valid and effective for a period of ten years commencing from May 31, 2019 to May 30, 2029, after which no further options may be offered or granted.

Directors' Report

Share Incentive Schemes (continued)

(a) *Share Option Scheme of the Company (continued)*

The period during which a grantee may exercise an option granted under the Yue Yuen Share Option Scheme is determined and notified by the Board to the grantee at the time of making an offer and must not be more than 10 years from the date of grant. The terms of the Yue Yuen Share Option Scheme provide that in granting options under the Yue Yuen Share Option Scheme, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised and/or any other terms as the Board may determine in its absolute discretion. In order to accept the offer, a consideration of HK$10.00 is required to be paid by the grantee within 14 days from the date on which the letter containing the offer is delivered to the grantee and such remittance is not refundable in any circumstance. The exercise price of options granted under the Yue Yuen Share Option Scheme is to be determined by the Directors, and will not be less than the highest of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

No options have been granted under the Yue Yuen Share Option Scheme since its adoption. As at January 1, 2024 and December 31, 2024 and the date of this report, the total number of Shares available for issue under the Yue Yuen Share Option Scheme is 161,449,998, representing approximately 10.06% of the issued Shares as at the date of this report.

Without prior approval from the Shareholders, the maximum number of Shares issued and to be issued upon exercise of the options granted to each grantee under the Yue Yuen Share Option Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue for the time being. Any grant of options to a substantial Shareholder or an INED, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant, representing in aggregate over 0.1% of the issued Shares on the date of such grant and having an aggregate value in excess of HK$5 million (equivalent to approximately US$0.6 million), must be approved in advance by the Shareholders.

(b) *Share Award Scheme of the Company*

A share award scheme (the "Yue Yuen Share Award Scheme") was adopted on January 28, 2014 and amended on March 23, 2016 and September 28, 2018 as well as amended and restated on November 13, 2023 by the Board to recognize the contributions by certain persons, including employees, executives, officers or directors of the Group or any company in which the Group may have an investment and any company which is a controlling Shareholder including subsidiaries of such controlling Shareholder (the "Associated Entity"), to provide incentives thereto to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. It is funded by the existing Shares and does not involve issue of new Shares. Subject to early termination determined by the Board or otherwise required under any applicable legal and/or regulatory requirements (including, without limitation, those imposed by the Listing Rules from time to time), the Yue Yuen Share Award Scheme was valid and effective for a period of ten years commencing on the date of adoption (i.e. January 28, 2014 to January 27, 2024) and has been further extended for another ten years upon expiry of the initial term (i.e. January 28, 2024 to January 27, 2034) pursuant to the amended and restated rules of the Yue Yuen Share Award Scheme, after which no further contribution to the trust fund will be made by the Company and no further awarded Share will be granted.

Directors' Report

Share Incentive Schemes (continued)

(b) *Share Award Scheme of the Company (continued)*

Under the Yue Yuen Share Award Scheme, the Board may at its discretion grant any eligible participants awarded Shares as it may determine appropriate, provided that (a) the Remuneration Committee also recommended such granting pursuant to the Listing Rules; (b) the total number of awarded Shares shall not exceed 2% of the issued Shares as at the date of grant which is 32,091,129 Shares. The maximum number of Shares which may be awarded to a selected participant (including vested and non-vested Shares) under the Yue Yuen Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time, which is 16,045,564 Shares.

The relevant awarded Shares shall vest in accordance with the conditions and timetable as set out in the relevant letter of award issued to the selected participant. A consideration of HK$1.00 (or other amount specified in the relevant letter of award issued to the selected participant) is payable by the selected participant upon acceptance of the awarded Shares with no specified period which the consideration shall be paid. The selected participant must remain an employee, executive, officer or director of the Group or an Associated Entity after the date of final approval by the Board of the total amount of Shares (and/or cash) to be awarded to the selected participants in a single occasion pursuant to the Yue Yuen Share Award Scheme and on the following vesting date, or otherwise the awarded Shares shall be lapsed. The Board may, at its discretion, impose certain conditions such as fulfilment of performance targets on the vesting of the awarded Shares. When such targets or conditions apply, an appraisal mechanism will be implemented to evaluate the achievement of performance targets. The selected participant shall obtain an appraisal ranking that is equal to or higher than "good" during the vesting period.

Clawback will be applied where there is exceptionally poor performance, misconduct or material breach of terms of employment or rules or policies of the Group or an Associated Entity prior to the vesting date and the Board will determine to vary or cancel the relevant award.

As at January 1, 2024, December 31, 2024 and March 11, 2025 (i.e. the date of this annual report), the total number of Shares available for being further awarded under the Yue Yuen Share Award Scheme was 21,249,679 Shares, 30,736,129 Shares and 30,736,129 Shares, respectively, representing 1.32%, 1.92% and 1.92% of the issued Shares as at January 1, 2024, December 31, 2024 and the date of this annual report, respectively.

Eligible participant(s) selected by the Board for participation in the Yue Yuen Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned Shares. The trustee of the Yue Yuen Share Award Scheme shall not exercise the voting rights in respect of any Shares held under the trust (including but not limited to the awarded Shares, the returned Shares, any bonus Shares and scrip Shares) unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given; nor take any action in relation to such Shares in the event of a proposed change of control of the Company.

Further details of the Yue Yuen Share Award Scheme are set out in Note 35 to the consolidated financial statement.

Directors' Report

Share Incentive Schemes (continued)

(b) *Share Award Scheme of the Company (continued)*

Details of the movements of the awarded Shares during the Year are as follows:

	Date of grant *(Note 1)*	Vesting period *(Note 2)*	Number of awarded Shares: Balance as at January 1, 2024	Granted during the Year	Lapsed/ Cancelled during the Year	Vested during the Year	Balance as at December 31, 2024
Directors							
Lu Chin Chu	20.03.2024	20.03.2024-01.06.2024	–	154,000	–	(154,000)	–
Chan Lu Min	20.03.2024	20.03.2024-01.06.2024	–	205,000	–	(205,000)	–
Lin Cheng-Tien	20.03.2024	20.03.2024-01.06.2024	–	74,000	–	(74,000)	–
Shih Chih-Hung	20.03.2024	20.03.2024-01.06.2024	–	41,000	–	(41,000)	–
Liu George Hong-Chih	28.06.2023	28.06.2023-31.05.2025	90,000	–	–	–	90,000
	20.03.2024	20.03.2024-01.06.2024	–	159,000	–	(159,000)	–
Sub-total			90,000	633,000	–	(633,000)	90,000
Directors of the Company's subsidiaries/Employees of the Group and/or Associated Entities in aggregate							
	31.03.2023	31.03.2023-31.03.2025	85,000	–	–	–	85,000
	28.06.2023	28.06.2023-31.05.2025	1,530,000	–	(135,000)	–	1,395,000
	06.02.2024	06.02.2024-01.06.2024	–	447,000	–	(447,000)	–
	20.03.2024	20.03.2024-01.06.2024	–	227,000	–	(227,000)	–
	20.05.2024	20.05.2024-01.09.2024	–	48,000	–	(48,000)	–
Sub-total			1,615,000	722,000	(135,000)	(722,000)	1,480,000
Grand Total			1,705,000	1,355,000	(135,000)	(1,355,000)	1,570,000
Five highest paid individuals (including Directors, Senior Management and employees) in aggregate							
	28.06.2023	28.06.2023-31.05.2025	90,000	–	–	–	90,000
	20.03.2024	20.03.2024-01.06.2024	–	518,000	–	(518,000)	–
Total			90,000	518,000	–	(518,000)	90,000

Share Incentive Schemes (continued)

(b) *Share Award Scheme of the Company (continued)*

Notes:

1. During the Year,
   (i) the closing prices of the Shares immediately before the dates of grant on February 6, 2024, March 20, 2024 and May 20, 2024 were HK$7.48 per Share, HK$11.22 per Share and HK$15.20 per Share, respectively.
   (ii) the fair value of the awards is determined in accordance with Hong Kong Financial Reporting Standard 2 "Share-based Payment" and details of the accounting policy adopted are set out in Note 3 to the consolidated financial statements. The fair value of the awarded Shares at the dates of grant on February 6, 2024, March 20, 2024 and May 20, 2024 were US$440,000, US$1,244,000, and US$94,000, respectively, which is calculated based on the closing price of Shares on the dates of grant of HK$7.70, HK$11.32 and HK$15.26 respectively.
2. During the Year, the weighted average closing price of the Shares immediately before dates on which the awarded Shares were vested (being June 1, 2024 and September 1, 2024) was HK$14.33 per Share.

During the year ended December 31, 2024, the Group recognized a net expense of US$2,766,000 as equity-settled share-based payments under the Yue Yuen Share Award Scheme.

As at December 31, 2024, a total of 8,000 Shares were held by the Trustee, representing approximately 0.0005% of the issued shares of the Company.

(c) *Share Award Scheme of Pou Sheng*

The share award scheme of Pou Sheng (the "Pou Sheng Share Award Scheme") was adopted on May 9, 2014 and duly amended on November 11, 2016 and further amended and restated on November 13, 2023 by the Pou Sheng's board of directors (the "Pou Sheng Board") upon the recommendation by the remuneration committee of the Pou Sheng Board (the "Pou Sheng Remuneration Committee") for recognizing the contributions by certain persons, including directors and employees of Pou Sheng and its subsidiaries (the "Pou Sheng Group"), providing incentives to retain them for continual operation and development of the Pou Sheng Group, and to attract suitable personnel for further development of the Pou Sheng Group. All personnel of the Pou Sheng Group are entitled to participate. It is funded by the existing shares of Pou Sheng and does not involve issue of new shares of Pou Sheng.

The Pou Sheng Share Award Scheme was valid and effective for a period of 10 years commencing on the date of adoption (i.e. from May 9, 2014 to May 8, 2024), and has been further extended for another 10 years upon expiration of the initial term (i.e. from May 9, 2024 to May 8, 2034) by amending and restating the rules and trust deed relating to the Pou Sheng Share Award Scheme. No further Pou Sheng's share awards should be granted upon termination or expiry of the Pou Sheng Share Award Scheme.

Share Incentive Schemes (continued)

(c) *Share Award Scheme of Pou Sheng (continued)*

Any proposed award should be determined on the basis of individual performance and must be recommended by the Pou Sheng Remuneration Committee and approved by the Pou Sheng Board. All the Pou Sheng's awarded shares granted under the Pou Sheng Share Award Scheme should be vested in accordance with the conditions (such as employment status, individual performance and common key performance indicators) and timetable (i.e. vesting period) as determined by the Pou Sheng Board. In the case of a director or an employee of the Pou Sheng Group, the grantee must remain at all times a Pou Sheng's director or an employee of the Pou Sheng Group. Clawback will be applied where there is exceptionally poor performance, misconduct or material breach of terms of employment or rules or policies of Pou Sheng prior to the vesting date and the Pou Sheng Board will determine to vary or cancel the relevant award.

Pou Sheng's awarded shares are generally granted on the basis of the individual performance of the relevant grantee, and vested in tranches over a period of consecutive years with dates determined by the Pou Sheng Board subject to fulfilment of performance target(s) and condition(s). Performance targets for outstanding Pou Sheng's awarded shares granted on or before May 8, 2024 require a "good" or better performance rating for all appraisals conducted during the vesting period. For Pou Sheng's awarded shares granted on or after May 9, 2024, "good" or better performance rating is required for the appraisal conducted immediately preceding the vesting date of the relevant tranche of Pou Sheng's awarded shares". Taking 'vest-in-tranches' into consideration, vesting periods of Pou Sheng's awarded shares granted generally range from 1 to 3 years.

According to the letter of award, the amount payable on acceptance of the grant of Pou Sheng's awarded shares is HK$1.00 with no deadline specified. Apart from this, no monetary payment has to be made by grantee to acquire Pou Sheng's share awards under the Pou Sheng Share Award Scheme.

The total number of Pou Sheng's shares to be awarded under the Pou Sheng Share Award Scheme should not exceed 4% of the number of Pou Sheng's issued shares (i.e. 5,326,179,615 Pou Sheng's shares) as at the date of grant, which is 213,047,184. The maximum number of Pou Sheng's shares (including vested and non-vested Pou Sheng's shares) which may be awarded to a selected participant should not exceed 1% of the Pou Sheng's issued shares from time to time, which is 53,261,796.

Under the Pou Sheng Share Award Scheme, a total of 133,721,810 Pou Sheng's shares, representing approximately 2.51% of the issued Pou Sheng's shares, have been awarded and the total number of Pou Sheng's shares available for being further awarded is 79,325,374, representing approximately 1.49% of the Pou Sheng's issued shares, as at the date of this annual report.

Eligible participant(s) selected by the Pou Sheng Board for participation in the Pou Sheng Share Award Scheme shall have no right to any dividend held under the trust before vesting which shall form part of the residual cash or any of the returned Pou Sheng's shares. The trustee of the Pou Sheng Share Award Scheme shall not exercise the voting rights in respect of any Pou Sheng's shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip dividend).

Directors' Report

Share Incentive Schemes (continued)

(c) *Share Award Scheme of Pou Sheng (continued)*

Pursuant to the Pou Sheng Share Award Scheme, movements in Pou Sheng's awarded shares during the Year are set out below:

			Number of Pou Sheng's awarded shares				
	Date of grant	Vesting period	Balance as at January 1, 2024	Granted during the Year	Lapsed/ cancelled during the Year	Vested during the Year	Balance as at December 31, 2024
Director/Chief Executive of Pou Sheng							
Yu Huan-Chang	11.11.2022	11.11.2022-10.11.2024	360,000	–	–	(360,000)	–
	11.11.2022	11.11.2022-10.11.2025	480,000	–	–	–	480,000
Wang Jun	24.03.2021	24.03.2021-23.03.2024	240,000	–	–	(240,000)	–
	19.08.2024	19.08.2024-18.08.2025	–	500,000	–	–	500,000
	19.08.2024	19.08.2024-18.08.2026	–	500,000	–	–	500,000
Sub-total			1,080,000	1,000,000	–	(600,000)	1,480,000
Employees of Pou Sheng in aggregate							
	24.03.2021	24.03.2021-23.03.2024	2,752,000	–	–	(2,752,000)	–
	13.08.2021	13.08.2021-12.02.2024	523,200	–	(7,800)	(515,400)	–
	13.08.2021	13.08.2021-12.08.2024	872,000	–	(28,000)	(844,000)	–
	19.08.2024	19.08.2024-18.08.2025	–	10,500,000	(200,000)	–	10,300,000
	19.08.2024	19.08.2024-18.08.2026	–	10,500,000	(200,000)	–	10,300,000
Sub-total			4,147,200	21,000,000	(435,800)	(4,111,400)	20,600,000
Grand total			5,227,200	22,000,000	(435,800)	(4,711,400)	22,080,000
Five highest paid individuals in aggregate							
	24.03.2021	24.03.2021-23.03.2024	772,500	–	–	(772,500)	–
	19.08.2024	19.08.2024-18.08.2025	–	2,000,000	–	–	2,000,000
	19.08.2024	19.08.2024-18.08.2026	–	2,000,000	–	–	2,000,000
Total			772,500	4,000,000	–	(772,500)	4,000,000

The closing prices of the Pou Sheng's shares immediately before the grant of Pou Sheng's awarded shares on August 19, 2024 was HK$0.620 per share.

The weighted average closing price of the Pou Sheng's shares immediately before the dates on which the awards that were vested during the Year was HK$0.654 per share.

The fair value of Pou Sheng's share awards is determined in accordance with Hong Kong Financial Reporting Standard 2 "Share-based Payment" and details of the accounting policy adopted are set out in Note 3 to the consolidated financial statements. The fair value of the Pou Sheng's awarded shares at the date of grant on August 19, 2024 was approximately RMB12,332,000, which was calculated based on the closing price of Pou Sheng's shares on the date of grant of HK$0.610 per share.

Further details of the Pou Sheng Share Award Scheme are set out in Note 35 to the consolidated financial statements.

Directors' Report

Arrangements to Purchase Shares or Debentures

Save as disclosed in the "Share Incentive Schemes" above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

Substantial Shareholders' Interests in Securities

As at December 31, 2024, the register of substantial Shareholders ("Register") maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, other than the interests disclosed in "Directors' and Chief Executives' Interests in Securities", the following Shareholders had notified the Company of their relevant interests in the Shares and underlying Shares:

Name of Shareholders	**Capacity**	**Number of Shares held**	**Percentage of the issued Shares***
		(Long position)	
PCC	Interest of controlled corporations *Note (a)*	824,143,835	51.36%
Wealthplus	*Note (a)*	773,156,303	48.18%
Merrill Lynch & Co. Inc.	Interest of controlled corporations *Note (b)*	99,315,703	6.18%
Silchester International Investors LLP	Investment manager	80,309,500	5.00%
		(Short Position)	
Merrill Lynch & Co. Inc	Interest of controlled corporations *Note (b)*	109,341,792	6.81%

* The total number of issued Shares as at December 31, 2024 is 1,604,556,486.

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. 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.

(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..

Directors' Report

Substantial Shareholders' Interests in Securities (continued)

Notes: (continued)

(b) (continued)

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.

Other than the interests disclosed above, as at December 31, 2024, the Directors or chief executive of the Company were not aware of any other person or corporation (other than the Directors and chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the Register.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Year, the Company repurchased on the Stock Exchange a total of 7,627,500 Shares at an aggregate consideration of HK$116,856,528 (equivalent to approximately US$15,009,000) (the "Repurchases"), pursuant to the repurchase mandate granted to the Directors by the Shareholders at the 2024 annual general meeting.

Details of the Repurchases during the Year are set out as follows and in Note 32 to the consolidated financial statements.

		Price per Share		**Aggregate**
	No. of Shares	**Highest**	**Lowest**	**consideration paid**
Month	**repurchased**	*HK$*	*HK$*	*HK$*
August 2024	650,000	13.60	13.16	8,732,309
September 2024	2,274,000	14.42	12.94	31,237,415
October 2024	708,000	14.62	13.58	10,054,889
November 2024	3,645,500	17.40	15.62	60,750,129
December 2024	350,000	17.42	17.20	6,081,786
Total:	7,627,500			116,856,528

All of the aforesaid repurchased Shares were cancelled. The Directors believe that the Repurchases would lead to an enhancement of the net asset value per share of the Company and its earnings per share.

Directors' Report

Purchase, Sale or Redemption of the Company's Listed Securities (continued)

The trustee of the Yue Yuen Share Award Scheme, pursuant to the terms of the trust deed of the Yue Yuen Share Award Scheme, purchased on the Stock Exchange a total of 1,350,000 Shares at a total consideration of approximately HK$15,368,000 (equivalent to approximately US$1,965,000).

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 55 to 71 of this annual report.

Connected Transactions and Directors' Interests in Transactions, Arrangements or Contracts of Significance

During the Year, the Group had the following continuing connected transactions with connected persons (as defined in the Listing Rules) of the Company and certain Directors had material interests, directly or indirectly, in certain transactions:

Supplemental Agreements with PCC

On October 6, 2023, the Company entered into the following supplemental agreements with PCC to, among other things, renew the related annual caps and extend the duration for the related transactions:–

	Eighth Supplemental PCC Services Agreement	**Seventh Supplemental PCC Connected Sales Agreement**	**Seventh Supplemental PCC Connected Purchases Agreement**
Term:	From January 1, 2024 to December 31, 2026		
Nature:	PCC and its subsidiaries ("PCC Group") will 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 Group's products and general administration support	The Group will manufacture and supply leather, moulds, production equipment and tools, finished and semifinished 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	The Group will place orders for raw materials, shoe-related products, moulds and manufacturing equipment and production tools with the PCC Group
Annual Caps in (year ending December 31,):			
2024	US$374,228,000	US$5,116,000	US$4,699,000
2025	US$392,940,000	US$5,364,000	US$5,084,000
2026	US$412,587,000	US$5,623,000	US$5,283,000

Directors' Report

Connected Transactions and Directors' Interests in Transactions, Arrangements or Contracts of Significance (continued)

Since PCC was the controlling Shareholder, indirectly owning or controlling approximately 51.11% of the issued Shares as at October 6, 2023, it was the connected person of the Company as at October 6, 2023. For details of the above supplemental agreements, please refer to the Company's announcements dated October 6, 2023 and December 5, 2023 as well as the circular dated November 10, 2023.

The Company's auditor was engaged to report on the Group's continuing connected transactions 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 (Revised), Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules containing the auditor's findings and conclusion on the continuing connected transactions of the Group, stating that nothing causes the auditor to believe that any of these continuing connected 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 agreements governing such continuing connected transactions; and (d) have exceeded the relevant annual caps for the Year.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs have reviewed the continuing connected 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 significant related party transactions entered into by the Group during the Year are set out in Note 43(I) to the consolidated financial statements include transactions that were connected transactions and continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

Save as disclosed in Note 43, there was no transaction, arrangement or contract which was significant in relation to the Group's business to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

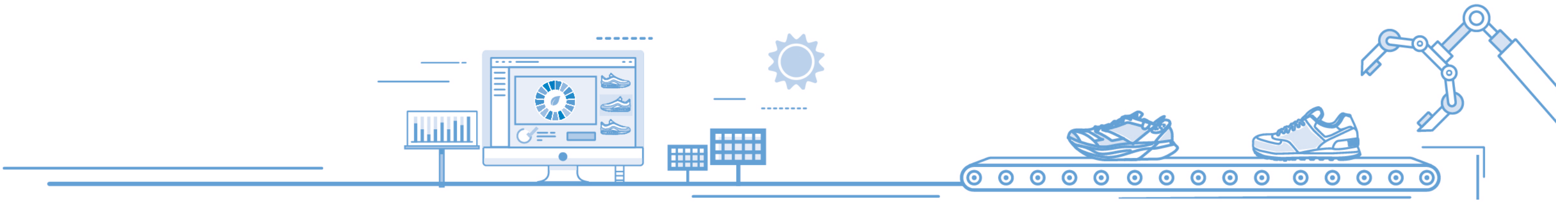
Save as disclosed in this annual report, no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at any time during the Year.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were approximately 57% of the Group's total sales for the Year; and the sales attributable to the Group's largest customer were approximately 25% of the Group's total sales for the Year.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 41% of the Group's total purchases for the Year; and the purchases attributable to the Group's largest supplier were approximately 24% of the Group's total purchases for the Year.

Save as disclosed above, at no time during the Year did a Director, their close associates or any Shareholder, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the above major customers or suppliers of the Group.



Directors' Report

Business Review

Business and External Environment

More information and details regarding the business and external environment of the Company are set out in the Chairman's Statement on pages 6 to 11 and Management Discussion and Analysis on pages 12 to 23 of this report.

Performance and Financial Position

The key performance indicators of the Group are as follows:

Key Performance Indicator	FY2024	FY2023	FY2022
Gross Profit Margin (%)	24.4	24.4	23.8
Operating Profit Margin (%)	6.7	5.1	4.6
Net Profit Margin (%)	5.2	3.9	3.3
Total debt to equity (%)	15.4	20.7	30.9
Net debt to equity (%)	Net cash	Net cash	9.0
Return on equity (%)	8.8	6.5	7.1
Return on asset (%)	5.8	4.2	3.7

The Group is prudently managed in such a way that decision making are focused on long-term objectives, which are aimed towards sustainable development and balancing of the interest of various stakeholders.

Environmental Policy and Performance

The Group regards ESG management as an important component of its daily corporate operations. The Board has delegated the key responsibility to the ESG Taskforce for the implementation of the Company's ESG strategy. The ESG Taskforce was formally established on May 13, 2021 under the leadership of the Board, and chaired by an executive Director, and its other members were directly appointed by their respective departments. Each department was required to appoint a representative to the ESG Taskforce. An ESG meeting shall be held at least every half year. The ESG Taskforce shall report to the Board at least twice each year and to advise and assist the Board on ESG issues to ensure that environmental protection and social concerns are incorporated into the Company's agenda and integrated into daily decision-making, corporate culture as well as future planning. To further strengthen the Group's ESG management, the Board has adopted (a) the "Climate Change Policy" in 2021 to formulate energy-related strategies for climate change management and enhance the resilience to climate change; and (b) the "Sustainable Development Code of Practice" and "Supplier-Friendly Workplace Guidelines" in 2023.

In response to the Climate Action of the Sustainable Development Goals set up by the United Nations, the Company proactively takes relevant measures to ensure a sustainable mode of production is adapted, which mitigates operational risks and adapts to changes caused by climate abnormality. The Group identifies potential risks caused by various types of climate change based on the interaction between daily organizational operations, services, and the environment, to decide relevant measures and management approach after evaluating the impact of these risks.

Directors' Report

Business Review (continued)

Environmental Policy and Performance (continued)

In the face of the crisis of global warming and the international carbon reduction goals and challenges of reducing greenhouse gas emissions, the Group is continually strengthening various green innovations by cooperation with our customers and suppliers, while also purchasing renewable energy, expanding the use of green energy and improving energy efficiency, so as to achieve zero growth in carbon emissions by 2025 and follow the SBTi (Science-based targets). The Company is committed to reducing 46.2% absolute greenhouse gas emissions of Scope 1 and 2 by 2030, with 2019 as the base year. The Company has established an internal environmental management system in accordance with ISO 14001 Environmental Management System and the Company's internal management standards. In response to the gradual increase in the standard of environmental protection requirements in the production area and the basic management goal of complying with requirements of local environmental protection regulations, we continuously optimize and improve the treatment technology and implementation performance of environmental management measures, and strive to achieve the medium and long-term management goal of low-carbon production and zero waste.

The Group also promotes the development of corporate social and environmental responsibility, so as to create operating momentum and competitiveness of the Group and ensure that the Group has a positive impact on stakeholders. The Company continues to focus on education, health care and the relationship with local community, uphold the spirit to serve while accepting diversity and respecting differences. Each region has its own focus. In 2024, the Group's total investment in community participation was approximately US$121,000.

Compliance with Laws and Regulations

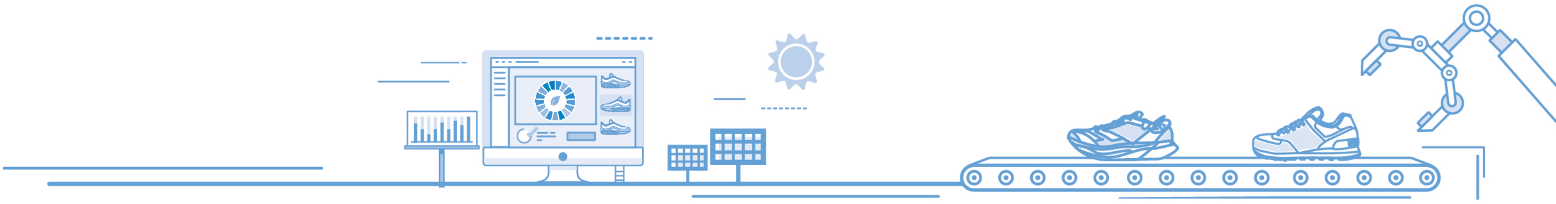
The Group operates its footwear manufacturing business mainly in Mainland China, Vietnam, Indonesia, Cambodia, Bangladesh and Myanmar. During the Year and up to the date of this report, the Group is generally in compliance with all relevant laws and regulations of respective jurisdictions that have a significant impact on the Group.

Relationship with Stakeholders

The Group's eight major categories of key stakeholders include shareholders/investors, employees/labour union, customer, suppliers, government/regulatory authorities, media, communities and non-governmental organizations.

Shareholders/Investors

The Group intends to maintain a two-way interactive relationship with stakeholders in the capital market (including the shareholders of the Group) and maintain close communication with Shareholders/investors on issues such as economic performance, corporate governance, market presence and strategies. To ensure that they sufficiently understand the Group's business and strategies, it regularly publishes news and updates on the websites of the Company and the Stock Exchange, convening Shareholders' meetings, issuing press releases, and organizing investor relations activities, including physical and virtual meetings, results presentations, non-deal roadshows, factory visits, and more.



Directors' Report

Business Review (continued)

Relationship with Stakeholders (continued)

Employees/Labour union

Employees are not only important assets of the Company but also our partners to grow together. In addition to building a safe workplace and protecting the human rights of our employees, the Group also strengthens its talent capital and enhances its sustainable competitiveness through career development, education and training. The Group provides a variety of channels to communicate with employees, including but not limited to company internal website, email, employee suggestion box, questionnaire, committee for complaints, rewards and penalties, internal staff publications, employee and manager forums, and consultation services at life guidance and counseling for the overseas production factory sites' employee for both internal and external staff to report problems and complaints. In addition, the Group has established the employee welfare committee/occupational safety and health committee/labour union with regular meetings to be held.

Customer, Suppliers

It is the principle of our customer service that the Group are committed to providing our brand customers with legal, sustainable, fast, flexible and value-added manufacturing services. Also, we attach great importance to the protection of customers' trade secrets and ensure that brand customers' privacy and trade secrets are highly safeguarded. The Group liaises with customers through business visits, regular meetings and ad hoc communication meetings, audit feedback/self-management performance feedback, emails and phone contacts.

Suppliers provide important support for the Company's manufacturing and operation with raw materials, equipment and services. The Group regards integrity and law-abiding as the cornerstone of cooperation between the two parties. All suppliers must abide by local regulations and contractual commitments, and incorporate labor human rights, health and safety, and environmental compliance into one of the primary considerations. The Group communicates with suppliers by letters of undertaking, procurement contracts, regular assessments mechanism, business communication, emails and phone contacts, and supplier meetings.

Other Stakeholders

In addition to the above stakeholders, the Group and other stakeholders (government/regulatory authorities, media, communities and non-governmental organizations) also conduct good and real-time interactive communication through various channels from time to time through regular and irregular meetings and various relevant business windows. The communication methods include but not limited to proactive visits, visits and interactions, community charity events, proposal consultation visits, and cooperating with the government on compliance inspections. The opinions and suggestions of stakeholders are also collected as an important reference for the Group's sustainable development strategy.

Regarding Pou Sheng's relationship with its stakeholders, Pou Sheng's environmental policies and performance as well as compliance with relevant laws and regulations that have a significant impact on Pou Sheng, please refer to the 2024 annual report of Pou Sheng.

Regarding the details of the ESG matters of the Company, please refer to the 2024 ESG Report of the Company.

Principal Risks and Uncertainties

The Group's activities involve both footwear manufacturing in various countries, as well as sportswear and footwear products retailing across the Greater China region. The principal types of risks faced by each business and the corresponding key mitigating measures are listed below. It is a non-exhaustive list and there may be other risks and uncertainties further to the principal risk areas outlined below which are not presently known to the Group, or that the Group currently deems to be immaterial but could turn out to be material in the future.

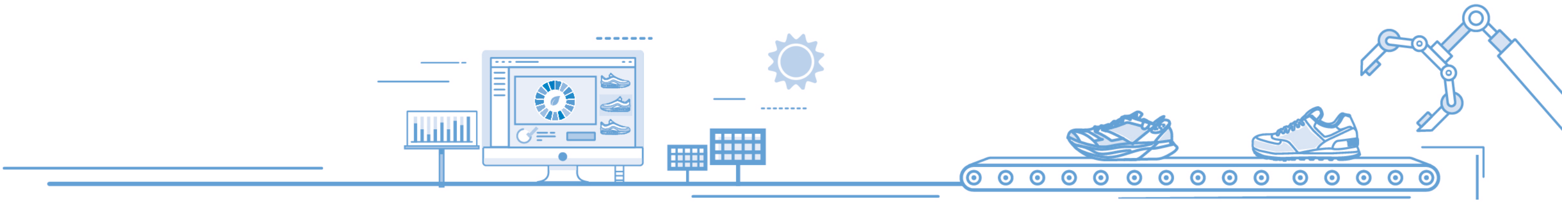
Directors' Report

Business Review (continued)

Principal Risks and Uncertainties (continued)

The principal risks and uncertainties that could impact the Group's footwear manufacturing business performance and its mitigating measures are discussed below:

Description and Impact of Risks and Uncertainties	Mitigating Measures
Human Resources	
The Group's success is attributable to the experience and contributions of key management and team experts. They have abundant professional knowledge in relevant fields and continue to lead the sustainability of the Group's business development. The Group is committed to retaining talents, but there is no guarantee that the retention of such key management. The loss of key management may hinder the implementation of strategic goals.	Effective retention system, career development plan and systematic training are established to develop and train talents for ensuring effective continuation of leadership and expertise without any interruption respectively. Information on exit interview of key management was provided regularly as a reference for internal management.
The new management talents may be difficult to recruit and have high turnover rates.	The Group fully launches a succession planning program for key positions to nurture successors through a systematic program. The Group is also committed to promoting our brand and image as an employer to attract and recruit new management talents.
Organizational strength and resilience.	The Group promotes information transparency and sharing, establishes an effective information management platform and holds regular communication meetings, proactively values staff feedback through regular internal staff opinion surveys, and establishes a sound operating foundation and enhances its response and adaptation ability through process optimization, resource integration, risk management and flexible deployment.
Local governments in different countries have different labor laws and regulations.	The Group has engaged local labor law experts as consultants to assist in the collection and interpretation of laws and regulations, and has established smooth consultation and communication channels with the local government; maintains positive interaction and communication with the labor unions. The implementation of changes in labor policies and regulations in each country requires obtaining the consensus of the labor unions before implementing it. The cultivation of relevant cadres to be familiar with the country's labor laws, is strengthened and the information on changes in labor-related laws is collected regularly.



Directors' Report

Business Review (continued)

Principal Risks and Uncertainties (continued)

Description and Impact of Risks and Uncertainties	Mitigating Measures
Information Technology and Data Security	
Digital and information security risk.	The Group has established its operation continuity plan to achieve uninterrupted key operations. The Group has built a high-standard information security management system (ISMS) to comply with the information and communications security management guidelines for listed companies and the ISO 27001 international information security standard.
Market	
Intensifying competitive environment.	The Group has designated a special task-force to conduct analysis of changes in market trends and competitor trends, identify key capability gaps of the Group, and conduct regular analysis of competitor, propose improvement proposals, and regularly track improvement results.
Changing market trends.	The Group has designated a special task-force to grasp market trends and brand trends, integrate relevant industry information, and regularly provide analysis reports, and continue to track major issues as projects.
Operation and Strategy	
Source of revenue relying on key brand and risk of concentration of brand customers.	The Group is committed to enhancing its competitiveness in footwear manufacturing business. It reviews and analyzes the order status of brand customers on a monthly basis, and keeps abreast of brand customer moves at all time in order to respond accordingly. In order to spread the Group's operational risk, new brands and new sources of profit will be continually sought, and the investment and management of new business models and new sources of profit will be assessed and driven in the planning of the Group's long-term strategy.
Localized supply chain risk.	The Group makes good use of the production advantages of the various locations to enhance the flexibility and diversity of its manufacturing capabilities, strives to streamline operating costs, optimizes the value-cost effectiveness of logistics, guides suppliers to expand their multi-country allocation, establishes production plants in the Group's factory bases, and increases the proportion of local procurement.

Directors' Report

Business Review (continued)

Principal Risks and Uncertainties (continued)

Description and Impact of Risks and Uncertainties	Mitigating Measures
Operation and Strategy (continued)	
The rising cost of wages and salaries, rents, services, utilities and fluctuations on materials prices may affect steady supply which could impact the operation and profitability of the Group.	The Group has designated a dedicated unit to closely monitor various observation indicators; in the event of a major event or abnormal price fluctuations, it will quantify the impact on operating costs and initiate relevant contingency plans accordingly.
Political instability associated emerging or developing countries could impact the Group's normal operation.	The Group has designated a dedicated unit to keep abreast of current affairs and relevant political and economic regulations or news, assess risk reporting guidelines in advance, notify relevant units and initiate response strategies when necessary.
Sustainability Risk	
Sustainable information disclosure risk.	The Group has developed sustainability information-related reports that meet the requirements of laws and regulations, planned the timeline for the introduction of International Financial Reporting Standard ("IFRS") sustainability disclosure standards, strengthened cross-department collaboration, and established disclosure work arrangements and management modes in response to IFRS and subsequent disclosure laws and regulations.
Social Environment	
Innovative technology risk.	In terms of automation, the Group is gradually building its automation and intelligent manufacturing; in terms of digitalization, the Group supports intelligent analysis and creates an automated and data-driven decision-making mechanism.
Legal Compliance and Corporate Governance	
Potential operation delays caused by potential labor strikes and slack working.	The Group's management communicates with employees through various channels, collects employees' views, and establishes a grievance channel with employees from different regions, and regularly analyzes to master and solve employees' problems. Through annual internal and external employee relations activities, as well as cooperation with labor unions, the Group gradually improves internal cohesion and organizational identity, achieves the harmony of labor-management relations; regularly reviews the internal policies of the Group, whether it conforms to the current regulations and future trends. The Group establishes strong labor-management relations and maintains smooth communication with labor unions.

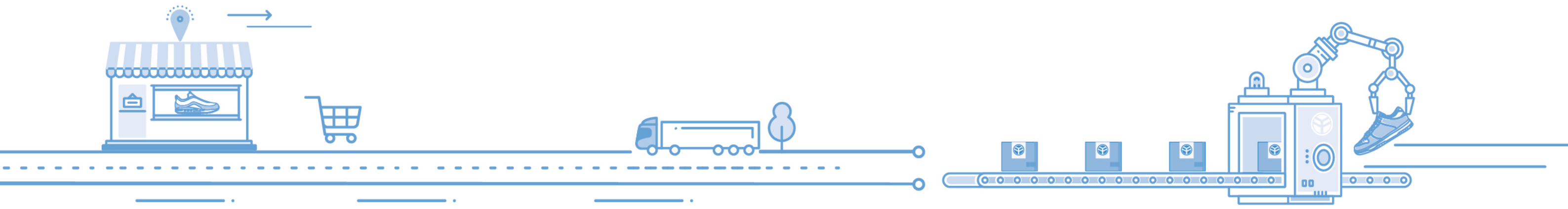
Directors' Report

Business Review (continued)

Principal Risks and Uncertainties (continued)

The principal risks and uncertainties that could impact the Group's retail business performance and its mitigating activities are discussed below:

Description and Impact of Risks and Uncertainties	Mitigating Measures
Information Technology and Data Security	
The reliance of Pou Sheng's operation on information technology ("IT") system is heavy. Any failure could cause adverse effects to the business operation.	Pou Sheng makes significant investment in technology infrastructure. Systems are pre-launch tested, backed-up and upgraded regularly and when necessary. Regular maintenance and contingency and disaster recovery plans are in place to prevent and deal with any system failures.
The IT system might be subject to security breaches resulting in theft, leakage or corruption of key corporate and financial information, trade secrets and sensitive customer and personal data, which could cause severe impact on customer confidence, Pou Sheng's reputation and punishment or regulatory action by relevant authorities.	An information security regime is established. Confidential files are encrypted and/or password protected. Only relevant employees with authority are allowed to have access to sensitive data, especially financial information. Extensive and resilient controls, and vulnerability assessments are undertaken before updates are released. Anti-virus software is upgraded with endpoint detection and response to better defend against cyber attacks, such as ransomware.
Human Resources	
Loss of key management personnel could cause disruption in delivery of strategic objectives.	Effective retention system, succession plan, career development plan and systematic training are established to develop new capabilities and train talents, and ensure effective continuation of leadership and expertise without any interruption respectively.
Pou Sheng needs to attract talents and retain employees with relevant experience and knowledge in order to make necessary transformation and to take advantage of all growth opportunities to achieve its strategic objectives and maintain its high quality services.	Pou Sheng continues to widen its talent pool. The performance management system is designed to provide reward, competitive remuneration structures and challenging development opportunities to attract talents and retain employees. A variety of social activities are organized for staff.
Market	
Pou Sheng operates in a highly competitive and customer-oriented market with a wide variety of retailers, which makes it difficult for Pou Sheng to stand out and build long-term relationships with customers.	Pou Sheng strives to enhance customer satisfaction and loyalty continuously by member exclusive offers, sincere customer services and versatile touchpoints and social media (e.g. Douyin and Xiaohongshu). Content and experience-rich sales channels are developed to arouse consumer sentiments. Business intelligence tools are used and a special unit is established to facilitate dynamic management and to drive retail excellence.

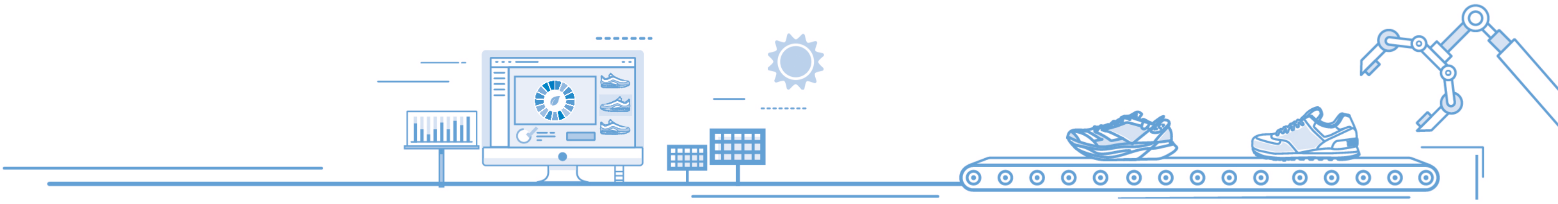


Directors' Report

Business Review (continued)

Principal Risks and Uncertainties (continued)

Description and Impact of Risks and Uncertainties	Mitigating Measures
Market (continued)	
Location of brick-and-mortar ("B&M") retail stores plays a vital role in Pou Sheng's success as most of Pou Sheng's revenue is derived from sales of B&M retail stores. Wrong store location could cause waste of upfront investments and disruption to the marketing strategies. Proper channel mix is essential for maximizing customer reach and optimizing profitability of Pou Sheng.	Scientific and holistic method is employed in new store location selection. Store footfall and conversion rate are constantly tracked to optimize productivity in timely manner. Pou Sheng continues to refine the B&M retail store network by closing or upgrading under-performing stores. The channel mix and positioning of different channels are reviewed and adjusted regularly to optimize the profitability.
Strategy and Operation	
Majority of the revenue of Pou Sheng is derived from products of a handful of top brands. Any strain in relationship with, loss of charisma and sales model failure of these top brands could have an adverse effect on Pou Sheng's business and financial condition.	Pou Sheng endeavors to strengthen its omni-sales channel capabilities in order to impress the top brands with its dedication and sincerity in being their most valuable partner and to secure better deals or exclusive products for customers. More mutually beneficial strategic projects (e.g. integrated membership programme) are launched with brand partners. The brand mix of Pou Sheng is diversified.
Along with the expansion of Pou Sheng's digital sales, logistics and courier supports have become important. Inefficient logistics and courier could cause a very high operation cost and loss of customers.	Pou Sheng makes significant investment in logistics and courier infrastructure. For effective cost control and efficient logistic arrangement, the logistic network is re-designed and smart management systems are used.
Inventory management is very crucial to the success of Pou Sheng's business. Poor inventory management could affect Pou Sheng's ability to meet its customers' needs and jeopardize the profitability of Pou Sheng.	Rigor procurement and inventory management policies and practices are established. Mutually compatible online-offline sales strategies are adopted to reinforce in-season sales and effective off-season clearance. A product sharing omni-hub programme is launched with brand partners to optimize inventory mix.
Pou Sheng's experience and competence in market development of emerging brands are insufficient. Wrong brand positioning could have a material adverse effect on the sales performance of those emerging brands and dampen the overall profitability of Pou Sheng.	The most appropriate distribution channel and target customers are selected to create an ideal landscape for the emerging brands to thrive well. Stop-loss point is set to safeguard the overall profitability of Pou Sheng.



Directors' Report

Business Review (continued)

Principal Risks and Uncertainties (continued)

Description and Impact of Risks and Uncertainties	Mitigating Measures
Natural Environment and Public Health	
The regulatory authorities and investment market attach increasingly prioritize environmental and climate-related management and disclosures, with a particular focus on carbon emission management. Fail to keep pace with the trend of low-carbon economy could harm the prestige of Pou Sheng and in turn affect the business opportunities, profitability and competitiveness of Pou Sheng. Tighten regulatory requirements would incur extra operational cost and risk of non-compliance.	Climate change policy is established. The climate-related risks are reviewed annually. Pou Sheng actively seeks to observe the relevant upcoming regulatory changes. Professional consultant is engaged and suitable trainings are provided to relevant employees. Various measures, especially in the aspect of energy-saving, have been implemented to lower the carbon emission of Pou Sheng, details of which are set out in Pou Sheng's ESG Report.
More frequent and intense catastrophic weather events (e.g. in 2024, more localized heavy rainfall occurred and more typhoons (e.g. Super Typhoon Yagi) hit the People's Republic of China (the "PRC") which led to frequent severe floods and landslides in various regions across the nation) pose a very serious potential threat to the safety of employees and properties of Pou Sheng. Such critical events could also cause operational disruption, such as disruption to distribution channels.	Sustainable development panel and ESG working task force are established to manage the environmental related risks. Properties of Pou Sheng are well insured. Employee emergency aid program is established to provide comprehensive supports to employees and their families. Inventory is stored in various locations and the logistic network is well designed to support flexible delivery rearrangement.
Severe outbreak of infectious diseases might lead to suspension of B&M retail stores of Pou Sheng and decline in consumption sentiment. These might seriously affect the performance of Pou Sheng.	Online public and private traffic domains, particularly the Pan-WeChat Ecosphere, are strengthened and diversified to enhance channel mix. IT infrastructure (e.g. business intelligence system) is well developed to support digital transformation and operational excellence.

More information is provided in Pou Sheng's ESG Report which is published separately.

Description and Impact of Risks and Uncertainties	Mitigating Measures
Legal Compliance	
Pou Sheng has to comply with different laws, rules, regulations and accounting standards, which are subject to continuing changes. Any breach and non-compliance could damage Pou Sheng's image and reputation and affect its business operations.	Pou Sheng actively seeks to identify and meet its regulatory obligations and to respond to new requirements. Statement of policy on corporate governance and corporate code of conduct are established to ensure good governance and ethical practices. Proper controls and trainings are also in place.
Pou Sheng enters into a variety of agreements with various parties. Any breach of such agreements could cause Pou Sheng to incur significant monetary liabilities and loss of future business opportunities.	All agreements are repeatedly scrutinized by different departments before signing and are well documented. Independent external advice is sought when required.

Directors' Report

Business Review (continued)

Principal Risks and Uncertainties (continued)

Description and Impact of Risks and Uncertainties	Mitigating Measures
Economic and Social Environment	
Pou Sheng's business operations are mainly conducted in the PRC. Thus Pou Sheng's business and prospects are significantly affected by the economic and social environment in the PRC. If there is a prolonged downturn in the economy in the PRC, consumer spending could be significantly weakened.	Pou Sheng keeps paying attention to the economic and social developments in the PRC on a proactive continuous basis to enable Pou Sheng to cope with changes effectively. To arouse consumer sentiments, Pou Sheng keeps exploring and strengthening its brand and product portfolios, and sales strategies continuously, such as introducing the quality good-value channel YYQUALITY and working with idols and influencers.

Event after the Reporting Period

Save as disclosed in this annual report, no significant event affecting the Group have occurred after the end of the reporting period and up to the date of this report.

Future Development

Information and details regarding the future development in the Company's business are set out in the Chairman's Statement on pages 6 to 11 and Management Discussion and Analysis on pages 12 to 23.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the Company's issued Shares as required under the Listing Rules as at the latest practicable date prior to the printing of this annual report.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

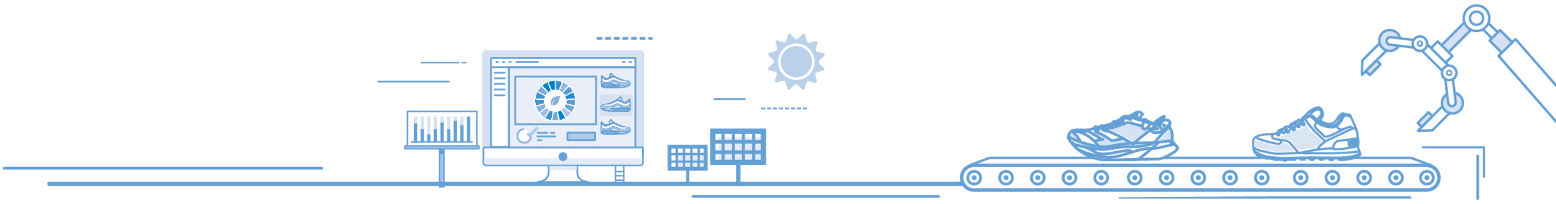
Auditor

A resolution will be proposed at the 2025 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu ("Deloitte") as external auditor of the Company.

On behalf of the Board

Tsai Pei Chun, Patty
Managing Director

Hong Kong, March 11, 2025



Corporate Governance Report

The Board believes that good corporate governance provides a framework that is essential for effective management, healthy corporate culture, successful business growth and thereby enhancing corporate accountability, responsibility and transparency towards Shareholders, stakeholders, investors as well as employees of the Company. The Company has applied principles of good corporate governance by, including but without limitation, effective risk management and internal control system, and communication policy with Shareholders.

Throughout the Year, the Company has complied with all applicable code provisions as stated in the Corporate Governance Code (the "CG Code") contained in Listing Rules, which are explained in the relevant paragraphs below.

Corporate Culture and Strategy

The Company's vision is to provide end-to-end-solutions that deliver to the sports industry the highest possible value while supporting a healthy lifestyle around the world. The Company' s mission is to be a fully integrated sporting goods retailer in the Greater China region and a responsible global corporate citizen. The Group achieves this through the Group's core value of "Professionalism, Dedication, Innovation and Service". By providing the best solutions in the overall footwear value chain, the customers will be able to enjoy high value-added products and services, thus enhancing the competitiveness of our customers, and achieving win-win outcomes and co-prosperity for both the Company and its customers. Led by the chairman of the Board (the "Chairman") and the managing director of the Company (the "Managing Director"), senior management of the Company (the "Senior Management") across all regions work closely to ensure the culture, purpose, values and strategy of the Group are aligned with one another. More information about the Company's purpose, vision, values and corporate culture is set out in this report, the management discussion and analysis section of this annual report, as well as the ESG report.

The Board

Roles and Responsibilities

The Board is charged with providing effective and responsible leadership for the Company. It sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and risk management and internal control systems, reviews the corporate governance standards of the Company and monitoring the performance of the Senior Management. It also decides on matters relating to annual and interim results, notifiable transactions, appointments or reappointments of Directors, dividends and accounting policies. The Directors, individually and collectively, are committed to act in good faith and in the best interests of the Company and its Shareholders. The Board also delegates certain management functions and authorities to various Board committees as detailed in the section titled "Board Committees" of this report. Save for the powers reserved by the Board or delegated to Board committees, the strategies and plans as decided by the Board are implemented by the Managing Director and the Senior Management. The Senior Management is accountable to the Board for the day-to-day management, functions of the business and implementing projects and initiatives as approved by the Board. Such delegation and work tasks are reviewed periodically.

The Board (continued)

Composition

The Company is committed to the view that the Board should include a balanced composition between executive Directors and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this report, the Board comprises the six executive Directors and four INEDs. Names and other biographical details of the members of the Board are set out on pages 24 to 29 of this annual report under the "Biographies of Directors and Senior Management" section. All of them possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The members of the Board do not have any relationship (including financial, business, family and other material/relevant relationships) with each other.

To ensure independent views and input are available to the Board, the following mechanisms were established:–

➢ Four out of the ten Directors are INEDs, which meets the requirements of the Listing Rules that the Board must have at least three INEDs and must appoint INEDs representing at least one-third of the Board;
➢ Separation of the role of the Chairman and the Managing Director ensures that there is a balance of power and authority;
➢ INEDs serving more than nine consecutive years shall retire and will not be nominated by the Board to stand for re-election by Shareholders, and an appropriate candidate will be proposed to the Board for election as the new INED after having assessed his/her independence, qualification, experience and time commitment by the nomination committee of the Company (the "Nomination Committee");
➢ INEDs receive fixed fee(s) for their role as members of the Board and Board Committee(s) as appropriate;
➢ INEDs' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration;
➢ In assessing suitability of the candidates, the Nomination Committee will review their profiles, including their qualification and experience, having regard to the Board's composition, the Directors' skill matrix, the Company's nomination policy (the "Nomination Policy") and the Board diversity policy (the "Board Diversity Policy");
➢ The Board would annually review the contribution of the Directors to perform their responsibilities to the Company, and whether they devote sufficient time and make contributions to the Company that are commensurate with their role and Board responsibilities, as well as the performance of the Board
➢ All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board committee meetings;
➢ In terms of conflict management, a Director (including INED) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same;
➢ The chairman of the Board meets with INEDs annually without the presence of the executive Directors;
➢ The audit committee of the Company (the "Audit Committee") meets with external auditor, without the presence of executive Directors at least twice a year; and
➢ To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary or the in-house legal team as well as from independent professional advisers.

During the Year, the Board reviewed implementation of these mechanisms and determined that they remain effective.

Corporate Governance Report

The Board (continued)

Chairman and Managing Director

The Chairman and the Managing Director are collectively responsible for the leadership of the Group and for promoting a high standard of corporate governance. There is a clear division of the respective independence, accountability and responsibility between the Chairman and the Managing Director and each complements each other as stated in the Company's Statement of Policy on Corporate Governance.

Mr. Lu Chin Chu acts as the Chairman who provides leadership for the Board and ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategies and policies and that Board decisions taken are in the Group's best interests and fairly reflect the Board's consensus.

Ms. Tsai Pei Chun, Patty acts as the Managing Director who leads the Senior Management in the day-to-day operation of the Group's business in accordance with the business plans and develops and proposes the Group's strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Independent Non-executive Directors

All INEDs are appointed for a specific term of three years, subject to retirement by rotation at least once every three years. During the Year, the Company has at all times met the requirements under Rules 3.10(1) and (2), and 3.10A of the Listing Rules. The Company has received annual confirmation of independence from all INEDs pursuant to Rule 3.13 of the Listing Rules. Based on the annual review conducted by the Nomination Committee, the Board is of the view that all INEDs are independent in accordance with the Listing Rules.

Appointment, Re-Election and Removal of Directors

Any appointment of a new Director is recommended by the Nomination Committee with reference to the Nomination Policy, Board Diversity Policy and Director Succession Plan for the approval by the Board or the Shareholders in general meetings. The key terms and conditions of the Directors' appointments are set out in their respective letter of appointment or service contract.

According to the Bye-laws and the CG Code, any new Director appointed by the Board is subject to retirement and re-election by Shareholders at the next annual general meeting of the Company (the "AGM") following their appointment. At each AGM, one-third (or the number nearest to, but not less than one-third) of the Directors will retire from office by rotation, and every Director is subject to retirement at least once every three years. Any Director appointed pursuant to Bye-law 83(2) of the Bye-laws shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

According to the Bye-laws, Shareholders may at a general meeting by an ordinary resolution remove a Director.

Corporate Governance Report

The Board (continued)

Induction and Training of Directors

The Company provides a comprehensive induction package to each newly appointed Director to ensure that they are sufficiently aware of their responsibilities and obligations as directors of a company listed in Hong Kong and understand the Company's operations and business as well as corporate governance policies.

The Company continuously updates the Directors on the Group's business and the latest developments regarding the Listing Rules and other applicable regulatory requirements and provides them with reading materials relating to the latest development of regulatory requirements relevant to Director's duties and responsibilities.

According to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, the Company organized a briefing session on the topics related to ESG for the Directors. If the Directors are not able to attend the briefing sessions, training handouts will be distributed to those Directors for their self-studying.

According to the records provided by the Directors, the Directors had participated in the following trainings during the Year:

Name of Directors	Attending briefings/ seminars/conferences/ forums	Reading/ studying training or other materials
Executive Directors		
Mr. Lu Chin Chu	✔	✔
Ms. Tsai Pei Chun, Patty	✔	✔
Mr. Chan Lu Min	✔	✔
Mr. Lin Cheng-Tien	✔	✔
Mr. Liu George Hong-Chih	✔	✔
Mr. Shih Chih-Hung	✔	✔
Independent Non-executive Directors		
Mr. Wong Hak Kun	✔	✔
Mr. Ho Lai Hong	✔	✔
Mr. Lin Shei-Yuan	✔	✔
Dr. Yang Ju-Huei	✔	✔

Directors' and officers' liabilities insurance

The Company has arranged appropriate directors and officers liability insurance in line with the CG Code.

Corporate Governance Report

The Board (continued)

Board meetings and process

The Board holds four regular meetings a year while additional meetings are held as and when required. The Company Secretary assists the Chairman in setting the agenda of the Board meetings and each Director is invited to present any business that they wish to discuss or propose at such meetings. Notices of regular Board meetings are served to the Directors at least fourteen days before meetings to ensure that all Directors are given the opportunity to attend. For other Board and committee meetings, reasonable notice is generally given. Agenda and accompanying Board papers are circulated to all Directors and other attendees not less than three days (or where meetings are called at short notice, as soon as practicable) before the Board or committee meetings to ensure timely access to relevant information. All Directors also have access to the Company Secretary and her team for services and advices, and may take independent professional advice upon request, at the Company's expense. Draft minutes of the Board and committee meetings are circulated to all Directors or committee members for approvals and finalized minutes are kept by the Company Secretary and open for inspection by all Directors.

Pursuant to the Bye-laws, Board approval may also be obtained by way of circulation of a resolution in writing on urgent matters when convening a Board meeting is not practicable. Sufficient information and explanatory materials will be provided to the Directors at the same time when a resolution in writing is circulated. If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. That Director will abstain from voting on the relevant Board resolution and he/she shall not be counted in the quorum present at the Board meeting.

Directors' attendance and time commitment

The attendance of the Directors at the meetings during the Year is set out below:

	Shareholders' Meeting	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting
	Number of Meeting(s) Attended/Held				
Executive Directors					
Mr. Lu Chin Chu	1/1	4/4	N/A	N/A	N/A
Ms. Tsai Pei Chun, Patty	1/1	4/4	N/A	N/A	1/1
Mr. Chan Lu Min	1/1	4/4	N/A	N/A	N/A
Mr. Lin Cheng-Tien	1/1	4/4	N/A	N/A	N/A
Mr. Liu George Hong-Chih	1/1	3/4	N/A	N/A	N/A
Mr. Shih Chih-Hung	1/1	4/4	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Wong Hak Kun	1/1	4/4	4/4	1/1	N/A
Mr. Ho Lai Hong	1/1	4/4	4/4	1/1	1/1
Mr. Lin Shei-Yuan	1/1	4/4	4/4	1/1	1/1
Dr. Yang Ju-Huei	1/1	4/4	4/4	1/1	N/A

Board Committees

The Board has established three principal committees, namely and the Audit Committee, the Nomination Committee and the Remuneration Committee. Each committee is delegated with specific authorities in assisting the Board to discharge its duties and to administer particular aspects of the Group's activities. The roles and functions of each committee are summarized below.

Audit Committee

The Audit Committee was established on January 28, 1999 and currently comprises all INEDs, namely Mr. Wong Hak Kun (chairman), Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Dr. Yang Ju-Huei. Mr. Wong Hak Kun is an INED possessing the appropriate professional accounting and financial management expertise as required under the Listing Rules.

The major roles and functions of the Audit Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the websites of the Stock Exchange and the Company.

The Audit Committee held four meetings during the Year. A summary of the major works performed during the meetings is set out as follows:–

- Reviewed and recommended the Board to approve the Group's final results for the year ended December 31, 2023 ("Previous Year"), the interim results for the six months period ended June 30, 2024, the quarterly results for the three months ended March 31, 2024 and for the nine months ended September 30, 2024;
- Recommended the Board for re-appointment of Deloitte as the external auditor at AGM held in 2024 (the "2024 AGM");
- Reviewed of co-operations with Deloitte, Deloitte's performance, independence and objectivity and the effectiveness of the audit process and its scope;
- Reviewed the audit fees and the fees for non-audit services payable to the external auditor;
- Reviewed the continuing connected transactions of the Group for the Previous Year;
- Reviewed the "Report to the Audit Committee" prepared by the external auditor for the Previous Year and the six months ended June 30, 2024;
- Reviewed the internal audit reports and the effectiveness of the risk management and internal control systems for the Previous Year and the six months ended June 30, 2024;
- Reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions and those relating to ESG performance and reporting and the effectiveness of the internal audit function, and made recommendation to the Board;
- Reviewed the arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- Approved the audited planning issue for the Year, reviewed the independence of the external auditor and approved its engagement.

Corporate Governance Report

Board Committees (continued)

Nomination Committee

The Nomination Committee was established on December 29, 2011 and currently comprises one executive Director and two INEDs, namely Mr. Ho Lai Hong (chairman), Ms. Tsai Pei Chun, Patty and Mr. Lin Shei-Yuan.

The major roles and functions of the Nomination Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the websites of the Stock Exchange and the Company.

The Nomination Committee held one meeting during the Year. A summary of the major works performed during the meeting is set out as follows:–

- Assessed, reviewed and affirmed the independence of the INEDs;
- Reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
- Considered and recommended the Board to approve the re-appointment of an executive Director upon expiry of his respective service agreement in 2024;
- Considered and recommended the Board to approve the re-appointment of two INEDs upon expiry of their appointment letters in 2024;
- Recommended the Board the retirement and re-election of Directors at the 2024 AGM; and
- Reviewed the Board Diversity Policy and Nomination Policy and their respective implementation and effectiveness.

Board Diversity Policy

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. The Company will also take into consideration its own business model and specific needs from time-to-time in determining the optimal composition of the Board. In view of this, the Board Diversity Policy adopted by the Board in August 13, 2013, the Nomination Committee has set measurable objectives based on a range of diversity perspectives, including, but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates may bring to the Board. Further details of the current Board's composition with their diversity perspectives are included in the section "Biographical Details of Directors and Senior Management" of this annual report.

The Nomination Committee was delegated by the Board to review the Board Diversity Policy at least annually to ensure its implementation and continued effectiveness from time to time. The Board Diversity Policy is available on the website of the Company for public information.

The current Board composition reflects a balanced mix of age, educational background, professional knowledge, industry experience and length of service to the Board which is appropriate for the needs of the business of the Group. The diversity mix of the Board as at December 31, 2024 and up to the date of this report is summarized below:

Corporate Governance Report

Board Committees (continued)

Board Diversity Policy (continued)

The Board comprises ten members, six of them are executive Directors and four of them are INEDs who have served on the Board for a period ranging from one year to six years. The Board is composed of professionals with manufacturing of footwear and footwear materials, corporate banking and finance, accounting, finance, audit & assurance, general management, academic and legal backgrounds. Of the ten Directors, two members were aged under 50, two members were aged between 50-59, and the remaining were aged over 60.

As at December 31, 2024, the Board's gender diversity ratio is the same as industrial average (consumer discretionary) of Hang Seng Index Constituents, with two female Directors out of ten (20%). The Nomination Committee was of the view that the current gender diversity of the Board was appropriate and balanced taking into account the business model and specific need of the Company. Therefore, no numerical targets timeline or plan was proposed during the Year for further enhancing the gender diversity of the Board for the time being. The Nomination Committee will continue reviewing the composition of the Board to ensure the Board's gender diversity level followed the market. For gender ratio in the workforce (including Senior Management) of the Group, please refer to the Company's 2024 ESG Report.

The Company has also taken steps to promote diversity at the Board and all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible members without discrimination. When considering new members for the Board, appointments will be made by considering the objective criteria to achieve balance between the gender diversity and the needs of the Group.

Nomination Policy

The Board adopted a Nomination Policy on November 13, 2018 which sets out the selection criteria and non-discriminatory nomination procedures for (i) nominating new Director to fill a casual vacancy on the Board; (ii) making recommendation to Shareholders regarding any Director proposed for election or re-election at general meetings; and (iii) nomination by Shareholders on election of new Director. The key criteria for the Nomination Committee to consider a candidate pursuant to the Nomination Policy include, inter alia, the following:

- with reference to the Board Diversity Policy, a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- commitment to devote sufficient time and attention to the Company's affairs;
- character and integrity;
- accomplishment, experience and knowledge in the relevant industry; and
- in respect of an independent non-executive Director, independence of the candidate.

The Nomination Policy shall be reviewed periodically to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

Directors Succession Plan

The purpose of the Directors Succession Plan is to ensure the orderly identification and selection of new Directors in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, an unanticipated departure, the expansion of the size of the Board, or otherwise. As provided in the terms of reference of the Nomination Committee, the Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and Managing Director.

Board Committees (continued)

Remuneration Committee

The Remuneration Committee was established on January 17, 2006 and currently comprises all INEDs, namely Mr. Wong Hak Kun (chairman), Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Dr. Yang Ju-Huei.

The major roles and functions of the Remuneration Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the websites of the Stock Exchange and the Company. The Company adopted Code Provision E.1.2(c)(ii) out of the two models suggested by the CG Code.

The Remuneration Committee held one meeting during the Year. A summary of the major works performed during the meetings is set out as follows:–

- Reviewed and recommended the Board to approve the remuneration of an executive Director for renewal of his service agreement in 2024;
- Reviewed and recommended the Board to approve the remuneration of two INEDs for renewal of their appointment letters in 2024;
- Reviewed and recommended the Board to approve the Company's 2023 remuneration for management with reference to the Board's corporate goal and objectives, salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- Reviewed the Company's remuneration policy and structure for all Directors' and Senior Management's remuneration; and
- Reviewed and recommended the Board to approve the granting of awarded Shares to the Directors and Senior Management pursuant to the Yue Yuen Share Award Scheme with reference to the recommendation from Company's scheme execution team.

In determining the remuneration policy, the Remuneration Committee will ensure that:–

(i) a competitive remuneration package for each member of the Board is maintained and benchmarked with other multinational companies of similar size and international scope operating in global markets;

(ii) the emoluments is able to reflect time committed, performance, merit, competence, qualification, complexity and responsibility of each member of the Board; and

(iii) no individual should determine his or her own remuneration.

Corporate Governance Report

Board Committees (continued)

Remuneration Committee (continued)

In determining the emoluments of executive Directors/Senior Management, the Remuneration Committee will consider: (i) the remuneration of comparable positions in other multinational companies of similar size, complexity and scope of activities; and (ii) time committed, merit, competence, qualification, complexity and responsibility of the relevant individual. The level of Director's fee for each non-executive Director should reflect the likely workload, the scale and complexity of the business and the responsibility involved.

Pursuant to E.1.5 of the CG Code, the remuneration of the Senior Management by band for the Year was set out in Note 11 to the consolidated financial statements.

Corporate Governance Functions

The Board is primarily responsible for performing the corporate governance functions of the Company. The following is a summary of the work performed by the Board for the Year:

- Reviewed the Statement of Policy on Corporate Governance of the Company;
- Reviewed the summary of and monitored the training and continuous professional development of the Directors;
- Reviewed and monitored the practices on compliance with legal and regulatory requirements and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report contained in 2023 Annual Report;
- Reviewed and monitored the Code of Conduct of the Company;
- Reviewed the Company's Whistleblowing Policy;
- Reviewed the Company's Prevention of Bribery Policy;
- Reviewed effectiveness of the Company's Shareholders Communication Policy;
- Adopted the Company's Code of Conduct Practice Guideline for Intergrity Management; and
- Reviewed the Group's ESG performance and progress reported by the ESG Taskforce twice a year.

The Board adopted a Statement of Policy on Corporate Governance on May 5, 2012 which sets out the key corporate governance principles observed by the Company and illustrates the practices and systems established by the Board in line with those principles. It serves as a framework guideline to assist the Board in supervising the management of the business and affairs of the Group.

Auditor's Remuneration and Auditor Related Matters

During the Year, the remuneration paid or to be payable to the Company's external auditor, Deloitte, is set out as follows:

	2024 **US$'000**	2023 US$'000
Audit services	**1,432**	1,409
Non-audit service (included review of interim financial statements and professional advisory on taxation and ESG reporting requirement)	**365**	313
Total	**1,797**	1,722

Corporate Governance Report

Directors' Responsibility and Auditor's Responsibility in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of the Group's affairs and results. In doing so, the generally accepted accounting standards and suitable accounting policies in Hong Kong are adopted and applied consistently. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern.

The statement by the external auditor of the Company, Deloitte, about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 72 to 76 of this annual report.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the Year.

The Company's relevant employees, who are likely to be in possession of unpublished inside information, have been requested to comply with internal guidelines that similar to those terms in the Model Code. No incident of non-compliance by relevant employees was noted for the Year.

Dividend Policy

The Company adopted a Dividend Policy on November 13, 2018. The Company is committed to maintaining a sustainable and stable absolute return to the Shareholders in the form of dividend. The Board has complete discretion on whether to pay a dividend, subject to Shareholder's approval, where applicable. The Board shall decide the form, frequency and amount of the dividend payments.

The actual dividend payments will depend on a number of factors, including but not limited to (i)financial performance of the Company, (ii) conservation of adequate funds for the Company's capital expenditures or other strategic initiatives for growth and expansion prospects,(iii) cash position and availability of funds for dividend payments,(iv) financial position of the Company such as its capital structure and debt repayment capabilities, (v) any restraints on dividend payments as contained in the financing agreements; and (vi) other factors that the Board may consider relevant.

The Company's ability to make distributions is also subject to the requirements of Bermuda law, the Bye-laws, the Listing Rules and any other applicable laws and regulations.

Company Secretary

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary confirmed that she has taken at least 15 hours of relevant professional training during the year under review in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

Shareholders' Rights

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the CG Code.

The Procedures for Shareholders to Convene a Special General Meeting ("SGM")

Pursuant to Bye-law 58 of the Bye-laws, Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong, to require a SGM to be convened by the Board for the transaction of any business or resolution specified in such requisition. The requisition must specify the purposes of the meeting, signed by the requisitionists and may consist of several documents in like form each signed by one or more of those requisitionists. The signatures and the requisition will be verified by the Company's branch share registrar in Hong Kong. The Board will process to convene the SGM in the form of a physical meeting only and within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may convene such physical meeting in accordance with the provisions of Section 74(3) of the Companies Act of Bermuda.

The Procedures for Sending Enquiries to the Board

The enquiries must be in writing with the detailed contact information of the requisitionists and deposited with the Board or the Company Secretary at the Company's principal place of business in Hong Kong at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

Pursuant to the sections 79 and 80 of the Companies Act of Bermuda, either any number of the Shareholders holding not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at general meetings of the Company, or not less than 100 of such Shareholders, can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the Company's principal place of business in Hong Kong with a sum reasonably sufficient to meet the Company's relevant expenses and not less than 6 weeks before the meeting in the case of a requisition requiring notice of a resolution or not less than 1 week before the meeting in the case of any other requisition. The signatures and the requisition will be verified by the Company's branch share registrar in Hong Kong and upon their confirmation that the same is proper and in order, the Company Secretary will arrange to include the proposed resolution in the agenda of the general meeting.

The Procedures for Shareholders to Propose a Person for Election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section of the Company's website.

Shareholder Communications

The Company's Shareholders Communication Policy is available on the Company's website. It sets out the Company's procedures in providing the Shareholders and the investment community with fair and timely access to balanced and understandable information about the Company, with a view to enabling the Shareholders to exercise their rights in an informed manner and to allowing the Shareholders and the investment community to effectively communicate and engage with the Company.

The Company endeavours to ensure that the Shareholders and the investment community are provided with a two-way communication channel, mainly through means such as regularly publishing news and updates on the Company's and the Stock Exchange's websites, convening general meetings, results presentations and investor meetings to exchange views. The chairman of the Board and all other members of the Board will make themselves available at the annual general meeting to answer Shareholders' enquiries.

In addition, the Company's branch share registrar in Hong Kong serves the Shareholders in respect of share registration, dividend payment and related matters. The Company welcomes suggestions from investors, other stakeholders and the public. Enquiries to the Board or the Company may be sent to the Company and the Company's branch share registrar in Hong Kong by post or email.

Having reviewed the implementation of the multiple channels of communication as stated above, the Board is satisfied with the proper implementation and effectiveness of the Shareholders Communication Policy during the Year.

To facilitate effective communication, the Company maintains its website www.yueyuen.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Constitutional Documents

There was no change in the Company's Memorandum of Association and Bye-laws during the Year. The latest version of the said document is available on the websites of the Stock Exchange and the Company.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control systems for the Group, as well as reviewing the effectiveness of these systems. These systems are designated to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss, and to assist in the achievement of the Group's objectives. These systems also ensure the maintenance of proper accounting records and compliance with operating procedures as well as relevant laws and regulations.

Risk Management and Internal Control (continued)

During the Year, the internal audit function of the Group was performed by the internal audit department, which was responsible for the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group. At the same time, it also assessed the risks inherent to the business and operation, and conducted reviews or audits to provide reasonable, and not absolute, assurance that adequate governance and controls are in place to address such risks. The Board had reviewed, through the Audit Committee, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. The Board had also reviewed, through the Audit Committee, the effectiveness of the Group's risk management and internal control systems including financial control, operational control and compliance control, for the year ended December 31, 2023 and for the six months ended June 30, 2024, in March and in August 2024 respectively, and has received confirmation from the management on the effectiveness of risk management and internal control systems, and considered such systems to be effective and adequate.

Main Features of the Risk Management and Internal Control Systems

The Board performs its duties by (a) formulating policies and procedures and defining authorization criteria, which provide a framework for identification and management of risks; (b) overseeing all major matters of the Group, including the formulation and approval of all policies, overall strategies, ESG risks, risk management and internal control systems after taking into consideration of the recommendations made by the relevant committees; (c) monitoring the performance of the senior management and approving the detailed operational and financial report, budget and business plan submitted by the management. Meanwhile, the Managing Director conducts regular reviews with the management team of each core business unit on their authorized functions and work. The Company established an ESG working team to advise and assist the Board to monitor ESG risks. Please refer to the section headed "Business Review – Environmental Policy and Performance" in the Directors' Report.

The management (including relevant heads of business units, departments and divisions) takes responsibility to (a) designs, implements and monitors the risk management and internal control systems, and ensures the effective performance of these systems; (b) monitors risks and takes measures to mitigate risks in daily operations; (c) provides timely responses and follow-up actions to findings on internal control matters raised by internal audit department or external auditor; and (d) provides confirmation to the Board on the effectiveness of these systems.

The Audit Committee is responsible for the ongoing review of the Group's risk management and internal control functions. The Board delegates the Audit Committee to (a) regularly review the Group's risk management and internal control systems; ensures that the management has performed its duty to have effective systems; (b) consider major investigation findings on risk management and internal control matters and management's responses to these findings; (c) ensure co-ordination between the internal audit department and external auditor; and (d) review and monitor the effectiveness of the internal audit function and ensure that internal audit has sufficient resources and appropriate status to operate within the Group.

Risk Management and Internal Control (continued)

Risk Management

The Group has put in place a set of internal audit planning and risk assessment systems, for the identification, assessment and management of significant risks. The processes are:

1. Audit Planning

    a. Audit Subject Selection – The Group's risks are assessed according to financial risk factor and non-financial risk factor, and different factors are weighted according to their respective importance. At the same time, the Group's businesses are categorized into eight industry groups, according to the characteristics of the respective product, for the assessment of risks and the selection of business units as audit subjects accordingly. Apart from selecting audit subjects according to the risks assessment system, the auditing work will also be carried out according to the instructions of the Board and the senior management of the Group, or according to the requests of the heads of the business units.

    b. Audit Preparation – After an annual refreshment of relevant data, the risk levels of each business units are recalculated, the audit of the new financial year is planned, and the Group's risk assessment report and the internal audit plan are presented to the Audit Committee by the head of the internal audit department.

2. Information Inspection and Evaluation – According to the annual internal audit plan and audit procedures, to understand, examine and evaluate the situation of internal control. According to the needs revealed from internal control assessment, the test is broadened to discover problems, after which the audit report will be produced and recommendations are made.

3. Audit results are communicated to the audited business units.

4. The head of the internal audit department reports to the Audit Committee half-yearly and annually on the results of audit work.

5. Improvements on defects discovered and mitigation of risks are requested and progresses are continuously tracked.

Internal Control Measures

Executive directors are appointed by the boards of all significant operating subsidiaries and associates to oversee the operations of these companies, which include the participation in their board meetings, approval of budgets and operating strategies, as well as the identification of related risks and formulation of key performance indicators. The management team of each core business unit is responsible for every business in their respective department. Similarly, the management team of each business unit is also responsible for their own conduct and performance. The Group's managing director continuously monitors the Group's performance and reviews the risk conditions of these companies through these measures.

The Group's internal control procedures include a set of comprehensive reporting system, through which informative reports are produced to the management team of each core business unit and to the executive directors.

Risk Management and Internal Control (continued)

Internal Control Measures (continued)

As part of the Group's annual business plan, business plans and budgets are prepared annually by individual business units, which are subject to approval by the management team and the Managing Director. Regular reviews of the differences between projections and actual financial data are conducted, and comparisons of variances against the original budgets are made and approved. In preparing budgets and making revised forecasts, the management will identify, assess and report on the likelihood of significant risks facing the business units and their potential financial impacts.

The executive Directors review the monthly management reports which cover the financial performance and major operating statistics of each business unit, and meet regularly with the operation management team and senior business management team of the business units to review such reports, compare the business performances against the budgets and perform business forecasts as well as material risks assessments and strategies. In addition, the heads of the management team of the core business units meet quarterly with the managing director and their respective team members to review and carry out risk assessments, decisions and related matters of the major issues.

Inside Information

In respect of compliance with the requirements of the SFO and the Listing Rules to identify, handle and disseminate inside information (having the meaning under the SFO), the Group has adopted the Inside Information Policy to ensure that inside information of the Group is disseminated to the public in equal and timely manner and in accordance with the applicable laws and regulations. It is the obligation of the Board to ensure the Company's compliance with its disclosure responsibilities. The Company must disclose inside information to the public as soon as reasonably practicable, unless the "safe harbor" provisions under the SFO apply. The Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. The Company has implemented procedures and adopted the "Guidelines for Securities Transactions by Relevant Employees". To guard against mishandling of inside information, the Group's securities transactions by the Directors and relevant employees are subject to pre-clearance and the Directors and relevant employees are notified of the regular blackout period and securities dealing restrictions. If there are rumours in the public, the disclosure committee of the Company may be formed for determination as to whether the nature of such rumours falls into the category of insider information as mentioned above. No persons other than those authorized by the Board shall disclose or clarify any inside information, or attempt to do so, in particular to the media, analysts or investors. Any disclosure of inside information must be made through the electronic publication system operated by the Stock Exchange's and the Company's website.

Corporate Governance Report

Risk Management and Internal Control (continued)

Internal Audit

The head of the Group's internal audit department reports to the Managing Director on the department's daily duties, and directly reports to the Audit Committee. The internal audit department formulates its annual audit plan based on the risks assessment method, taking into consideration the operational mechanism of the Group. The plan is reviewed by the Audit Committee and re-assessed during the year, if necessary, to ensure that sufficient resources are available for use and the objectives of the plan are achieved. The internal audit department is responsible for the assessment of the risk management and internal control systems of the Group, provision of impartial advices on the system, reporting the assessment results to the Audit Committee, Managing Director and relevant senior management, and following up on all reports to ensure the satisfactory resolution of all issues. Depending on the business nature and risks of the individual business unit, the work of internal audit function includes reviews on finance/information technology and operation, recurring and ad hoc audits and fraud investigations, etc. In addition, the internal audit department also communicates with the Group's external auditor on a regular basis.

For the Year, the Audit Committee considered that the Group's risk management and internal control systems were adequate and effective.

Whistleblowing policy

The Board adopted a whistleblowing policy on March 15, 2022 which provides reporting channels and guidance to facilitate the raising of matters of concern by employees of the Group and those who deal with the Group (e.g. customers, and (suppliers) (each a "Whistleblower"), in confidence and anonymity. The Whistleblower can report suspected improprieties to the Chairman of the Audit Committee via the Company Secretary.

Anti-corruption

The Board adopted a prevention of bribery policy (the "Prevention of Bribery Policy") on March 15, 2022. The Group is committed to promoting the highest standards of business ethics and complying with all applicable laws, including the prevention of bribery legislations in the jurisdictions in which the Group operates and conducts business activities. The Prevention of Bribery Policy outlines the standards and guidelines against bribery and corruption and unethical conducts that the Group's personnel and business partners should follow.

The Board also adopted a code of conduct and practice guidelines for integrity management on November 11, 2024 which aimed to establish a corporate culture and healthy development for its integrity in business operations, and models of sound business operation. All directors, senior management, other employees or persons with material control in the businesses, subsidiaries and affiliates of the Company should follow such guidelines.

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Yue Yuen Industrial (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 77 to 205, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill allocated to several groups of cash generating units ("CGUs") which are engaged in the business of 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 a key audit matter due to the complexity and significant judgments and estimates involved in the assessment process of the management of the Group. As disclosed in Note 19 to the consolidated financial statements, the carrying amount of this goodwill was US$72,413,000 as at December 31, 2024. Determining whether goodwill is impaired requires the management's estimation of the recoverable amounts of the relevant groups of CGUs to which the goodwill has been allocated, which is the value in use. In estimating the value in use of the above groups of CGUs, key inputs used by the management included discount rates, growth rates, budgeted sales and gross margin and their related cash inflow and outflow patterns. The management also engaged an independent valuer to determine the discount rate. The above groups of CGUs containing goodwill did not suffer any impairment during the year ended December 31, 2024.	Our procedures in relation to the impairment assessment of goodwill included: • Evaluating the competence, capabilities and objectivity of the independent valuer; • Evaluating the assumptions underpinning the discounted cash flow models, including growth rates, budgeted sales and gross margin in the forecasted future cash flows by reference to the future business plan of the Group as well as industry trend; • Involving our team of internal valuation experts to assess the discount rate applied underpinning the discounted cash flow models by performing re-calculations based on market data and certain company specific parameters, as well as evaluating the parameters applied by the independent valuer; • Evaluating the sensitivity analysis and performing re-calculations to assess the extent of impact on the value in use; and • Evaluating the accuracy of historical forecast cash flows by comparing them to actual results in the current year and understanding the causes for any significant variances.

Independent Auditor's Report

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of net realizable value of obsolete and slow-moving finished goods	
We identified the assessment of net realizable value of finished goods for the retail and distribution of sportswear and footwear products as a key audit matter due to the significant judgments and estimates involved in the determination of the net realizable value of these finished goods by the management of the Group. As disclosed in Notes 24 and 10 to the consolidated financial statements, the carrying amount of finished goods for the retail and distribution of sportswear and footwear products included in the inventories balances as at December 31, 2024 was US$674,179,000 and the net changes in allowance for inventories arose from the finished goods for the retail and distribution of sportswear and footwear products credited to the consolidated income statement for the year then ended was US$2,298,000. Accumulated allowance made as at December 31, 2024 was US$18,759,000. As explained in Note 4(b)(iii) to the consolidated financial statements, the management of the Group reviewed the aging and saleability of the inventories at the end of the reporting period and made allowance for those inventories with carrying amounts higher than their respective net realizable values, including obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management of the Group estimated the net realizable value for those items based primarily on the inventories condition, the latest transaction prices and current market conditions.	Our procedures in relation to assessment of net realizable value of obsolete and slow-moving inventories included: • Understanding the process performed by management of the Group on estimation of allowance for inventories and identification of obsolete and slow-moving inventories; • Evaluating the accuracy of aging analysis of inventories and checking, on a sample basis, to the supporting documents; • Based on historical sales data of inventories in different aging categories, evaluating the allowance for inventories made by the management of the Group; and • Performing retrospective review on actual sales performance in 2024 for those inventories as at December 31, 2023.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Other Information (continued)

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

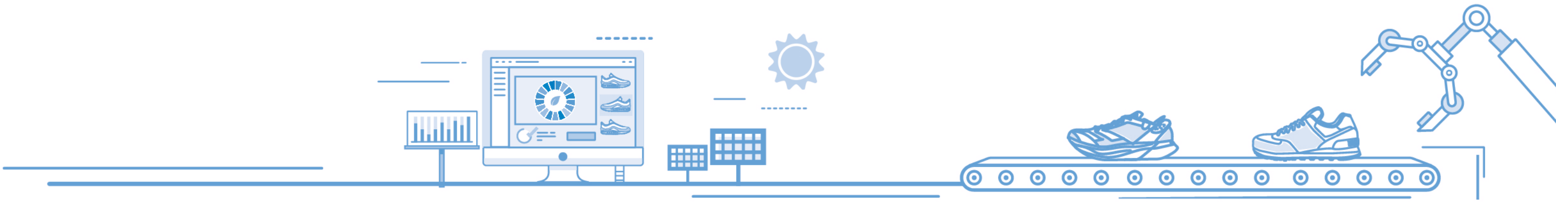
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Li Kin Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 11, 2025



Consolidated Income Statement

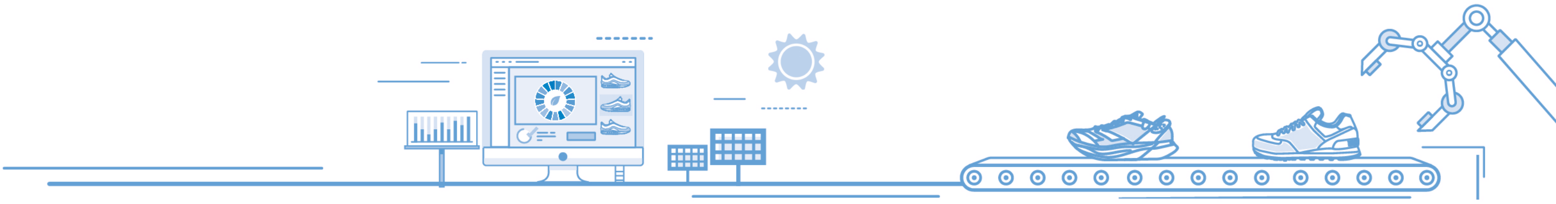
For the year ended December 31, 2024

	NOTES	2024 US$'000	2023 US$'000
Revenue	5	**8,182,161**	7,890,168
Cost of sales		**(6,189,451)**	(5,964,854)
Gross profit		**1,992,710**	1,925,314
Other income	6	**122,713**	135,589
Selling and distribution expenses		**(838,163)**	(894,156)
Administrative expenses		**(553,395)**	(546,619)
Other expenses		**(177,427)**	(216,230)
Finance costs	7	**(63,339)**	(85,039)
Share of results of associates		**54,081**	47,728
Share of results of joint ventures		**24,352**	14,454
Other gains and losses	8	**10,565**	9,157
Profit before taxation		**572,097**	390,198
Income tax expense	9	**(147,444)**	(80,992)
Profit for the year	10	**424,653**	309,206
Attributable to:			
Owners of the Company		**392,415**	274,710
Non-controlling interests		**32,238**	34,496
		424,653	309,206
		US cents	US cents
Earnings per share	13		
– Basic		**24.37**	17.05
– Diluted		**24.34**	17.04

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2024

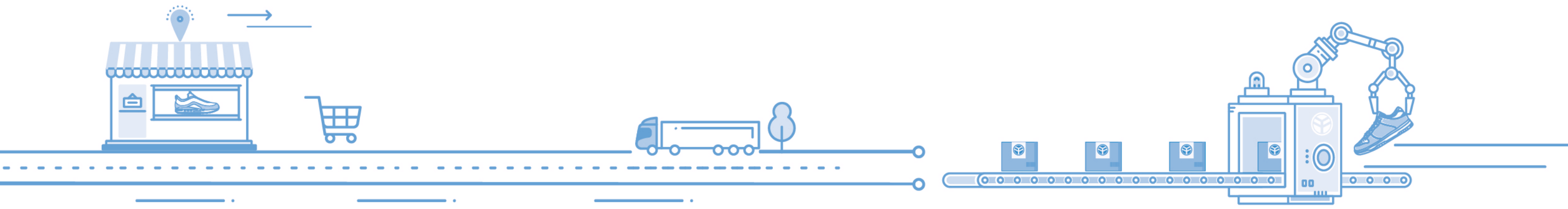
	2024 **US$'000**	2023 US$'000
Profit for the year	**424,653**	309,206
Other comprehensive income (expense)		
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income	**2,771**	908
Share of other comprehensive expense of associates	**(628)**	(13,412)
Remeasurement of defined benefit obligations, net of tax	**13,028**	(7,347)
Revaluation gain on transfer of properties to investment properties, net of tax	**56,810**	3,133
	71,981	(16,718)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on the translation of foreign operations	**(36,480)**	(34,722)
Share of other comprehensive expense of associates and joint ventures	**(5,437)**	(2,795)
Reserve released upon partial disposal of associates	**2,070**	140
Reserve released upon deemed disposal of an associate	**316**	–
	(39,531)	(37,377)
Other comprehensive income (expense) for the year	**32,450**	(54,095)
Total comprehensive income for the year	**457,103**	255,111
Total comprehensive income for the year attributable to:		
Owners of the Company	**438,168**	233,634
Non-controlling interests	**18,935**	21,477
	457,103	255,111



Consolidated Statement of Financial Position

At December 31, 2024

	NOTES	2024 US$'000	2023 US$'000
Non-current assets			
Investment properties	14	**327,202**	257,368
Property, plant and equipment	15	**1,578,860**	1,675,886
Right-of-use assets	16	**469,693**	528,501
Deposits paid for acquisition of property, plant and equipment/right-of-use assets		**30,102**	20,069
Intangible assets	17	**13,106**	12,090
Goodwill	18	**256,148**	258,237
Interests in associates	20	**425,495**	433,293
Interests in joint ventures	21	**164,305**	175,763
Equity instruments at fair value through other comprehensive income	22	**20,240**	18,217
Financial assets at fair value through profit or loss	23	**61,099**	25,703
Bank deposits over three months	26	**62,140**	37,579
Other financial assets at amortized cost		**5,795**	–
Rental deposits		**14,886**	17,551
Deferred tax assets	30	**101,359**	114,117
		3,530,430	3,574,374
Current assets			
Inventories	24	**1,335,969**	1,247,003
Trade and other receivables	25	**1,555,506**	1,393,872
Equity instrument at fair value through other comprehensive income	22	**3,139**	4,022
Financial assets at fair value through profit or loss	23	**37,662**	20,941
Taxation recoverable		**31,632**	13,525
Bank deposits over three months	26	**124,167**	181,278
Cash and cash equivalents	26	**756,849**	923,217
		3,844,924	3,783,858



Consolidated Statement of Financial Position

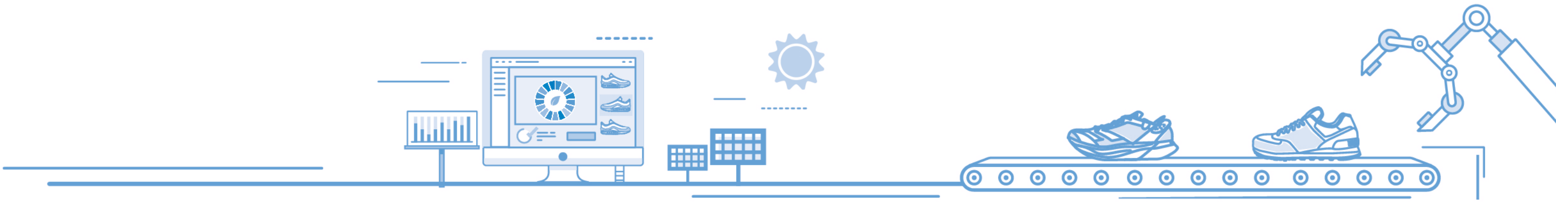
At December 31, 2024

	NOTES	2024 US$'000	2023 US$'000
Current liabilities			
Trade and other payables	27	**1,203,244**	1,136,831
Contract liabilities	28	**54,208**	45,021
Financial liabilities at fair value through profit or loss	23	**3,126**	668
Taxation payable		**76,051**	69,799
Bank borrowings	29	**357,616**	643,159
Lease liabilities	31	**75,534**	89,196
		1,769,779	1,984,674
Net current assets		**2,075,145**	1,799,184
Total assets less current liabilities		**5,605,575**	5,373,558
Non-current liabilities			
Bank borrowings	29	**399,684**	329,501
Deferred tax liabilities	30	**70,439**	54,604
Lease liabilities	31	**137,383**	177,804
Retirement benefit obligations	42(b) & (c)	**83,715**	101,621
		691,221	663,530
Net assets		**4,914,354**	4,710,028
Capital and reserves			
Share capital	32	**51,795**	52,040
Reserves		**4,386,396**	4,188,228
Equity attributable to owners of the Company		**4,438,191**	4,240,268
Non-controlling interests	44	**476,163**	469,760
Total equity		**4,914,354**	4,710,028

The consolidated financial statements on pages 77 to 205 were approved and authorized for issue by the board of directors of the Company on March 11, 2025 and are signed on its behalf by:

Tsai Pei Chun, Patty
MANAGING DIRECTOR

Shih Chih-Hung
EXECUTIVE DIRECTOR



Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Equity attributable to owners of the Company														
	Share capital US$'000	Share premium US$'000	Investments revaluation reserve US$'000	Special reserve US$'000 (note a)	Other reserve US$'000 (note b)	Other revaluation reserve US$'000	Property revaluation reserve US$'000	Shares held under share award scheme US$'000	Share award reserve US$'000	Statutory reserve fund US$'000 (note c)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2023	52,040	592,677	40,062	(16,688)	8,859	4,551	75,750	(3,899)	2,981	193,622	8,397	3,231,359	4,189,711	452,614	4,642,325
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	274,710	274,710	34,496	309,206
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	–	–	–	–	(9,335)	(9,335)	21	(9,314)
Deferred tax arising from remeasurement of defined benefit obligations	–	–	–	–	–	–	–	–	–	–	–	1,969	1,969	(2)	1,967
Revaluation gain on transfer of properties to investment properties	–	–	–	–	–	–	4,178	–	–	–	–	–	4,178	–	4,178
Deferred tax arising from revaluation gain on transfer of properties to investment properties	–	–	–	–	–	–	(1,045)	–	–	–	–	–	(1,045)	–	(1,045)
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(21,866)	–	(21,866)	(12,856)	(34,722)
Fair value gain on equity instruments at fair value through other comprehensive income	–	–	904	–	–	–	–	–	–	–	–	–	904	4	908
Share of other comprehensive expense of associates and joint ventures	–	–	(13,412)	–	–	–	–	–	–	–	(2,609)	–	(16,021)	(186)	(16,207)
Reserves release upon partial disposal of an associate	–	–	–	–	–	–	–	–	–	–	140	–	140	–	140
Total comprehensive (expense) income for the year	–	–	(12,508)	–	–	–	3,133	–	–	–	(24,335)	267,344	233,634	21,477	255,111
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	–	–	–	–	–	–	–	–	3,106	–	–	–	3,106	344	3,450
Transfer upon partial disposal of an associate	–	–	(247)	–	–	–	–	–	–	–	–	247	–	–	–
Share awards vested	–	–	–	–	–	–	–	4,585	(5,418)	–	–	833	–	–	–
Purchase of shares under share award scheme	–	–	–	–	–	–	–	(704)	–	–	–	–	(704)	–	(704)
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	–	–	(185,479)	(185,479)	–	(185,479)
Dividends paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,675)	(4,675)
Transfer upon disposal of an equity instrument at fair value through other comprehensive income	–	–	(4)	–	–	–	–	–	–	–	–	4	–	–	–
Transfer to statutory reserve fund	–	–	–	–	–	–	–	–	–	10,747	–	(10,747)	–	–	–
At December 31, 2023	52,040	592,677	27,303	(16,688)	8,859	4,551	78,883	(18)	669	204,369	(15,938)	3,303,561	4,240,268	469,760	4,710,028

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Equity attributable to owners of the Company														
	Share capital US$'000	Share premium US$'000	Investments revaluation reserve US$'000	Special reserve US$'000 (note a)	Other reserve US$'000 (note b)	Other revaluation reserve US$'000	Property revaluation reserve US$'000	Shares held under share award scheme US$'000	Share award reserve US$'000	Statutory reserve fund US$'000 (note c)	Translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2024	52,040	592,677	27,303	(16,688)	8,859	4,551	78,883	(18)	669	204,369	(15,938)	3,303,561	4,240,268	469,760	4,710,028
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	392,415	392,415	32,238	424,653
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	–	–	–	–	16,675	16,675	(4)	16,671
Deferred tax arising from remeasurement of defined benefit obligations	–	–	–	–	–	–	–	–	–	–	–	(3,644)	(3,644)	1	(3,643)
Revaluation gain on transfer of properties to investment properties	–	–	–	–	–	–	75,747	–	–	–	–	–	75,747	–	75,747
Deferred tax arising from revaluation gain on transfer of properties to investment properties	–	–	–	–	–	–	(18,937)	–	–	–	–	–	(18,937)	–	(18,937)
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(23,316)	–	(23,316)	(13,164)	(36,480)
Fair value gain on equity instruments at fair value through other comprehensive income	–	–	2,706	–	–	–	–	–	–	–	–	–	2,706	65	2,771
Share of other comprehensive expense of associates and joint ventures	–	–	(628)	–	–	–	–	–	–	–	(5,236)	–	(5,864)	(201)	(6,065)
Reserve release upon deemed disposal of an associate	–	–	–	–	–	–	–	–	–	–	316	–	316	–	316
Reserves release upon partial disposal of associates	–	–	–	–	–	–	–	–	–	–	2,070	–	2,070	–	2,070
Total comprehensive income (expense) for the year	–	–	2,078	–	–	–	56,810	–	–	–	(26,166)	405,446	438,168	18,935	457,103
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	–	–	–	–	–	–	–	–	2,766	–	–	–	2,766	554	3,320
Transfer upon partial disposal of associates	–	–	(2,056)	–	–	–	–	–	–	–	–	2,056	–	–	–
Share awards vested	–	–	–	–	–	–	–	1,966	(1,779)	–	–	(187)	–	–	–
Share repurchased and cancelled	(245)	(14,764)	–	–	–	–	–	–	–	–	–	–	(15,009)	–	(15,009)
Purchase of shares under share award scheme	–	–	–	–	–	–	–	(1,965)	–	–	–	–	(1,965)	–	(1,965)
Acquisition of additional interest of a subsidiary	–	–	–	–	462	–	–	–	–	–	–	–	462	(5,952)	(5,490)
Disposal of investment properties	–	–	–	–	–	–	(2,757)	–	–	–	–	3,676	919	–	919
Release upon deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	(7,158)	–	7,158	–	–	–
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(534)	(534)
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	–	–	(227,418)	(227,418)	–	(227,418)
Dividends paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,664)	(12,664)
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	6,064	6,064
Transfer upon disposal of an equity instrument at fair value through other comprehensive income	–	–	(375)	–	–	–	–	–	–	–	–	375	–	–	–
Transfer to statutory reserve fund	–	–	–	–	–	–	–	–	–	9,653	–	(9,653)	–	–	–
At December 31, 2024	**51,795**	**577,913**	**26,950**	**(16,688)**	**9,321**	**4,551**	**132,936**	**(17)**	**1,656**	**206,864**	**(42,104)**	**3,485,014**	**4,438,191**	**476,163**	**4,914,354**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

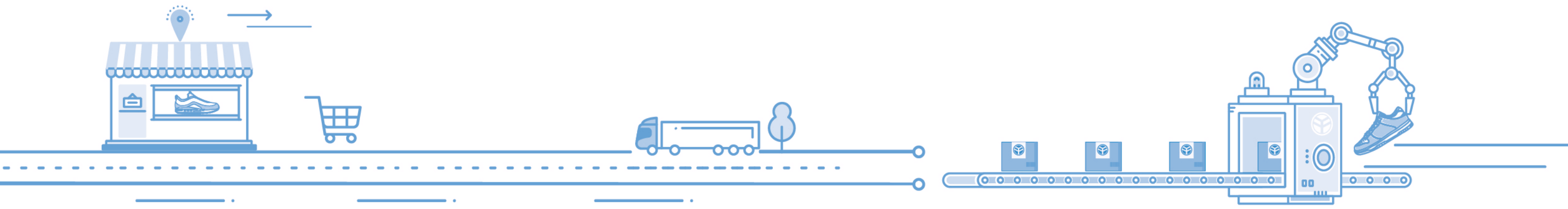
notes:

(a) The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the nominal amount of the shares of subsidiaries acquired pursuant to a corporate reorganization in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1992.

(b) The Group accounted for the acquisition of additional interests in subsidiaries and partial disposal of interests in subsidiaries without losing control as equity transactions and the difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received, after re-attribution of relevant reserves, was recognized in "other reserve".

(c) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Company established in the PRC are required to transfer at least 10% of their net profits after taxation, as determined under the PRC accounting regulations, to a statutory reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The statutory reserve fund can be used to offset the accumulated losses, if any, or to increase the capital of those subsidiaries.

According to the laws and regulations of Republic of China ("Taiwan"), the subsidiaries of the Company incorporated in Taiwan are required to set aside 10% of their statutory net income each year to statutory reserve fund, until the reserve balance has reached the paid-in share capital amount of those subsidiaries. The statutory reserve fund may be used to offset the accumulated losses of those subsidiaries. If those subsidiaries have no accumulated losses and the reserve has exceeded 25% of those subsidiaries' paid-in share capital, the excess may be transferred to the capital of those subsidiaries or distributed in cash.



Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	2024 US$'000	2023 US$'000
OPERATING ACTIVITIES		
Profit before taxation	**572,097**	390,198
Adjustments for:		
Depreciation of property, plant and equipment	**266,247**	272,414
Depreciation of right-of-use assets	**115,074**	133,883
Amortization of intangible assets	**1,630**	1,376
Net changes in allowance for inventories	**(11,874)**	(11,796)
Gain on disposal of property, plant and equipment	**(1,402)**	(1,498)
(Gain) loss on disposal of right-of-use assets	**(769)**	18
Equity-settled share-based payments	**3,320**	3,450
Defined benefit costs recognized	**13,553**	14,746
Dividend income from equity instruments at fair value through other comprehensive income ("FVTOCI")	**(398)**	(861)
Finance costs	**63,339**	85,039
Interest income	**(29,651)**	(34,095)
Share of results of associates and joint ventures	**(78,433)**	(62,182)
Fair value changes on financial instruments at fair value through profit or loss ("FVTPL")	**2,000**	(5,871)
Fair value changes on investment properties	**12,367**	5,010
Gain on partial disposal of associates	**(30,098)**	(2,508)
Gain on deemed disposal of an associate	**(1,411)**	–
Loss on deregistration of subsidiaries	**14**	10
Loss on disposal of investment properties	**3,883**	–
Impairment loss on interest in an associate	**1,563**	–
Reversal of impairment loss on interest in an associate upon disposal	**–**	(5,798)
Impairment loss on interest in a joint venture	**5,000**	–
(Reversal of) impairment loss on trade and other receivables	**(5,517)**	2,057
Impairment loss on property, plant and equipment and right-of-use assets	**–**	3,919
Operating cash flows before movements in working capital	**900,534**	787,511
(Increase) decrease in inventories	**(96,517)**	366,082
(Increase) decrease in trade and other receivables	**(166,098)**	23,472
Increase (decrease) in trade and other payables	**72,743**	(75,223)
Increase (decrease) in contract liabilities	**10,428**	(26,064)
Increase in financial instruments at FVTPL	**(19,579)**	(19,462)
Decrease in retirement benefit obligations	**(11,532)**	(11,191)
Net cash generated from operations	**689,979**	1,045,125
Taxation paid	**(152,902)**	(100,468)
NET CASH FROM OPERATING ACTIVITIES	**537,077**	944,657

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	2024 US$'000	2023 US$'000
INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	**(202,875)**	(163,803)
Payment for right-of-use assets	**(6,683)**	(32,788)
Payment for acquisition of intangible assets	**(3,016)**	(4,666)
Proceeds from disposal of property, plant and equipment	**9,066**	85,338
Proceeds from disposal of right-of-use assets	**3,140**	–
Proceeds from disposal of investment properties	**5,250**	–
Acquisition of partial interest of a subsidiary	**(5,490)**	–
Receipt of rental deposits	**3,707**	5,347
Dividends received from associates and joint ventures	**58,747**	49,061
Dividends received from equity instruments at FVTOCI	**398**	861
Proceeds from partial disposal/disposal of associates	**60,209**	9,912
Refund of investment cost from a joint venture	**–**	1,500
Acquisition of financial instruments at FVTPL	**(31,603)**	(49,671)
Settlement of financial instruments at FVTPL	**(477)**	108,826
Proceeds from disposal of an equity instrument at FVTOCI	**1,608**	148
Acquisition of other financial instruments at amortized cost	**(5,858)**	–
Interest received	**29,651**	34,095
Placement of bank deposits over three months	**(234,235)**	(259,286)
Release of bank deposits over three months	**259,919**	63,434
NET CASH USED IN INVESTING ACTIVITIES	**(58,542)**	(151,692)

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	2024 US$'000	2023 US$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(3,523,893)**	(1,981,533)
Bank borrowings raised	**3,313,313**	1,519,498
Interest paid	**(52,838)**	(71,156)
Payment of upfront fee on bank borrowings	**–**	(495)
Repayment of lease liabilities, including related interests	**(116,542)**	(135,122)
Share repurchased and cancelled	**(15,009)**	–
Capital contribution from non-controlling interests of subsidiaries	**6,064**	–
Dividends paid	**(227,418)**	(185,479)
Dividends paid to non-controlling interests of subsidiaries	**(12,664)**	(4,675)
Purchase of shares under share award scheme	**(1,965)**	(704)
NET CASH USED IN FINANCING ACTIVITIES	**(630,952)**	(859,666)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(152,417)**	(66,701)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**923,217**	994,781
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(13,951)**	(4,863)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**756,849**	923,217

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is Pou Chen Corporation ("PCC"), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information Section of the annual report.

The consolidated financial statements are presented in United States dollar ("USD"), which is also the functional currency of the Company.

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. Retail operation also includes provision of large scale commercial spaces to retailers and distributors.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to Hong Kong Accounting Standard ("HKAS") 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after January 1, 2025
3 Effective for annual periods beginning on or after January 1, 2026
4 Effective for annual periods beginning on or after January 1, 2027

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the income statement; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made. HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the income statement and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an interest in an associate or a joint venture.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Business combinations (continued)

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC)-Int 21 "Levies", in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low-value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU"), or group of CGUs that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU or group of CGUs to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or group of CGUs. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGUs within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint ventures other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's investment in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the interest in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Interests in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) until disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an interest in an associate becomes an interest in a joint venture or an interest in a joint venture becomes an interest in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Provision on customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to redeem award points for cash discount in the future which provides a material right to the customers and gives rise to a separate performance obligation. The transaction price is allocated to the product and the award points, taking into account for the expected likelihood of redemption, on a relative stand-alone selling price basis. Revenue from the award points is recognized when the award points are redeemed. Contract liabilities are recognized until the award points are redeemed. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognized as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress and freehold land as described below, are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Advantage has been taken of the transitional relief provided by paragraph 80AA of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to September 30, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to September 30, 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decrease in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the property revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly, and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated and is measured at cost less accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost or fair value of items of property, plant and equipment, other than construction in progress and freehold land, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognized in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for right-of-use assets that are classified as investment properties and measured under fair value model, right-of-use assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on revised lease payments (including the non-lease components) and the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments that do not depend on an index or a rate are recognized as income when they arise.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

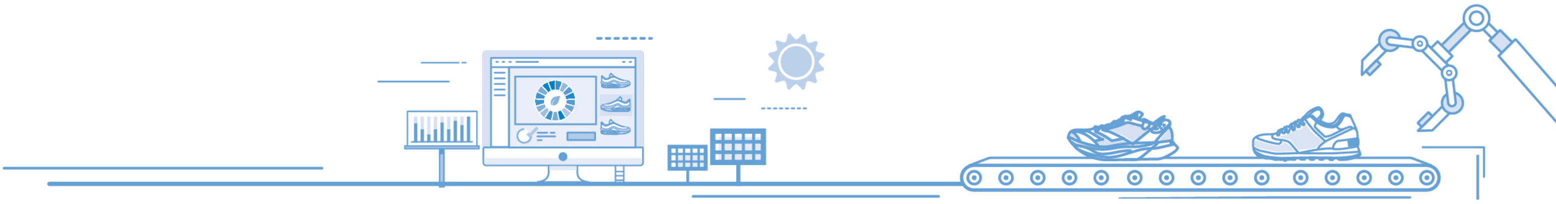
At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of property, plant and equipment, right-of-use assets, and intangible asset is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rates that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include cash, which comprises of cash on hand and demand deposits and cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined based on the weighted average cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognized when the Group incurs an obligation at the directors' best estimate of the expenditure that would be required to restore the assets, estimates are regularly reviewed and adjusted as appropriate for new circumstances.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial assets or liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend and is included in the "other gains and losses" line item in profit or loss.

Impairment of financial assets

The Group recognizes loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from associates, amounts due from joint ventures, amounts due from connected and related parties, cash and cash equivalents, bank deposits over three months, other financial assets at amortized cost and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. The Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Lifetime ECL for trade receivables of Manufacturing Business (as defined in Note 5) are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

Lifetime ECL for trade receivables of Retailing Business (as defined in Note 5) is considered using provision matrix. The trade receivables are grouped on the basis of past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other income/expense' line item as part of the net exchange gain (loss);

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item as part of the fair value changes on financial instruments at FVTPL (Note 8);

- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the fair value through other comprehensive income/investment revaluation reserve.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification of debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Financial liabilities at amortized cost

Financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortized cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in profit or loss in the ‘other income/expense’ line item as part of the net exchange gain (loss) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss in the ‘other gains and losses’ line item for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of loss allowance, as determined in accordance with HKFRS 9; and

(ii) the amount initially recognized less, when appropriate, cumulative amortization over the guarantee period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

Awarded shares granted to employees

For grants of awarded shares that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of awarded shares at the grant date and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of awarded shares that will eventually vest, with a corresponding increase in equity (share award reserve).

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity (share award reserve).

When trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognized on the transactions of the Company's own shares.

When the trustee transfers the Company's granted shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares vested is reversed from share award reserve. The difference arising from such transfer is debited/credited to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated income statement because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation (continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presented to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is also recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of the reporting period.

Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Foreign currencies (continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognized in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Retirement benefit costs (continued)

Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognized when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).

- Net interest expense or income.

- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rates at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying the Group's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(a) Critical judgments in applying the Group's accounting policies (continued)

(i) Revenue recognition from sales of products with no alternative use at a point in time

Control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the contractual terms and the relevant local laws that apply to those relevant contracts. Based on the assessment of the Group, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group after taking into consideration indicators such as whether the right to payment for the Group for the performance completed to date include a reasonable profit margin. Accordingly, the sales of products with no alternative use is considered to be performance obligation satisfied at a point in time.

(ii) Discount rate determination for lease liabilities

In determining the incremental borrowing rate, the Group is required to exercise considerable judgement in relation to determining the discount rates taking into account the nature of the underlying assets, the terms and conditions of the leases, credit worthiness of the relevant group entities and economic environment at both the commencement date and the effective date of the modification.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU or group of CGUs to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU or group of CGUs containing goodwill using suitable discount rates in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. As at December 31, 2024 carrying amount of goodwill being US$256,148,000 (2023: US$258,237,000). Details of the recoverable amount calculation are disclosed in Note 19.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Provision of ECL for trade receivables

For trade receivables of Manufacturing Business (as defined in Note 5) which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The Group uses practical expedient in estimating ECL on trade receivables of Retailing Business (as defined in Note 5) which are not assessed individually using a provision matrix. The provision rates are based on aging status of trade receivables as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

The information about the ECL and the Group's trade receivables are disclosed in Notes 37(b) and 25 respectively.

(iii) Allowance for inventories

The Group reviews the aging and saleability of the inventories amounting to US$1,336 million (2023: US$1,247 million) at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market, as well as those inventories with carrying amounts less than their net realizable values. The Group estimates the net realizable value for such items based primarily on the inventories condition, current market conditions and latest transaction prices. In making allowance for obsolete and slow moving inventory items, the Group carries out an inventory review on a product-by-product basis at the end of the reporting period for the Manufacturing Business (as defined in Note 5) and an inventory review on aging categories at the end of the reporting period for the Retailing Business (as defined in Note 5). Where the actual transaction prices are less than expected, a loss may arise. As at the end of the reporting period, inventories of US$674,179,000 (2023: US$660,070,000) represented finished goods for the Retailing Business in which accumulated allowance made as at December 31, 2024 was US$18,759,000 (2023: US$21,642,000). The net changes in allowance from inventories arose from the finished goods for Retailing Business credited to the consolidated income statement for the year then ended was US$2,298,000 (2023: US$11,129,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Key sources of estimation uncertainty (continued)

(iv) Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, which is the value in use; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including profitability of the retail store. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rates in the cash flow projections, could materially affect the recoverable amounts.

The Group has material leasehold improvements and right-of-use assets used in the retail stores which are subject to impairment test in the event of performance is below expectation. Impairment assessments were carried out against retail stores which are still underperformed after one year's operation since opening. As at December 31, 2024, the Group performed impairment assessment on certain CGUs/groups of CGUs with impairment indicators. No impairment loss on property, plant and equipment and right-of-use assets was recognized during the year after impairment assessment on these retail stores.

(v) Recognition of Indonesia corporate income tax and related withholding tax

As detailed in Note 9(iv), the Indonesian Tax Bureau had made transfer pricing adjustments to the net profits for the tax period of year 2017 on the Indonesian Subsidiaries (as defined in Note 9(iv)) respectively and claimed for the Disputed Taxes (as defined in Note 9(iv)). The Indonesian Subsidiaries lodged appeals on the Disputed Taxes against the Indonesian Tax Bureau to the Supreme Court of the Republic of Indonesia.

The Group estimates and records the Disputed Taxes based on the most likely amount, depending on management's assumptions regarding the final resolution of the appeals. Where the actual outcome of the appeals differs from these assumptions, additional income tax expenses and other expenses may be recognized.

5. REVENUE AND SEGMENTAL INFORMATION

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

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

	2024 **US$'000**	2023 US$'000
Revenue		
Manufacturing Business	**5,620,753**	5,059,438
Retailing Business	**2,561,408**	2,830,730
	8,182,161	7,890,168

Revenue from major products

The following is an analysis of the Group's revenue from its major products recognized at a point in time:

	2024 **US$'000**	2023 US$'000
Athletic/outdoor shoes	**4,403,600**	4,041,081
Casual shoes and sports sandals	**765,388**	616,378
Soles, components and others	**451,765**	401,979
Retail sales – shoes, apparel, commissions from concessionaire sales and others	**2,561,408**	2,830,730
	8,182,161	7,890,168

5. REVENUE AND SEGMENTAL INFORMATION (continued)

Manufacturing Business

The Group manufactures and sells the footwear products to brand companies directly.

Revenue is recognized when control of the goods has transferred, being when the goods have been delivered to the designated location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Retailing Business

The Group sells the sportswear and footwear products to the wholesale market and directly to customers both through its own retail outlets and counters in department stores and through internet sales. Revenue is recognized at the point when control of the goods has been physically transferred to customers.

For the commission from concessionaire sales, revenue is recognized at the point upon the sale of goods by the relevant concessionaries.

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("US"), Europe and the PRC. The Group's revenue by the geographical location of the customers, determined based on the destination of goods delivered, irrespective of the origin of the goods, is detailed below:

	2024 **US$'000**	2023 US$'000
US	**1,542,031**	1,408,248
Europe	**1,429,624**	1,286,960
PRC	**3,580,267**	3,703,793
Other countries in Asia	**1,174,519**	1,058,123
Others	**455,720**	433,044
	8,182,161	7,890,168

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5. REVENUE AND SEGMENTAL INFORMATION (continued)

Geographical information (continued)

The Group's business activities are conducted predominantly in the PRC, Vietnam, Indonesia, Myanmar, Cambodia and Bangladesh. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	2024 US$'000	2023 US$'000
PRC	928,839	966,076
Vietnam	561,014	606,814
Indonesia	706,971	699,162
Myanmar	70,718	78,759
Cambodia	61,119	62,332
Bangladesh	35,443	37,259
Others	69,745	61,063
	2,433,849	2,511,465

Information about major customers

Revenue from customers contributing over 10% of the total annual revenue of the Group are as follows:

	2024 US$'000	2023 US$'000
Customer A	2,057,802	2,038,037
Customer B	1,385,835	1,031,976

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. OTHER INCOME

	2024 US$'000	2023 US$'000
Interest income	29,651	34,095
Dividend income from equity instruments at FVTOCI	398	861
Net exchange gain	7,307	–
Operating lease income	26,939	26,149
Gain on disposal of property, plant and equipment	1,402	1,498
Gain on disposal of right-of-use assets	769	–
Management and other service income	9,406	21,586
Government subsidy	11,691	11,237
Others	35,150	40,163
	122,713	135,589

7. FINANCE COSTS

	2024 US$'000	2023 US$'000
Interest on bank and other borrowings	52,841	70,951
Interest on lease liabilities	9,854	12,739
Amortization of upfront fee of bank borrowings	644	1,349
	63,339	85,039

8. OTHER GAINS AND LOSSES

	2024 US$'000	2023 US$'000
Fair value changes on financial instruments at FVTPL	(2,000)	5,871
Fair value changes on investment properties	(12,367)	(5,010)
Gain on partial disposal of associates	30,098	2,508
Gain on deemed disposal of an associate	1,411	–
Impairment loss on interest in a joint venture	(5,000)	–
Impairment loss on interest in an associate	(1,563)	–
Loss on deregistration of subsidiaries	(14)	(10)
Reversal of impairment loss on interest in an associate upon disposal	–	5,798
	10,565	9,157

9. INCOME TAX EXPENSE

	2024 US$'000	2023 US$'000
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax ("EIT") (note ii)		
– current year	**39,591**	26,015
– overprovision in prior years	**(2,007)**	(2,077)
Overseas taxation (note iii)		
– current year	**70,855**	52,180
– under(over)provision in prior years (note iv)	**27,855**	(1,403)
	136,294	74,715
Withholding tax on dividend (notes ii and iii)	**4,180**	1,550
Deferred tax (Note 30)	**6,970**	4,727
	147,444	80,992

notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for both years.

(ii) PRC

The PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC, except for certain subsidiaries which are eligible for the PRC EIT of 15% from local tax bureaus.

Distribution of the profits earned by the subsidiaries in the PRC to holding companies is subject to the PRC withholding tax at the tax rates of 5% or 10%, as applicable.

(iii) Overseas

As approved by the relevant tax authorities in Vietnam, a subsidiary of the Company are entitled to two years' exemption from income taxes followed by four years of a 50% tax reduction based on preferential income tax rates, commencing from the first profitable year. The applicable tax rates for the subsidiaries in Vietnam range from 10% to 20% for both years.

Taxation arising in other jurisdictions including Macau, Taiwan, US and Indonesia is calculated at the rates prevailing in the respective jurisdictions, which were 12%, 20%, 21% and 22% respectively for both years.

Distribution of the profits earned by the subsidiaries in Indonesia to holding companies is subject to Indonesian withholding tax at the applicable tax rate of 5%.

9. INCOME TAX EXPENSE (continued)

notes: (continued)

(iv) Tax disputes relating to subsidiaries of the Company in Indonesia ("Tax Disputes")

The Indonesian Tax Bureau had made transfer pricing adjustments to the net profits for the tax period of year 2017 on two subsidiaries of the Company in Indonesia (the "Indonesian Subsidiary(ies)") respectively and claimed for additional taxes together with administrative penalties and surcharges relating to corporate income tax and related withholding tax (the "Disputed Taxes").

The Disputed Taxes of the aforesaid Indonesian Subsidiaries amounted to US$79.0 million and US$30.0 million, respectively. During the year ended December 31, 2024, the Indonesian Subsidiaries had provisionally paid approximately US$75.7 million and US$13.0 million, respectively. As stated in note 5 to the condensed consolidated financial statements for the six months ended June 30, 2024 contained in the 2024 interim report of the Company, the Company has provided sufficient grounds to the Indonesian Tax Bureau to defend against the above Tax Disputes. The Indonesian Subsidiaries lodged appeals to the Supreme Court of the Republic of Indonesia (the "Supreme Court") on July 29, 2024 and February 17, 2025, respectively. No ruling has been made by the Supreme Court as at the date of this report. It is expected that the process of the appeal may take around one to two years.

The Company is of the view that the Indonesian Subsidiaries had fully paid the income tax for the tax period of year 2017 in accordance with applicable legal requirements, and it is expected that the aforesaid amount provisionally paid will be recovered by the Indonesian Subsidiaries after the Tax Disputes are resolved. In assessing the recoverability of the aforesaid provisionally paid amount, the Group has taken into consideration all reasonable and supportable information that is available at the reporting date including the legal advice sought from the Indonesian Subsidiaries, and is of the view that the Supreme Court will allow the appeals.

However, having considered the actual appeal process, effects of any potential changes in facts or circumstances, and the uncertainty about the final outcome of the appeals, the Group, based on its best estimate, has determined that US$28.2 million additional income tax expenses and administrative penalties of US$12.3 million (included in other expenses) are recognized in the Group's consolidated financial statements for the year ended December 31, 2024, while the remaining paid amount of approximately US$15.9 million and US$32.3 million are recognized as tax recoverable and other receivable, respectively.

9. INCOME TAX EXPENSE (continued)

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group's certain subsidiaries are operating in Vietnam where the Pillar Two Rules is effective. However, as the estimated effective tax rate of the Group's subsidiaries in Vietnam is higher than 15%, after taking into account the adjustments under the Global Anti-base Erosion Rules based on management's best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2024 US$'000	2023 US$'000
Profit before taxation	**572,097**	390,198
Tax at domestic rates applicable to profits/losses of taxable entities in the countries concerned (note)	**112,422**	72,721
Tax effect of share of results of associates and joint ventures	**(17,143)**	(13,527)
Tax effect of expenses not deductible for tax purpose	**30,391**	29,312
Tax effect of income not taxable for tax purpose	**(4,849)**	(8,274)
Tax effect of tax losses not recognized	**(3,405)**	2,690
Withholding tax on dividend	**4,180**	1,550
Under(over)provision in prior years, net	**25,848**	(3,480)
Income tax expense for the year	**147,444**	80,992

note: As the Group operates in several different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

10. PROFIT FOR THE YEAR

	2024 US$'000	2023 US$'000
Profit for the year has been arrived at after charging (crediting):		
Employee benefit expense, including directors' emoluments (note iii)		
– basic salaries, bonus, allowances and staff welfare	**1,799,124**	1,729,366
– retirement benefit scheme contributions	**223,260**	257,596
– share-based payments	**3,320**	3,450
	2,025,704	1,990,412
Auditor's remuneration	**1,432**	1,409
Amortization of intangible assets	**1,630**	1,376
Depreciation of property, plant and equipment (note iii)	**266,247**	272,414
Depreciation of right-of-use assets	**115,074**	133,883
Gain on disposal of property, plant and equipment (included in other income)	**(1,402)**	(1,498)
(Gain) loss on disposal of right-of-use assets (included in (other income) other expenses)	**(769)**	18
Loss on disposal of investment properties (included in other expenses)	**3,883**	–
Impairment loss on property, plant and equipment and right-of-use assets (included in selling and distribution expenses)	**–**	3,919
Research and development expenditure (included in other expenses)	**142,233**	157,931
Net changes in allowance for inventories (included in cost of sales) (note ii)	**(11,874)**	(11,796)
Net exchange (gain) loss (included in (other income) other expenses)	**(7,307)**	4,878
(Reversal of) impairment loss on trade and other receivables (Note 37(b))	**(5,517)**	2,057

notes:

(i) For the years ended December 31, 2024 and 2023, cost of inventories recognized as expenses represents cost of sales as shown in the consolidated income statement.

(ii) Changes in allowance for inventories of US$2,298,000 (2023: US$11,129,000) was credited to the consolidated income statement for the year ended December 31, 2024 arose from the finished goods for the Retailing Business.

(iii) Staff costs and depreciation of property, plant and equipment disclosed above included amounts capitalized in inventories. In addition, the staff costs for the year ended December 31, 2023 included severance costs of approximately US$31,082,000 (included in other expenses) arising from factory adjustments in the manufacturing side.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO is as follows:

	Fees US$'000	Salaries and other benefits US$'000	Performance related bonus US$'000	Retirement benefit scheme contributions US$'000	Share-based payments US$'000	Total US$'000
For the year ended December 31, 2024						
Executive directors:						
Lu Chin Chu	–	122	270	–	223	615
Chan Lu Min	–	89	180	–	297	566
Tsai Pei Chun, Patty	–	111	205	–	–	316
Liu George Hong-Chih	–	119	326	2	289	736
Lin Cheng-Tien	–	89	123	–	107	319
Shih Chih-Hung	–	96	19	–	2	117
Sub-total	–	626	1,123	2	918	2,669
Independent non-executive directors:						
Wong Hak Kun	39	–	–	–	–	39
Ho Lai Hong	37	–	–	–	–	37
Lin Shei-Yuan	37	–	–	–	–	37
Yang Ju-Huei (note i)	37	–	–	–	–	37
Sub-total	150	–	–	–	–	150
Total						2,819

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	Fees US$'000	Salaries and other benefits US$'000	Performance related bonus US$'000	Retirement benefit scheme contributions US$'000	Share-based payments US$'000	Total US$'000
For the year ended December 31, 2023						
Executive directors:						
Lu Chin Chu	–	126	282	–	175	583
Chan Lu Min	–	92	179	–	229	500
Tsai Pei Chun, Patty	–	143	204	–	–	347
Liu George Hong-Chih	–	123	338	2	236	699
Lin Cheng-Tien	–	92	141	–	88	321
Shih Chih-Hung	–	95	19	–	76	190
Sub-total	–	671	1,163	2	804	2,640
Independent non-executive directors:						
Wong Hak Kun	38	–	–	–	–	38
Ho Lai Hong	36	–	–	–	–	36
Chen Chia-Shen (note ii)	14	–	–	–	–	14
Lin Shei-Yuan	36	–	–	–	–	36
Yang Ju-Huei (note i)	21	–	–	–	–	21
Sub-total	145	–	–	–	–	145
Total						2,785

notes:

i. Yang Ju-Huei was appointed as an independent non-executive director on June 1, 2023.

ii. Chen Chia-Shen retired as an independent non-executive director on May 25, 2023.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics.

Significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year are disclosed in Note 43.

(b) Employees' emoluments

Of the five employees with the highest emoluments in the Group, three (2023: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2023: two) employees were as follows:

	2024 US$'000	2023 US$'000
Basic salaries and other allowances	**296**	255
Performance related bonus	**455**	309
Retirement benefit scheme contributions	**28**	13
Share-based payments	**39**	180
	818	757

The emoluments of the remaining two (2023: two) employees were within the following bands:

	2024 Number of employees	2023 Number of employees
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**2**	1
	2	2

No emoluments were paid by the Group to any of the directors or the five highest paid employees (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during both years. None of the directors has waived any emoluments during both years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(c) Emoluments of senior management

Of the seven (2023: eight) senior management of the Company for the year ended December 31, 2024, none (2023: none) of them was a director of the Company. The emoluments of the seven (2023: eight) individuals of senior management for the year are within the following bands:

	2024 Number of employees	2023 Number of employees
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**2**	2
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	1
	7	8

12. DIVIDENDS

	2024 US$'000	2023 US$'000
Dividends recognized as distribution during the year:		
2023 Final dividend of HK$0.70 per share (2022 Final dividend of HK$0.70 per share)	**144,458**	144,167
2024 Interim dividend of HK$0.40 per share (2023 Interim dividend of HK$0.20 per share)	**82,960**	41,312
	227,418	185,479

The board of directors of the Company has resolved to declare a final dividend of HK$0.90 per share for the year ended December 31, 2024 (2023: HK$0.70 per share) for shareholders whose names appear on the register of members of the Company on June 9, 2025. The proposed final dividend of approximately HK$1,444,094,000 shall be paid on June 24, 2025.

The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

13. EARNINGS PER SHARE

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

	2024 US$'000	2023 US$'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**392,415**	274,710

	2024	2023
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,610,400,915**	1,611,265,348
Effect of dilutive potential ordinary shares:		
– Unvested awarded shares	**1,761,908**	905,364
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,612,162,823**	1,612,170,712

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company (see Note 35(b)).

14. INVESTMENT PROPERTIES

	Complete investment properties US$'000
FAIR VALUE	
At January 1, 2023	246,075
Exchange realignment	(392)
Net decrease in fair value recognized in profit or loss	(5,010)
Transfer from property, plant and equipment (Note 15)	2,683
Transfer from right-of-use assets	9,834
Revaluation gain on transfer from property, plant and equipment and right-of-use assets	4,178
At December 31, 2023	257,368
Exchange realignment	(511)
Net decrease in fair value recognized in profit or loss	(12,367)
Transfer from property, plant and equipment (Note 15)	23,233
Transfer from right-of-use-assets	3,888
Transfer to property, plant and equipment (Note 15)	(7,348)
Transfer to right-of-use assets	(3,675)
Disposal	(9,133)
Revaluation gain on transfer from property, plant and equipment and right-of-use assets	75,747
At December 31, 2024	**327,202**

The Group leases out various shopping mall spaces and land and buildings under operating leases with rentals receivable monthly. The leases typically run for an initial period of 2 to 15 years. These leases contain minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

14. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties as at December 31, 2024 and December 31, 2023 has been arrived at on the basis of a valuation carried out on the respective dates by Cushman & Wakefield Limited, APAC Asset Valuation and Consulting Limited ("APAC Asset Valuation") and Jones Lang LaSalle ("JLL") which are independent qualified professional valuers not connected with the Group. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analyzing the rental and market price of similar properties.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties situated in the PRC and US was the market yield, which ranged from 4.4% to 8.5% and 5.6% to 6.0% (2023: 4.3% to 8.5% and 5.5% to 6.0%), respectively. A significant increase in the market yield used would result in a significant decrease in fair value measurement of the respective investment properties, and vice versa.

Details of the Group's investment properties at Level 3 fair value hierarchy are as follows:

	As at December 31,	
	2024	2023
	US$'000	US$'000
Investment properties located in:		
PRC	**276,302**	208,468
US	**50,900**	48,900

There were no transfers into or out of Level 3 during the years ended December 31, 2024 and December 31, 2023.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Freehold land US$'000	Land and buildings US$'000	Construction in progress US$'000	Machinery US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
COST OR VALUATION									
At January 1, 2023	2,226,507	81,910	43,318	47,539	1,577,858	413,783	263,644	34,593	4,689,152
Exchange realignment	(1,757)	–	(240)	(1)	(130)	(7,925)	(1,971)	(94)	(12,118)
Additions	4,381	–	–	75,580	31,527	40,928	16,235	1,144	169,795
Reclassification	51,787	–	–	(58,741)	–	6,954	–	–	–
Transfer to investment properties (Note 14)	(9,250)	–	–	–	–	–	–	–	(9,250)
Disposals	(4,726)	(69,070)	–	(3,121)	(43,281)	(99,352)	(24,434)	(2,439)	(246,423)
At December 31, 2023	2,266,942	12,840	43,078	61,256	1,565,974	354,388	253,474	33,204	4,591,156
Exchange realignment	(1,627)	–	(235)	(10)	(468)	(6,833)	(1,819)	(88)	(11,080)
Additions	1,535	–	–	54,565	62,241	45,357	30,676	1,671	196,045
Reclassification	24,246	–	–	(24,881)	–	635	–	–	–
Transfer from investment properties (Note 14)	7,348	–	–	–	–	–	–	–	7,348
Transfer to investment properties (Note 14)	(50,356)	–	–	–	–	–	–	–	(50,356)
Disposals	(6,716)	–	–	(45)	(63,367)	(43,536)	(10,379)	(1,242)	(125,285)
At December 31, 2024	**2,241,372**	**12,840**	**42,843**	**90,885**	**1,564,380**	**350,011**	**271,952**	**33,545**	**4,607,828**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings US$'000	Freehold land US$'000	Land and buildings US$'000	Construction in progress US$'000	Machinery US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
DEPRECIATION AND IMPAIRMENT									
At January 1, 2023	1,098,076	–	9,465	–	1,175,638	311,979	195,715	27,244	2,818,117
Exchange realignment	(930)	–	(92)	–	(128)	(5,941)	(1,458)	(67)	(8,616)
Provided for the year	102,105	–	1,028	–	94,038	48,214	24,941	2,088	272,414
Impairment loss recognized in profit or loss	2,505	–	–	–	–	–	–	–	2,505
Transfer to investment properties (Note 14)	(6,567)	–	–	–	–	–	–	–	(6,567)
Eliminated on disposals	(2,999)	–	–	–	(41,416)	(92,759)	(23,175)	(2,234)	(162,583)
At December 31, 2023	1,192,190	–	10,401	–	1,228,132	261,493	196,023	27,031	2,915,270
Exchange realignment	(954)	–	(97)	–	(354)	(4,929)	(1,403)	(68)	(7,805)
Provided for the year	85,243	–	1,025	–	104,331	43,098	30,538	2,012	266,247
Transfer to investment properties (Note 14)	(27,123)	–	–	–	–	–	–	–	(27,123)
Eliminated on disposals	(4,061)	–	–	–	(61,668)	(40,683)	(10,113)	(1,096)	(117,621)
At December 31, 2024	**1,245,295**	**–**	**11,329**	**–**	**1,270,441**	**258,979**	**215,045**	**27,879**	**3,028,968**
CARRYING VALUE									
At December 31, 2024	**996,077**	**12,840**	**31,514**	**90,885**	**293,939**	**91,032**	**56,907**	**5,666**	**1,578,860**
At December 31, 2023	1,074,752	12,840	32,677	61,256	337,842	92,895	57,451	6,173	1,675,886

Property, plant and equipment, other than freehold land and construction in progress, are depreciated on a straight-line method at the following rates per annum:

Land and buildings	Over 20 years to 50 years, or the lease terms of the relevant land whichever is shorter
Machinery	5% – 15%
Leasehold improvements	10% – 50% or shorter of the lease term
Furniture, fixtures and equipment	20% – 30%
Motor vehicles	20% – 30%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

16. RIGHT-OF-USE ASSETS

Right-of-use assets

	Leasehold lands US$'000	Land and buildings and retail stores US$'000	Machinery and equipments US$'000	Motor vehicles US$'000	Total US$'000
As at December 31, 2024					
Carrying value	**264,834**	**204,250**	**485**	**124**	**469,693**
As at December 31, 2023					
Carrying value	269,960	257,944	512	85	528,501
For the year ended December 31, 2024					
Depreciation charge	**7,248**	**107,703**	**26**	**97**	**115,074**
For the year ended December 31, 2023					
Depreciation charge	7,244	126,508	42	89	133,883

	2024 US$'000	2023 US$'000
Expense relating to short-term leases	**13,744**	7,878
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**128**	201
Variable lease payments not included in the measurement of lease liabilities	**136,392**	168,938
Total cash outflow for leases	**273,489**	344,927
Additions to right-of-use assets, net of early termination and modification	**62,595**	98,565

16. RIGHT-OF-USE ASSETS (continued)

The Group leases various leasehold lands, office buildings, warehouses, retail stores, machinery equipment, and motor vehicles for its operations. Majority of lease contracts are entered into for lease term of 2 to 5 years (2023: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties, motor vehicles and office equipment. As at December 31, 2024, the size of portfolio of short-term leases increased compared to those entered in 2023.

Leases of properties are either with only fixed lease payments or contain variable lease payment that are based on certain percentage of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses.

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

Lease committed

As at December 31, 2024, the Group entered into new leases for several retail stores, warehouses and office buildings that have not yet commenced, with average non-cancellable period ranging from 1 to 6 years (2023: 1 to 3 years), the total future undiscounted cash flows over the non-cancellable period amounted to US$5,592,000 (2023: US$2,786,000).

17. INTANGIBLE ASSETS

	Brand names US$'000	Accounting and computer software US$'000	Licensing agreements US$'000	Non-compete agreements US$'000	Total US$'000
COST					
At January 1, 2023	67,483	292	5,389	22,893	96,057
Exchange realignment	(1,916)	(26)	(153)	(650)	(2,745)
Additions	–	4,666	–	–	4,666
At December 31, 2023	65,567	4,932	5,236	22,243	97,978
Exchange realignment	(1,870)	(187)	(149)	(611)	(2,817)
Additions	–	3,016	–	–	3,016
Written off	–	–	–	(1,309)	(1,309)
At December 31, 2024	**63,697**	**7,761**	**5,087**	**20,323**	**96,868**
AMORTIZATION AND IMPAIRMENT					
At January 1, 2023	67,483	146	5,389	13,967	86,985
Exchange realignment	(1,916)	–	(153)	(404)	(2,473)
Provided for the year	–	97	–	1,279	1,376
At December 31, 2023	65,567	243	5,236	14,842	85,888
Exchange realignment	(1,870)	(12)	(149)	(416)	(2,447)
Provided for the year	–	721	–	909	1,630
Written off	–	–	–	(1,309)	(1,309)
At December 31, 2024	**63,697**	**952**	**5,087**	**14,026**	**83,762**
CARRYING VALUE					
At December 31, 2024	**–**	**6,809**	**–**	**6,297**	**13,106**
At December 31, 2023	–	4,689	–	7,401	12,090

17. INTANGIBLE ASSETS (continued)

The management of the Group considers brand names, accounting software, licensing agreements, non-compete agreements and computer software have finite useful lives and are amortized on a straight-line basis over the following periods:

Brand names	5 years
Accounting and computer software	3 to 10 years
Licensing agreements	10 years
Non-compete agreements	5 to 20 years

18. GOODWILL

	US$'000
COST	
At January 1, 2023	260,378
Exchange realignment	(2,141)
At December 31, 2023	258,237
Exchange realignment	(2,089)
At December 31, 2024	**256,148**

Particulars regarding impairment assessment on goodwill are disclosed in Note 19.

19. IMPAIRMENT ASSESSMENT ON GOODWILL

For the purposes of impairment assessment on goodwill, the carrying value of goodwill as detailed in Note 18 have been allocated to the following units of groups of CGUs:

	Goodwill	
	2024 US$'000	2023 US$'000
Manufacturing and marketing of footwear materials ("Unit A")	**183,389**	183,389
Manufacturing and marketing of sports apparel ("Unit B")	**346**	346
Retailing Business – Retail and distribution of sportswear products ("Unit C")	**72,413**	74,502
	256,148	258,237

In addition to goodwill above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The management of the Group determined that there was no impairment in any of the groups of CGUs containing goodwill during the years ended December 31, 2024 and 2023. The basis of the recoverable amounts of the above groups of CGUs and their principal underlying assumptions are summarized below.

The recoverable amounts of the above CGUs and groups of CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rates ranging from 18% to 20% (2023: 18% to 22%). The value in use calculation for Unit A and the discount rates used for Unit C were determined by independent valuers. The cash flows beyond the five year period are extrapolated using a steady growth rate of 2%, 1%, and 2% for Unit A, Unit B and Unit C respectively (2023: 2%, 1%, and 2% for Unit A, Unit B and Unit C respectively). These growth rates are based on the forecasts of the relevant industries and do not exceed the average long-term growth rate for the relevant industries. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the units' historical performance and management's expectation of the market development. The management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amounts of Unit A, Unit B and Unit C to fall below their respective carrying amounts.

20. INTERESTS IN ASSOCIATES

	2024 US$'000	2023 US$'000
Cost of interests in associates (note):		
Listed in Hong Kong	**54,354**	55,275
Listed in Taiwan	**86,198**	96,769
Unlisted	**46,685**	46,685
Share of post-acquisition profits and reserves, net of dividends received	**262,426**	257,169
Less: impairment losses	**(24,168)**	(22,605)
	425,495	433,293
Fair value of listed investments	**435,973**	467,478

note: Included in cost of investments is goodwill of US$70,777,000 (2023: US$74,961,000).

The Group's material associates at the end of the reporting period are Oftenrich Holdings Limited ("Oftenrich") and San Fang Chemical Industry Co. Ltd. ("San Fang"). In the opinion of the directors, the nature of the activities of these associates are strategic to the Group's activities. Oftenrich and San Fang are accounted for using equity method in these consolidated financial statements. Details of the Group's material associates at the end of the reporting period are as follows:

Name of entity	Place of incorporation	Principal place of operation	Proportion of ownership interest and voting rights held by the Group		Principal activities
			2024	2023	
Oftenrich	Bermuda	Bangladesh	**45%**	45%	Investment holding and its subsidiaries are engaged in manufacture and sales of safety shoes and casual shoes
San Fang (note)	Taiwan	Taiwan	**40.62%**	44.72%	Manufacture and sales of synthetic leather

note: The company's shares are listed on the Taiwan Stock Exchange Corporation.

20. INTERESTS IN ASSOCIATES (continued)

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Summarized financial information in respect of each of the Group's material associates are set out below. The summarized financial information below represents amount shown in the associates' financial statements prepared in accordance with HKFRSs.

	2024		2023	
	Oftenrich US$'000	**San Fang US$'000**	Oftenrich US$'000	San Fang US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income				
Revenue	**322,587**	**251,260**	267,777	248,080
Profit for the year	**14,073**	**44,789**	11,980	24,941
Other comprehensive (expense) income for the year	**–**	**(8,947)**	3	5,390
Total comprehensive income for the year	**14,073**	**35,842**	11,983	30,331
Profit for the year, attributable to the Group	**6,333**	**19,585**	5,391	11,154
Other comprehensive (expense) income for the year, attributable to the Group	**–**	**(3,763)**	1	2,410
Total comprehensive income for the year, attributable to the Group	**6,333**	**15,822**	5,392	13,564
Dividends received from the associate during the year	**4,500**	**8,161**	6,750	4,569

20. INTERESTS IN ASSOCIATES (continued)

	2024		2023	
	Oftenrich US$'000	San Fang US$'000	Oftenrich US$'000	San Fang US$'000
Financial information of consolidated statement of financial position				
Non-current assets	**87,551**	**328,751**	99,407	324,507
Current assets	**186,375**	**158,137**	168,625	146,775
Current liabilities	**(89,036)**	**(91,532)**	(82,831)	(83,127)
Non-current liabilities	**(7,188)**	**(109,057)**	(9,612)	(119,498)
Non-controlling interests	**–**	**–**	(1,960)	–
Net assets	**177,702**	**286,299**	173,629	268,657
Reconciliation to the carrying amount of interest in the associate:				
Net assets attributable to the equity holders of the associate	**177,702**	**286,299**	173,629	268,657
Proportion of the Group's ownership interest in the associate	**45%**	**40.62%**	45%	44.72%
Net assets of the Group's interest in the associate	**79,966**	**116,295**	78,133	120,143
Goodwill	**16,110**	**32,324**	16,110	35,586
Carrying amount of the Group's interest in the associate	**96,076**	**148,619**	94,243	155,729
Fair value of listed associate (measured as Level 1)	**N/A**	**181,625**	N/A	150,835

There are no significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

20. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	2024 US$'000	2023 US$'000
Profit for the year, attributable to the Group	28,163	31,183
Other comprehensive expense for the year, attributable to the Group	(442)	(16,540)
Total comprehensive income for the year, attributable to the Group	27,721	14,643
Carrying amount of the Group's interests in these associates	180,800	183,321

21. INTERESTS IN JOINT VENTURES

	2024 US$'000	2023 US$'000
Cost of unlisted interests in joint ventures (note)	121,043	121,043
Share of post-acquisition profits and other comprehensive income, net of dividends received	48,262	54,720
Less: Impairment loss	(5,000)	–
	164,305	175,763

note: Included in cost of investments is goodwill of approximately US$3,725,000 (2023: US$3,725,000).

21. INTERESTS IN JOINT VENTURES (continued)

All of the Group's joint ventures are accounted for using equity method in these consolidated financial statements. Details of the Group's material joint venture at the end of the reporting period are as follows:

Name of entity	Place of incorporation	Principal place of operation	Proportion of ownership interest and voting rights held by the Group		Principal activities
			2024	2023	
中奧廣場管理集團有限公司（「中奧廣場」）	PRC	PRC	**46.82%**	46.82%	Real estate developer and stadium service provider

Under the relevant shareholders' agreements, decisions on certain matters of the entity require unanimous consent from all of the relevant joint venture partners. In the opinion of the directors, these certain matters relate to the activities that significantly affect the returns of the entity. Accordingly, neither the Group nor the other relevant joint venture partners has the ability to control the respective entity unilaterally and the entity is therefore considered as jointly controlled by the Group and the relevant joint venture partners. As the Group has rights to the net assets of the joint arrangement, the above entity is accounted for as joint venture of the Group.

The above table lists the joint venture of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Summarized financial information in respect of the Group's material joint venture is set out below. The summarized unaudited financial information below represents amount shown in the joint venture's financial statements prepared in accordance with HKFRSs.

21. INTERESTS IN JOINT VENTURES (continued)

	中奧廣場	
	2024	2023
	US$'000	US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income		
Revenue	**10,390**	17,378
Profit (loss) for the year	**3,659**	(1,527)
Other comprehensive expense for the year	**(2,856)**	(2,646)
Total comprehensive income (expense) for the year	**803**	(4,173)
Profit (loss) for the year, attributable to the Group	**1,713**	(715)
Other comprehensive expense for the year, attributable to the Group	**(1,337)**	(1,238)
Total comprehensive income (expense) for the year, attributable to the Group	**376**	(1,953)
The above profit (loss) for the year include the following:		
Depreciation and amortization	**373**	36
Interest income	**28**	29
Interest expense	**534**	–
Income tax expense	**614**	1,488
Financial information of consolidated statement of financial position		
Non-current assets	**21,215**	19,407
Current assets	**120,174**	128,746
Current liabilities	**(18,731)**	(21,531)
Non-current liabilities	**(7,193)**	(6,734)
Non-controlling interests	**(25,654)**	(30,880)
Net assets attributable to the equity holders of the joint venture	**89,811**	89,008

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

21. INTERESTS IN JOINT VENTURES (continued)

	中奧廣場	
	2024 US$'000	2023 US$'000
The above amounts of assets and liabilities include the followings:		
Cash and cash equivalents	**4,259**	4,568
Reconciliation to the carrying amount of interest in the joint venture:		
Net assets attributable to the equity holders of the joint venture	**89,811**	89,008
Proportion of the Group's ownership interest in the joint venture	**46.82%**	46.82%
Net assets of the Group's interest in the joint venture	**42,050**	41,674
Goodwill	**3,725**	3,725
Less: Impairment loss	**(5,000)**	–
Carrying amount of the Group's interest in the joint venture	**40,775**	45,399

Aggregate information of joint ventures that are not individually material:

	2024 US$'000	2023 US$'000
Profit for the year attributable to the Group	**22,639**	15,169
Other comprehensive expense for the year, attributable to the Group	**(523)**	(840)
Total comprehensive income for the year, attributable to the Group	**22,116**	14,329
Carrying amount of the Group's interests in these joint ventures	**123,530**	130,364

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 US$'000	2023 US$'000
Equity securities listed overseas	22,958	21,969
Unlisted private equity investment	421	270
	23,379	22,239

All the listed investments are stated at their fair values, determined by reference to bid prices quoted in active markets.

The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run, except for the investment shown under current assets which is expected to be sold within one year.

23. FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	Non-current assets		Current assets		Current liabilities	
	2024 US$'000	2023 US$'000	2024 US$'000	2023 US$'000	2024 US$'000	2023 US$'000
Unlisted overseas funds	61,099	25,703	37,568	20,068	–	–
Forward contracts	–	–	94	47	3,126	668
Cross currency swap	–	–	–	826	–	–
	61,099	25,703	37,662	20,941	3,126	668

24. INVENTORIES

	2024 US$'000	2023 US$'000
Raw materials	**243,534**	204,675
Work in progress	**180,285**	150,627
Finished goods	**912,150**	891,701
	1,335,969	1,247,003

As at the end of the reporting period, inventories of US$674,179,000 (2023: US$660,070,000) represented finished goods for the Retailing Business in which accumulated allowance made as at December 31, 2024 was US$18,759,000 (2023: US$21,642,000). The net changes in allowance from inventories arose from the finished goods for the Retailing Business credited to the consolidated income statement for the year then ended were US$2,298,000 (2023: credited of US$11,129,000).

25. TRADE AND OTHER RECEIVABLES

	2024 US$'000	2023 US$'000
Trade receivables	**957,304**	909,981
Less: allowance for credit losses	**(18,805)**	(24,836)
	938,499	885,145
Other receivables	**105,467**	80,432
Amounts due from associates (note)	**2,197**	1,586
Amounts due from joint ventures (note)	**2,229**	1,881
Amounts due from connected and related parties (note)	**6,054**	5,923
Rental deposits, prepayments and others	**169,468**	167,034
Deposits paid to trade suppliers	**71,378**	64,711
Value-added tax recoverable	**260,214**	187,160
	1,555,506	1,393,872

note: The amounts are unsecured, interest-free and repayable on demand.

25. TRADE AND OTHER RECEIVABLES (continued)

The Group allows credit period ranging from 30 days to 90 days which are agreed with each of its trade customers. Included in trade and other receivables are trade receivables, net of allowance for credit losses, of US$938,499,000 (2023: US$885,145,000) and an aged analysis presented based on invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates, is as follows:

	2024 US$'000	2023 US$'000
0 to 30 days	603,752	531,826
31 to 90 days	334,252	349,371
Over 90 days	495	3,948
	938,499	885,145

As at December 31, 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$15,809,000 (2023: US$35,779,000) which are past due as at the reporting date. Out of the past due balances, US$69,000 (2023: US$3,631,000) has been past due 90 days or more and is not considered as in default because the management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the year ended December 31, 2024 and 2023 are set out in Note 37(b).

26. CASH AND CASH EQUIVALENTS/BANK DEPOSITS OVER THREE MONTHS

Cash and cash equivalents include bank balances, short-term deposits and short-term investments for the purpose of meeting the Group's short-term cash commitments, which are interest-bearing at market interest rates.

The short-term deposits carry interests at market rates ranged from 0.01% to 11.80% (2023: 0.01% to 9.30%) per annum. At December 31, 2023, the short-term investments of US$21,044,000 comprised national debt reverse repurchase products, being highly liquid debt securities with fixed maturities (within three months from subscription date) and determinable returns, and subject to insignificant risk of changes in value.

The bank deposits with original maturity over three months carry interests at market rates ranged from 0.80% to 6.00% (2023: 1.16% to 6.55%) per annum and are matured:

	2024 US$'000	2023 US$'000
Within one year	124,167	181,278
Within a period of more than one year, but not exceeding two years	62,140	37,579
	186,307	218,857

27. TRADE AND OTHER PAYABLES

	2024 US$'000	2023 US$'000
Trade payables	**500,454**	475,505
Accrued employee benefit expenses	**389,166**	375,899
Other tax payables	**30,953**	6,042
Utility and rental payables	**7,517**	5,584
Other accruals and payables	**179,066**	179,369
Construction payable	**25,728**	24,240
Amounts due to associates (note i)	**20**	19
Amounts due to joint ventures (note i)	**302**	83
Amounts due to connected and related parties (note i)	**18,796**	17,622
Deposits from customers	**51,242**	52,468
	1,203,244	1,136,831

note:

(i) Except for amounts in aggregate of US$3,789,000 (2023: US$4,602,000) due to connected and related parties which carry fixed interest rates ranging from 2.17% to 3.45% (2023: 2.65% to 3.65%) per annum, are unsecured and repayable within one year, the remaining amounts are unsecured, interest-free and repayable on demand.

The following is an aged analysis of the Group's trade payables, presented based on the invoice date at the end of the reporting period:

	2024 US$'000	2023 US$'000
0 to 30 days	**352,739**	370,533
31 to 90 days	**137,000**	99,855
Over 90 days	**10,715**	5,117
	500,454	475,505

The credit period on purchases of goods ranged from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

28. CONTRACT LIABILITIES

Contract liabilities mainly included prepayments received from wholesale customers when they sign the sale and purchase agreements. They are expected to be recognized as revenue within one year upon receipt, and were recognized as revenue in current period upon the satisfaction of performance obligation, i.e. the delivery of goods to customers.

As at January 1, 2023, contract liabilities amounted to US$72,808,000.

29. BANK BORROWINGS

The Group's bank borrowings are unsecured and carry fixed interest rates at 2.03% to 3.75% or variable interest rates at a credit spread over Hong Kong Interbank Offered Rate ("HIBOR"), Secured Overnight Financing Rate ("SOFR") or Taipei Interbank Offered Rate ("TAIBOR"), as appropriate.

The range of effective interest rates on the Group's bank borrowings during the year are as follows:

	2024	2023
Short-term bank borrowings:		
Fixed rate	**2.03% – 3.75%**	1.78% – 4.10%
Variable rate	**1.74% – 6.32%**	1.30% – 7.91%
Long-term bank borrowings:		
Variable rate	**5.05% – 6.24%**	5.29% – 6.24%

	2024 US$'000	2023 US$'000
Fixed rate bank borrowings	**5,353**	5,500
Variable rate bank borrowings	**751,947**	967,160
	757,300	972,660
The bank borrowings are repayable*:		
Within one year	**357,616**	643,159
Within a period of more than one year, but not exceeding two years	**229,684**	99,982
Within a period of more than two years, but not exceeding five years	**170,000**	229,519
	757,300	972,660

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

30. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purpose:

	2024 US$'000	2023 US$'000
Deferred tax assets	**(101,359)**	(114,117)
Deferred tax liabilities	**70,439**	54,604
	(30,920)	(59,513)

The major deferred tax (assets) liabilities recognized and movements thereon during the year are as follows:

	Depreciation of property, plant and equipment US$'000	Revaluation of investment properties US$'000	Undistributed earnings of the PRC and overseas entities US$'000 (note)	Fair value adjustments of intangible assets on business combinations US$'000	Tax losses US$'000	Retirement benefit obligation US$'000	Right-of-use assets US$'000	Lease liabilities US$'000	Total US$'000
At January 1, 2023	(41,764)	32,580	3,408	2,140	(47,884)	(8,051)	76,861	(81,655)	(64,365)
(Credit) charge to profit or loss (Note 9)	(1,807)	(863)	–	(231)	7,508	(1,141)	(14,227)	15,488	4,727
Charge (credit) to other comprehensive income	–	1,045	–	–	–	(1,967)	–	–	(922)
Exchange realignment	–	–	(41)	(59)	1,021	–	(2,050)	2,176	1,047
At December 31, 2023	(43,571)	32,762	3,367	1,850	(39,355)	(11,159)	60,584	(63,991)	(59,513)
(Credit) charge to profit or loss (Note 9)	(1,233)	(2,716)	–	(227)	10,809	(528)	(11,261)	12,126	6,970
Charge to other comprehensive income	–	18,937	–	–	–	3,643	–	–	22,580
Disposal of investment properties	–	(919)	–	–	–	–	–	–	(919)
Exchange realignment	–	–	(39)	(49)	(28)	–	(1,448)	1,526	(38)
At December 31, 2024	**(44,804)**	**48,064**	**3,328**	**1,574**	**(28,574)**	**(8,044)**	**47,875**	**(50,339)**	**(30,920)**

note:

These entities include subsidiaries, associates and joint ventures.

30. DEFERRED TAXATION (continued)

As at December 31, 2024, the Group had unused tax losses of approximately US$518.9 million (2023: US$594.1 million) available for offset against future profits. A deferred tax asset has been recognized in respect of tax losses of US$142.7 million (2023: US$202.5 million) as at December 31, 2024. No deferred tax asset has been recognized in respect of the remaining tax losses of US$376.2 million (2023: US$391.6 million) due to the unpredictability of future profit streams.

Under the relevant laws of the PRC and Taiwan, withholding tax is also imposed on dividend declared in respect of profits earned by the subsidiaries of the Company. At December 31, 2024, the aggregate amount of undistributed earnings of the Company's subsidiaries in the PRC and Taiwan in respect of which the Group has not provided for dividend withholding tax were approximately US$1,234.4 million (2023: US$1,225.9 million) and US$239.7 million (2023: US$150.8 million) respectively. No deferred tax liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

There was no other significant unprovided deferred taxation for the year or at the end of the reporting period.

31. LEASE LIABILITIES

	2024 **US$'000**	2023 US$'000
Lease liabilities payable:		
Within one year	**75,534**	89,196
Within a period of more than one year but not exceeding two years	**52,080**	59,818
Within a period of more than two years but not exceeding five years	**65,743**	84,034
Within a period of more than five years	**19,560**	33,952
	212,917	267,000
Less: Amount due for settlement with 12 months shown under current liabilities	**(75,534)**	(89,196)
Amount due for settlement after 12 months shown under non-current liabilities	**137,383**	177,804

The weighted average incremental borrowing rates applied to lease liabilities are 3.92% (2023: 3.92%) per annum.

32. SHARE CAPITAL

	No. of shares	Amount HK$'000
Ordinary shares of HK$0.25 each		
Authorized:		
At January 1, 2023, December 31, 2023 and December 31, 2024	2,000,000,000	500,000
Issued and fully paid:		
At January 1, 2023, December 31, 2023 and January 1, 2024	1,612,183,986	403,046
Share repurchased and cancelled (note)	(7,627,500)	(1,907)
At December 31, 2024	1,604,556,486	401,139

	2024 US$'000	2023 US$'000
Shown in the consolidated financial statements as at December 31	**51,795**	52,040

note:

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchases	**Number of ordinary shares of HK$0.25 each repurchased**	**Price per share Highest price paid**	**Price per share Lowest price paid**	**Aggregate consideration paid** HK$'000
August 2024	650,000	HK$13.60	HK$13.16	8,732
September 2024	2,274,000	HK$14.42	HK$12.94	31,238
October 2024	708,000	HK$14.62	HK$13.58	10,055
November 2024	3,645,500	HK$17.40	HK$15.62	60,750
December 2024	350,000	HK$17.42	HK$17.20	6,082
Total	7,627,500			116,857

The aggregate consideration paid of approximately HK$116,857,000 was equivalent to approximately US$15,009,000.

33. INFORMATION ON THE FINANCIAL POSITION OF THE COMPANY

	2024 US$'000	2023 US$'000
Non-current assets		
Property, plant and equipment	**147**	212
Intangible asset	**–**	49
Investments in subsidiaries	**2,174,593**	2,174,593
	2,174,740	2,174,854
Current assets		
Amounts due from subsidiaries	**1,055,528**	938,596
Sundry receivables	**822**	802
Financial assets at FVTPL	**94**	873
Cash and cash equivalents	**24,304**	212,095
	1,080,748	1,152,366
Current liabilities		
Amounts due to subsidiaries	**48,159**	60,589
Sundry payables	**4,873**	3,782
Financial liabilities at FVTPL	**3,126**	559
Amount due to a substantial shareholder	**118**	53
Bank borrowings	**143,992**	299,531
	200,268	364,514
Net current assets	**880,480**	787,852
Total assets less current liabilities	**3,055,220**	2,962,706
Non-current liabilities		
Bank borrowings	**399,684**	329,501
Net assets	**2,655,536**	2,633,205
Capital and reserves		
Share capital	**51,795**	52,040
Reserves (Note 34)	**2,603,741**	2,581,165
	2,655,536	2,633,205

34. RESERVES OF THE COMPANY

	Share premium US$'000	Contributed surplus US$'000 (note)	Shares held under share award scheme US$'000	Share award reserve US$'000	Retained profits US$'000	Total US$'000
At January 1, 2023	592,677	38,126	(3,899)	2,981	1,904,841	2,534,726
Profit for the year	–	–	–	–	229,516	229,516
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	–	–	–	3,106	–	3,106
Share awards vested	–	–	4,585	(5,418)	833	–
Purchase of shares under share award scheme	–	–	(704)	–	–	(704)
Dividends (Note 12)	–	–	–	–	(185,479)	(185,479)
At December 31, 2023	592,677	38,126	(18)	669	1,949,711	2,581,165
Profit for the year	–	–	–	–	263,957	263,957
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	–	–	–	2,766	–	2,766
Share awards vested	–	–	1,966	(1,779)	(187)	–
Purchase of shares under share award scheme	–	–	(1,965)	–	–	(1,965)
Dividends (Note 12)	–	–	–	–	(227,418)	(227,418)
Share repurchased and cancelled	(14,764)	–	–	–	–	(14,764)
At December 31, 2024	**577,913**	**38,126**	**(17)**	**1,656**	**1,986,063**	**2,603,741**

note: The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company under a corporate reorganization in 1992 and the nominal amount of the Company's shares issued for the acquisition.

35. SHARE-BASED PAYMENT TRANSACTIONS

The Company and Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company, operate share incentive schemes, particulars of which are set out below.

(a) Share option scheme of the Company

The Company's share option scheme was adopted pursuant to a shareholders' resolution passed on February 27, 2009 for the primary purpose to attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and has expired on February 26, 2019.

On May 31, 2019, the Company adopted a new share option scheme (the "Yue Yuen Share Option Scheme") under which the board of directors of the Company may at its discretion grant share options to any eligible participants, including directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group. The Yue Yuen Share Option Scheme is valid and effective for a period of ten years commencing from May 31, 2019 to May 30, 2029, after which no further options may be offered or granted.

The exercise price is to be determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at December 31, 2024, the number of shares available for issue under the Yue Yuen Share Option Scheme is 161,449,998 shares, representing 10.06% of the issued share capital of the Company as at that date.

No share option has been granted, exercised nor lapsed under the Yue Yuen Share Option Scheme since its adoption.

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share award scheme of the Company

A share award scheme of the Company (the "Yue Yuen Share Award Scheme") was adopted on January 28, 2014 and amended on March 23, 2016 and September 28, 2018, and amended and restated on November 13, 2023 by the board of directors of the Company to recognize the contributions by certain persons, including employees, executives, officers or directors of the Group or any company in which the Group may have an investment and any company which is a controlling shareholder of the Company including subsidiaries of such controlling shareholder (the "Associated Entities") and to provide incentives thereto to retain them for the continual operation and development of the Group, as well as to attract suitable personnel for further development of the Group. Under the Yue Yuen Share Award Scheme, the board of directors of the Company may at its discretion grant any eligible participants awarded shares of the Company, provided that (a) the remuneration committee of the Company also recommended such granting pursuant to the Listing Rules; (b) the total number of awarded shares shall not exceed 2% of the issued shares of the Company as at the date of grant.

The maximum number of shares which may be awarded to a selected participant (including vested or non-vested shares) under the Yue Yuen Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time. Subject to early termination determined by the board of directors of the Company or otherwise required under any applicable legal and/or regulatory requirements (including without limitation those imposed by the Listing Rules from time to time), the Yue Yuen Share Award Scheme was valid and effective for a period of ten years commencing of January 28, 2014, and has been further extended for a period of ten years commencing on January 28, 2024, after which no further contribution to the trust fund will be made by the Company and no further awarded shares of the Company will be granted.

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share award scheme of the Company (continued)

The Yue Yuen Share Award Scheme is operated through a trustee which is independent of the Group. After the notification and instruction by the Company, the trustee has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the period at which the directors of the Company are prohibited from dealing in shares by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company. The directors of the Company would notify the trustee of the Yue Yuen Share Award Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. The relevant awarded shares shall vest in accordance with the conditions and timetable as set out in the relevant letter of award issued to the selected participant. Vesting of the awarded shares will be conditional on the selected participant remaining as an employee, executive, officer or director of the Group or Associated Entity after the date of final approval by the board of directors of the Company of the total amount of shares (and/or cash) to be awarded to the selected participants in a single occasion pursuant to the Yue Yuen Share Award Scheme and on the following vesting date and the board of directors of the Company has not determined to vary or cancel such an award for any reason (including but not limited to exceptionally poor performance, misconduct or material breach of the terms of employment or rules or policies of the Group or Associated Entities). An award shall automatically lapse forthwith when a selected participant is on unpaid leave of absence on the vesting date, or ceases to be an eligible participant pursuant to the rules of the Yue Yuen Award Scheme, or the company by which a selected participant is employed ceases to be a subsidiary of the Company or an Associated Entity, or an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company, or selected participant's employment or service is terminated for cause if the award has not been vested.

The Company has purchased 1,350,000 ordinary shares of the Company for the Yue Yuen Share Award Scheme during the year ended December 31, 2024 (2023: 500,000 ordinary shares). A total of 8,000 ordinary shares (2023: 13,000 ordinary shares) of the Company were held by the trustee of the Yue Yuen Share Award Scheme as at December 31, 2024. The awarded shares of the Company shall be vested in the grantees pursuant to the terms as provided in their respective grant letters.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share award scheme of the Company (continued)

Details of the awards, including the number of shares which were awarded according to the terms of the Yue Yuen Share Award Scheme during the two years ended December 31, 2024 and 2023 were as follows:

			Number of awarded shares								
	Date of grant	Vesting date	Outstanding at January 1, 2023	Granted during the year	Lapsed during the year	Vested during the year	Outstanding at December 31,2023	Granted during the year	Lapsed during the year	Vested during the year	Outstanding at December 31, 2024
Directors of the Company											
Liu George Hong-Chih	06.01.2021	05.31.2023	60,000	–	–	(60,000)	–	–	–	–	–
	03.23.2023	06.01.2023	–	119,000	–	(119,000)	–	–	–	–	–
	06.28.2023	05.31.2025	–	90,000	–	–	90,000	–	–	–	90,000
	03.20.2024	06.01.2024	–	–	–	–	–	159,000	–	(159,000)	–
Chan Lu Min	03.23.2023	06.01.2023	–	161,000	–	(161,000)	–	–	–	–	–
	03.20.2024	06.01.2024	–	–	–	–	–	205,000	–	(205,000)	–
Lu Chin Chu	03.23.2023	06.01.2023	–	123,000	–	(123,000)	–	–	–	–	–
	03.20.2024	06.01.2024	–	–	–	–	–	154,000	–	(154,000)	–
Lin Cheng-Tien	03.23.2023	06.01.2023	–	62,000	–	(62,000)	–	–	–	–	–
	03.20.2024	06.01.2024	–	–	–	–	–	74,000	–	(74,000)	–
Shih Chih-Hung	06.01.2021	05.31.2023	60,000	–	–	(60,000)	–	–	–	–	–
	03.23.2023	06.01.2023	–	31,000	–	(31,000)	–	–	–	–	–
	03.20.2024	06.01.2024	–	–	–	–	–	41,000	–	(41,000)	–
Sub-total			120,000	586,000	–	(616,000)	90,000	633,000	–	(633,000)	90,000
Directors of the Company's subsidiaries/ Employees of the Group and/or its Associated Entities	06.01.2021	05.31.2023	1,350,000	–	–	(1,350,000)	–	–	–	–	–
	01.18.2023	06.01.2023	–	458,000	(46,000)	(412,000)	–	–	–	–	–
	03.23.2023	06.01.2023	–	231,000	–	(231,000)	–	–	–	–	–
	03.31.2023	03.31.2025	–	85,000	–	–	85,000	–	–	–	85,000
	06.28.2023	05.31.2025	–	1,575,000	(45,000)	–	1,530,000	–	(135,000)	–	1,395,000
	02.06.2024	06.01.2024	–	–	–	–	–	447,000	–	(447,000)	–
	03.20.2024	06.01.2024	–	–	–	–	–	227,000	–	(227,000)	–
	05.20.2024	09.01.2024	–	–	–	–	–	48,000	–	(48,000)	–
Sub-total			1,350,000	2,349,000	(91,000)	(1,993,000)	1,615,000	722,000	(135,000)	(722,000)	1,480,000
Total			1,470,000	2,935,000	(91,000)	(2,609,000)	1,705,000	1,355,000	(135,000)	(1,355,000)	1,570,000

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share award scheme of the Company (continued)

The closing prices of the shares at the dates of grant on February 6, 2024, March 20, 2024, and May 20, 2024 were HK$7.70 per share, HK$11.32 per share and HK$15.26 per share, respectively. (2023: on January 18, 2023, March 23, 2023, March 31, 2023 and June 28, 2023 were HK$11.78 per share, HK$11.14 per share, HK$11.06 per share and HK$10.34 per share, respectively.)

During the year ended December 31, 2024, the Group recognized a net expense of US$2,766,000 (2023: US$3,106,000) as equity-settled share-based payments in relation to the Yue Yuen Share Award Scheme.

(c) Share award scheme of Pou Sheng

Pou Sheng's share award scheme (the "Pou Sheng Share Award Scheme") was adopted pursuant to Pou Sheng's board resolution passed on May 9, 2014 amended on November 11, 2016 and further amended and restated on November 13, 2023. The objective of the Pou Sheng Share Award Scheme is to recognize the contributions by certain persons, including directors of Pou Sheng and employees of the Pou Sheng and its subsidiaries (the "Pou Sheng Group") (the "Selected Participants") and to provide incentives to retain them for the continual operation and development of the Pou Sheng Group, and to attract suitable personnel for further development of the Pou Sheng Group. The Pou Sheng Share Award Scheme became effective on May 9, 2014 and, unless otherwise terminated or amended, was originally in force for 10 years. Given the original term of the Pou Sheng Share Award Scheme was due to expire by the end of May 8, 2024, the board of directors of Pou Sheng held a meeting on November 13, 2023, upon recommendation by the remuneration committee of Pou Sheng, resolved to extend the Pou Sheng Share Award Scheme for a further term of 10 years commencing on May 9, 2024 by amending and restating the rules and trust deed relating to the Pou Sheng Share Award Scheme, which also came into effect on May 9, 2024. Pursuant to the amendment and restatement, other than the term of the Pou Sheng Share Award Scheme was being extended, certain other provisions of the rules and trust deed were also amended and restated.

Pou Sheng did not purchase any shares for Pou Sheng Share Award Scheme during the year ended December 31, 2024 and 2023. A total of 142,464,760 ordinary shares of Pou Sheng were held by the trustee of the Pou Sheng Share Award Scheme as at December 31, 2024 (2023: 147,176,160 ordinary shares).

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share award scheme of Pou Sheng (continued)

The following table discloses movements in Pou Sheng's share awards under the Pou Sheng Share Award Scheme during the two years ended December 31, 2024 and 2023:

			Number of awarded shares							
	Date of grant	Vesting date	Outstanding at January 1, 2023	Lapsed during the year	Vested during the year	Outstanding at December 31, 2023	Granted during the year	Lapsed during the year	Vested during the year	Outstanding at December 31, 2024
Director/Chief Executive Officer of Pou Sheng										
Yu, Huan-Chang	11.11.2022	11.11.2023	360,000	–	(360,000)	–	–	–	–	–
	11.11.2022	11.11.2024	360,000	–	–	360,000	–	–	(360,000)	–
	11.11.2022	11.11.2025	480,000	–	–	480,000	–	–	–	480,000
Wang Jun (note)	03.24.2021	09.24.2023	144,000	–	(144,000)	–	–	–	–	–
	03.24.2021	03.24.2024	240,000	–	–	240,000	–	–	(240,000)	–
	08.19.2024	08.19.2025	–	–	–	–	500,000	–	–	500,000
	08.19.2024	08.19.2026	–	–	–	–	500,000	–	–	500,000
Sub-total			1,584,000	–	(504,000)	1,080,000	1,000,000	–	(600,000)	1,480,000
Employees of Pou Sheng	03.24.2021	09.24.2023	1,759,500	(108,300)	(1,651,200)	–	–	–	–	–
	03.24.2021	03.24.2024	2,932,500	(180,500)	–	2,752,000	–	–	(2,752,000)	–
	08.13.2021	02.13.2023	377,400	–	(377,400)	–	–	–	–	–
	08.13.2021	02.13.2024	566,100	(42,900)	–	523,200	–	(7,800)	(515,400)	–
	08.13.2021	08.13.2024	943,500	(71,500)	–	872,000	–	(28,000)	(844,000)	–
	08.19.2024	08.19.2025	–	–	–	–	10,500,000	(200,000)	–	10,300,000
	08.19.2024	08.19.2026	–	–	–	–	10,500,000	(200,000)	–	10,300,000
Sub-total			6,579,000	(403,200)	(2,028,600)	4,147,200	21,000,000	(435,800)	(4,111,400)	20,600,000
Total			8,163,000	(403,200)	(2,532,600)	5,227,200	22,000,000	(435,800)	(4,711,400)	22,080,000

note: Wang Jun was appointed as the acting chief executive officer of Pou Sheng on July 1, 2022 and was re-designated as the chief executive officer of Pou Sheng with effect from March 15, 2023.

The closing price of Pou Sheng's shares immediately before the grant of the share awards on August 19, 2024 was HK$0.620 per share.

During the year ended December 31, 2024, the Group recognized a net expense of US$554,000 (2023: US$344,000) as equity-settled share-based payments in the consolidated income statement under the Pou Sheng Share Award Scheme with reference to the share awards' respective vesting periods and the share awards lapsed prior to their vesting dates.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 US$'000	2023 US$'000
Financial assets		
Financial assets at FVTPL	**98,761**	46,644
Financial assets at amortized cost	**1,959,571**	2,083,338
Equity instruments at fair value through other comprehensive income	**23,379**	22,239
Financial liabilities		
Financial liabilities at amortized cost	**1,629,308**	1,774,789
Financial liabilities at FVTPL	**3,126**	668
Lease liabilities	**212,917**	267,000

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, financial assets/liabilities at FVTPL, other financial assets at amortized cost, trade and other receivables, cash and cash equivalents, bank deposits over three months, trade and other payables, lease liabilities, bank borrowings and financial guarantee contract. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

Majority of the Group's revenue is denominated in USD and RMB. However, the Group has certain trade and other receivables, trade and other payables, bank balances and debt obligations that are denominated in foreign currencies relative to functional currencies of the respective group entities. As a result, the Group is exposed to fluctuations in foreign exchange rates. In order to mitigate the currency risk, the Group has entered into forward and other foreign currency contracts to partially hedge USD against Indonesia Rupiah ("IDR"). The Group regularly reviews the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000
USD	**1,935**	8,706	**–**	970
RMB	**174,036**	168,812	**70,575**	75,097
New Taiwan dollars ("NTD")	**37,709**	31,568	**52,965**	89,915
Vietnamese Dong ("VND")	**28,909**	24,095	**118,739**	104,366
IDR	**11,356**	8,186	**63,194**	52,628
Hong Kong dollars ("HKD")	**10,425**	2,008	**3,588**	3,768

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of USD, RMB, NTD, VND, IDR and HKD against the functional currencies of the respective group entities. Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate.

The following table details the Group's sensitivity to a 5% (2023: 5%) decrease in the functional currency of the relevant group entities against the relevant foreign currencies. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates, which are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in currencies exchange rates. A positive (negative) number below indicates an increase (decrease) in profit before taxation when the currency below strengthen 5% against the functional currency of the relevant group entities. For a 5% (2023: 5%) weakening of these currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit before taxation.

	notes	**2024** **US$'000**	2023 US$'000
Gain (loss) in relation to:			
– USD	(i)	**97**	387
– RMB	(i)	**5,173**	4,686
– NTD	(ii)	**(763)**	(2,917)
– VND	(i)	**(4,491)**	(4,014)
– IDR	(i)	**(2,592)**	(2,222)

notes:

(i) This is mainly attributable to the exposure on bank balances, receivables and payables.

(ii) This is mainly attributable to the exposure on bank and loan balances, receivables and payables and equity instruments.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances, bank deposits and short-term investments (Note 26) and bank borrowings (Note 29) due to the fluctuation of the prevailing market interest rate. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The Group is also exposed to fair value interest rate risk in relation to amounts due to connected and related parties (Note 27), bank borrowings (Note 29) and lease liabilities (Note 31).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of SOFR, HIBOR, TAIBOR and loan prime rate published by NIFC.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the carrying amount of liabilities which carried floating interest rates and outstanding at the end of the reporting period were outstanding for the whole year and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year. A 100 basis points (2023: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate bank borrowings had been 100 basis points (2023: 100 basis points) higher and all other variables were held constant, the Group's profit before taxation for the year would decrease by US$7,519,000 (2023: US$9,672,000). If interest rates were lower by 100 basis points (2023: 100 basis points), there would be an equal and opposite impact on the profit before taxation for both years.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in unlisted overseas fund measured at FVTPL and equity securities measured at FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

A 5% increase/decrease in the price of these investments was not significant to the consolidated financial statements. Accordingly, no sensitive analysis was performed.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, cash and cash equivalents, bank deposits over three months, amounts due from associates/joint ventures/connected and related parties, other financial assets at amortized cost, other receivables and financial guarantee contracts. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Details of financial guarantee contracts is disclosed in Note 40.

The Group has concentration of credit risk on certain individual customers. At the end of the reporting period, the five largest trade receivable balances accounted for approximately 70% (2023: 70%) of the trade receivables and the largest trade receivable balance was approximately 25% (2023: 24%) of the Group's total trade receivables. For both years, the five largest customers, which are internationally well known companies engaging in sports footwear and sportswear business with good financial position by reference to their respective published financial statements, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group. The Group seeks to minimize its risk by dealing with counterparties which have good credit history.

In order to minimize the credit risk, the management of the Group has delegated different teams responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances from Manufacturing Business individually or collectively and trade balances from Retailing Business individually or based on provision matrix.

In addition to the credit risk on trade debts, the Group is also exposed to credit risk through its advances to, and/or guarantees granted to banks in respect of banking facilities utilized by, its associates, joint ventures and connected and related parties. Because of the Group's involvement, either through significant influence or joint control, the Group is in a position to monitor their financial performance and can take timely actions to safeguard its assets and/or to minimize its losses. Accordingly, management believes that the Group's exposure in this regard is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

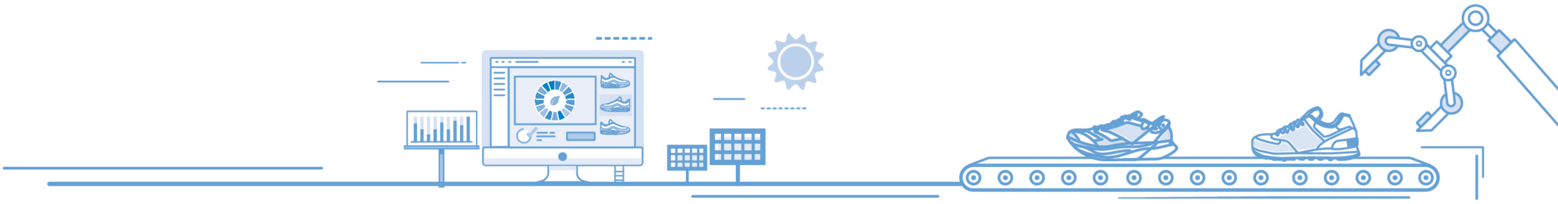
37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and good credit ratings by reference to published information or good repayment records	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence that the debtor has been placed under liquidation or has entered into bankruptcy proceedings and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off



37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amount US$'000	2023 Gross carrying amount US$'000
Financial assets at amortized cost					
Amounts due from associates	25	Low risk (note 3)	12m ECL	**2,197**	1,586
Amounts due from joint ventures	25	Low risk (note 3)	12m ECL	**2,229**	1,881
Amounts due from connected and related parties	25	Low risk (note 3)	12m ECL	**6,054**	5,923
Other financial assets at amortized cost		Low risk (note 2)	12m ECL	**5,795**	–
Cash and cash equivalents	26	Low risk (note 2)	12m ECL	**756,849**	923,217
Bank deposits over three months	26	Low risk (note 2)	12m ECL	**186,307**	218,857
Other receivables	25	Low risk/Watch list	12m ECL	**61,641**	46,729
		Loss (note 4)	Credit-impaired	**1,267**	1,352
				62,908	48,081
Trade receivables	25	(note 1)	Lifetime ECL	**938,499**	885,145
		Loss	Credit-impaired	**18,805**	24,836
				957,304	909,981

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

notes:

1. The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the expected credit losses on those trade receivables from Manufacturing Business on a collective basis, grouped by internal credit rating and those trade receivables from Retailing Business by using a provision matrix, grouped by aging status. No loss allowance at lifetime ECL (not credit-impaired) on trade receivables has been provided as the directors of the Company considered the amount is insignificant.

2. The credit risk on other financial assets at amortized cost, cash and cash equivalents and bank deposits over three months are low because the counterparties are banks and financial institutions with good reputation.

3. The credit risk on amounts due from associates, amounts due from joint ventures and amounts due from connected and related parties is low because these balances have good repayment records.

4. During the year ended December 31, 2024, impairment losses of US$53,000 arising from other receivables (which are credit-impaired) were reversed (2023: US$691,000 were recognized) based on the impairment assessment with regard to an actual or expected significant deterioration in the operating results of the receivables that decrease the counterparties' ability to meet their debt obligations.

As part of the Group's credit risk management, the Group applies internal credit rating and debtors' aging status to assess the impairment for its customers in relation to its Manufacturing Business and Retailing Business respectively. The following tables provide information about the exposure to credit risk for trade receivables which are assessed based on collective basis (for Manufacturing Business) and provision matrix (for Retailing Business) within lifetime ECL (not credit-impaired).

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Carrying amount assessed based on collective basis

Manufacturing Business

Internal credit rating	Trade receivables			
	Average loss rate	**2024 US$'000**	Average loss rate	2023 US$'000
Low risk	**0.1%**	**773,365**	0.1%	647,054
Watch list	**1.0%**	**30,179**	1.0%	67,979
Doubtful	**8.0%**	**2,240**	8.0%	32,770
		805,784		747,803

Carrying amount assessed based on provision matrix

Retailing Business

Debtors' aging	Trade receivables	
	2024 US$'000	2023 US$'000
Current (not past due)	**130,211**	135,252
1 – 120 days past due	**2,504**	2,090
	132,715	137,342

The average loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in loss allowance at lifetime ECL (credit-impaired) that has been recognized for trade receivables under the simplified approach.

	Trade receivables US$'000
As at January 1, 2023	23,593
Impairment losses recognized	1,366
Write-offs	(1)
Exchange realignment	(122)
As at December 31, 2023	24,836
(Reversal of) impairment losses recognized	(5,464)
Write-offs	(417)
Exchange realignment	(150)
As at December 31, 2024	**18,805**

The Group writes off a trade receivable when there is information indicating that the debtor has been placed under liquidation or has entered into bankruptcy proceedings. The Group has taken legal action to recover certain trade receivables that have been written off.

The Group's concentration of credit risk by geographical locations of customers are mainly in the US, Europe and Asia which accounted for 23%, 22% and 47% (2023: 22%, 21% and 50%), respectively, of the trade receivables at December 31, 2024.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cashflows from operations. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the undiscounted cash flows of financial liabilities based on the settlement dates on which the Group are required to pay.

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	1 - 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	Over 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 12.31.2024 US$'000
As at December 31, 2024								
Non-derivative financial liabilities								
Trade and other payables	-	816,403	27,941	27,664	-	-	872,008	872,008
Bank borrowings								
– fixed rate	2.42	3,559	1,801	-	-	-	5,360	5,353
– variable rate	4.97	253,321	6,517	118,269	420,687	-	798,794	751,947
Lease liabilities	3.92	7,993	16,372	58,213	127,885	24,984	235,447	212,917
Financial guarantee contracts	-	53,464	-	-	-	-	53,464	-
		1,134,740	52,631	204,146	548,572	24,984	1,965,073	1,842,225
Derivatives – net settlement								
Forward contracts	-	771	1,568	787	-	-	3,126	3,126

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	1 – 3 months US$'000	3 months to 1 year US$'000	1 – 5 years US$'000	Over 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 12.31.2023 US$'000
As at December 31, 2023								
Non-derivative financial liabilities								
Trade and other payables	–	719,430	55,192	27,507	–	–	802,129	802,129
Bank borrowings								
– fixed rate	2.16	3,883	1,623	–	–	–	5,506	5,500
– variable rate	6.18	282,118	48,087	347,860	361,660	–	1,039,725	967,160
Lease liabilities	3.92	7,293	29,710	61,502	158,485	41,004	297,994	267,000
Financial guarantee contracts	–	48,200	–	–	–	–	48,200	–
		1,060,924	134,612	436,869	520,145	41,004	2,193,554	2,041,789
Derivatives – net settlement								
Forward contracts	–	–	183	485	–	–	668	668

The amounts included above for financial guarantee contracts are the maximum amounts the Group can be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

37. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3 as set out in Note 3) based on the degree to which the inputs to the fair value measurements is observable.

	2024 US$'000	2023 US$'000	**Fair value hierarchy**
Financial assets at FVTPL			
Forward contracts (note i)	**94**	47	Level 2
Unlisted overseas funds (note ii)	**98,667**	45,771	Level 2
Cross currency swap	**–**	826	Level 2
Equity instruments at FVTOCI			
Equity securities listed overseas (note iii)	**22,958**	21,969	Level 1
Financial liabilities at FVTPL			
Forward contracts (note i)	**3,126**	668	Level 2

notes:

(i) These financial assets and liabilities are measured at fair value with reference to discounted cash flow provided by the financial institutions. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(ii) The fair values of unlisted overseas funds are determined with reference to prices provided by the respective issuing financial institutions.

(iii) Listed equity securities are traded on active markets and their fair values are determined with reference to quoted bid prices in active markets.

Except as described above, the directors consider the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values. There were no transfers between level 1 and 2 during the year.

38. OPERATING LEASES

The Group as lessor

All of the Group's investment properties held have committed tenants for the next one to fifteen years and rentals are fixed.

At the end of the reporting period, undiscounted lease payments receivables over non-cancellable period on leases are as follows:

	2024 US$'000	2023 US$'000
Within one year	**30,261**	22,700
In the second year	**25,765**	21,749
In the third year	**19,914**	15,053
In the fourth year	**14,093**	11,135
In the fifth year	**8,932**	6,927
After five years	**34,400**	5,472
	133,365	83,036

39. CAPITAL COMMITMENTS

	2024 US$'000	2023 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of land	**12,979**	18,621
– construction of buildings	**42,272**	72,591
– acquisition of property, plant and equipment	**24,798**	28,460
– acquisition of intangible assets	**–**	1,474
– investment in Indian project (note)	**268,815**	275,605
	348,864	396,751

note:

The Group entered into a memorandum of understanding with the Tamil Nadu Government in India on April 17, 2023, pursuant to which an indirect wholly-owned subsidiary of the Company will invest approximately 23 billion Rupees ("INR") (equivalent to approximately US$276 million) in phases in the investment project to establish the Group's manufacturing base in a special economic zone in India. The investment project will be funded by the internal resources of the Group and/or bank borrowings, if necessary. For details, please refer to the announcement of the Company dated April 17, 2023.

40. FINANCIAL GUARANTEE CONTRACTS

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

	2024 US$'000	2023 US$'000
Guarantees given to banks in respect of banking facilities granted to		
(i) joint ventures		
– amount guaranteed	**32,764**	27,500
– amount utilized	**20,748**	10,150
(ii) an associate		
– amount guaranteed	**20,700**	20,700
– amount utilized	**–**	149

In the opinion of the directors, the fair value of the financial guarantees given to the banks by the Group are insignificant at initial recognition. Also, after taking into consideration the probability of default and the loss given default of the relevant joint venture and associate, the management of the Company is of the opinion that no provision is required to be recognized in the consolidated statement of financial position as at December 31, 2024 and 2023.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in other payable) US$'000	**Bank borrowings** US$'000	**Lease liabilities** US$'000
At January 1, 2023	235	1,434,931	331,243
Amortization of upfront fee of bank borrowings	–	1,349	–
Financing cash flows	(71,156)	(462,530)	(135,122)
New leases/lease modification/lease termination	–	–	66,923
Interest expenses	70,951	–	12,739
Exchange realignment	(6)	(1,090)	(8,783)
At December 31, 2023	24	972,660	267,000
Amortization of upfront fee of bank borrowings	–	644	–
Financing cash flows	(52,838)	(210,580)	(116,542)
New leases/lease modification/lease termination	–	–	58,912
Interest expenses	52,841	–	9,854
Exchange realignment	(1)	(5,424)	(6,307)
At December 31, 2024	**26**	**757,300**	**212,917**

42. RETIREMENT BENEFITS PLANS

a) Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The workers under subcontracting agreements and employees of the Company's subsidiaries in the PRC are subject to retirement benefit schemes established in the PRC. Specified percentages of their payroll are contributed to retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the contributions at rate specified under the schemes. No forfeited contributions are available to reduce the contribution payable in the future years.

The employees employed in Vietnam are members of the state-managed retirement benefit schemes operated by the Vietnamese government. The subsidiaries incorporated in Vietnam are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The Group has no further payment obligations once the contributions have been paid.

b) Defined benefit plan – Indonesia

The Group provides defined benefit plan for the employees in Indonesia as required under Indonesian Labor Law.

The plan exposes the Group to the following actuarial risks:

Interest rate risk	A decrease in the bond interest rate will increase the present value of the defined benefit obligation.
Longevity risk	The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the present value of the defined benefit obligation.
Salary risk	The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

No other post-retirement benefits are provided to these employees in Indonesia.

42. RETIREMENT BENEFITS PLANS (continued)

b) Defined benefit plan – Indonesia (continued)

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at December 31, 2024 by KKA Setya Gunawan and KKA Marcel Pryadarshi Soepeno (2023: PT. Padma Radya Aktuaria and KKA Marcel Pryadarshi Soepeno), Fellows of the Institute of Actuaries in Indonesia. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at December 31, 2024	Valuation at December 31, 2023
Normal pension age	55 – 58	55 – 58
Discount rates	7.10% – 7.14%	6.75% – 7.10%
Expected rates of salary increase	2% – 4%	4% – 7%
Mortality rates	100% Table Mortality Indonesia ("TMI")4	100% TMI4
Disability rate	5% TMI4	5% TMI4
Early resignation rate	N/A – 0.5%	N/A – 1%
Resignation rates	2.5% – 10% until age 35 – 40 then decreasing linearly into 0% at age 51 – 55	2.5% – 10% until age 30 – 40 then decreasing linearly into 0% at age 51 – 55

42. RETIREMENT BENEFITS PLANS (continued)

b) Defined benefit plan – Indonesia (continued)

Amounts recognized in comprehensive income in respect of the defined benefit plan are as follows:

	2024 US$'000	2023 US$'000
Service cost:		
Current service cost	**7,045**	9,790
Past service cost and losses (gains) from settlements, net	**476**	(904)
Interest cost	**5,915**	5,835
Components of defined benefit costs recognized in profit or loss	**13,436**	14,721
Remeasurement of the net defined benefit liabilities:		
Actuarial (gains) losses arising from experience adjustment	**(858)**	192
Actuarial (gains) losses arising from changes in financial assumptions	**(14,004)**	4,021
Actuarial losses arising from changes in demographic assumptions	**–**	54
Foreign exchange (gains) losses	**(1,355)**	455
Components of defined benefit (income) costs recognized in other comprehensive income	**(16,217)**	4,722
Total	**(2,781)**	19,443

The service cost and the interest cost for the year are included in the employee benefits expense in profit or loss.

The remeasurement of the net defined benefit liabilities is included in other comprehensive income.

42. RETIREMENT BENEFITS PLANS (continued)

b) Defined benefit plan – Indonesia (continued)

Movements in the present value of the defined benefit obligation in the current year were as follows:

	2024 US$'000	2023 US$'000
Balance at January 1	**94,081**	84,123
Current service cost	**7,045**	9,790
Interest cost	**5,915**	5,835
Past service cost and losses (gains) from settlements, net	**476**	(904)
Remeasurement:		
Actuarial (gains) losses arising from experience adjustments	**(858)**	192
Actuarial (gains) losses arising from changes in financial assumptions	**(14,004)**	4,021
Actuarial losses arising from changes in demographic assumptions	**–**	54
Exchange differences on foreign plans	**(4,350)**	1,753
Benefits paid	**(8,043)**	(10,783)
Balance at December 31	**80,262**	94,081

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rates and expected salary growth. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rates increase (decrease) by 1%, the defined benefit obligation would decrease by US$4,670,000 (increase by US$5,286,000) (2023: decrease by US$7,657,000 (increase by US$8,724,000)).

- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by US$5,467,000 (decrease by US$4,900,000) (2023: increase by US$9,310,000 (decrease by US$8,274,000)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

42. RETIREMENT BENEFITS PLANS (continued)

b) Defined benefit plan – Indonesia (continued)

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statement of financial position.

The average duration of the benefit obligation at December 31, 2024 ranges from 14.70 to 31.75 years (2023: from 12.83 to 32.82 years).

The Group expects to make a contribution of US$2,609,000 (2023: US$4,880,000) to the defined benefit plan during the next financial year.

c) Defined benefit plan – Taiwan

The defined benefit plan adopted by the Group for the employees in Taiwan in accordance with the Labor Standards Law is operated by the government of the Republic of China. Pension benefits are calculated based on the years of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau") and the Group has no right to influence the investment policy and strategy.

The plan exposes the Group to the following actuarial risks:

Interest rate risk	A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
Investment risk	The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
Salary risk	The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

42. RETIREMENT BENEFITS PLANS (continued)

c) Defined benefit plan – Taiwan (continued)

The most recent actuarial valuations of the plan assets and present value of the defined benefit obligation were carried out at December 31, 2024 by Professional Actuary Management Consulting Co., Ltd, a qualified actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2024	2023
Discount rate	1.50%	1.25% – 1.38%
Expected rate of salary increase	2.50% – 3.25%	2.25% – 3.25%

The net amounts included in the consolidated statement of financial position in respect of the Group's net defined benefit liabilities and fair value of plan assets are as follows:

	2024 US$'000	2023 US$'000
Present value of defined benefit obligation	19,263	19,778
Fair value of plan assets	(15,810)	(12,238)
Net defined benefit liabilities	3,453	7,540

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

42. RETIREMENT BENEFITS PLANS (continued)

c) Defined benefit plan – Taiwan (continued)

Amounts recognized in comprehensive income in respect of the defined benefit plan are as follows:

	2024 US$'000	2023 US$'000
Service cost:		
Current service cost	**30**	31
Past service cost	**–**	48
Net interest expense	**88**	49
Other	**(1)**	(103)
Components of defined benefit costs recognized in profit or loss	**117**	25
Remeasurement of the net defined benefit liabilities:		
Return on plan assets (excluding amounts included in net interest)	**(1,220)**	(79)
Actuarial losses arising from experience adjustments	**780**	4,243
Actuarial (gains) losses arising from changes in financial assumptions	**(14)**	428
Components of defined benefit (income) costs recognized in other comprehensive income	**(454)**	4,592
Total	**(337)**	4,617

The service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss.

The remeasurement of the net defined benefit liabilities is included in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

42. RETIREMENT BENEFITS PLANS (continued)

c) Defined benefit plan – Taiwan (continued)

Movements in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligation US$'000	Fair value of plan assets US$'000	Net defined benefit liabilities US$'000
Balance at January 1, 2023	18,478	(15,148)	3,330
Current service cost	31	–	31
Past service cost	48	–	48
Net interest expense	282	(233)	49
Other	(103)	–	(103)
Remeasurement:			
Return on plan assets (excluding amounts included in net interest)	–	(79)	(79)
Actuarial losses arising from experience adjustments	4,243	–	4,243
Actuarial losses arising from changes in financial assumptions	428	–	428
Contributions from the employer	–	(408)	(408)
Benefits (paid) received	(3,847)	3,847	–
Exchange differences on foreign plans	218	(217)	1
Balance at December 31, 2023	19,778	(12,238)	7,540
Current service cost	30	–	30
Net interest expense	233	(145)	88
Other	(1)	–	(1)
Remeasurement:			
Return on plan assets (excluding amounts included in net interest)	–	(1,220)	(1,220)
Actuarial losses arising from experience adjustments	780	–	780
Actuarial gains arising from changes in financial assumptions	(14)	–	(14)
Contributions from the employer	–	(3,489)	(3,489)
Benefits (paid) received	(1,408)	1,408	–
Exchange differences on foreign plans	(135)	(126)	(261)
Balance at December 31, 2024	**19,263**	**(15,810)**	**3,453**

42. RETIREMENT BENEFITS PLANS (continued)

c) Defined benefit plan – Taiwan (continued)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rates and expected salary growth. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rates increase (decrease) by 0.25%, the defined benefit obligation would decrease by US$366,000 (increase by US$378,000) (2023: decrease by US$434,000 (increase by US$448,000)).

- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by US$367,000 (decrease by US$358,000) (2023: increase by US$436,000 (decrease by US$424,000)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statement of financial position.

The average duration of the benefit obligation at December 31, 2024 is 7.6 to 10.8 years (2023: 8.1 to 11.6 years).

The Group expects to make a contribution of US$980,000 (2023: US$866,000) to the defined benefit plan during the next financial year.

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

The transactions with these parties during the year, and balances with them at the end of the reporting period, are as follows:

(I) CONNECTED AND RELATED PARTIES

Name of connected and related party	Nature of transactions/balances	2024 US$'000	2023 US$'000
Substantial shareholder of the Company:			
PCC and its subsidiaries, other than members of the Group (collectively the "PCC Group")	Purchase of raw materials, shoe-related products and manufacturing equipment and tools by the Group (note a)	4,343	2,105
	Merchandise costs reimbursed to the PCC Group under the Services Agreements by the Group (note b)	148,469	128,038
	Expenses reimbursed to the PCC Group under the Services Agreements by the Group (note b)	129,516	112,231
	Service fees paid to the PCC Group under the Services Agreements by the Group (note b)	15,966	13,656
	Repayment of lease liabilities including related interests under the tenancy agreements by the Group	649	666
	Sales of leather, moulds, production tools, finished and semi-finished shoe products by the Group (note a)	4,302	3,278
	Management services income received by the Group (note a)	–	293
	Interest expenses paid by the Group	39	127
	Other service income received by the Group	31	16
	Balance due from/to as at year end and included in:		
	– trade receivables	888	405
	– trade payables	33,203	26,242
	– other receivables (note d)	6,018	5,825
	– other payables (note d)	18,347	17,183
	– lease liabilities	1,245	5

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) CONNECTED AND RELATED PARTIES (continued)

Name of connected and related party	Nature of transactions/balances	2024 US$'000	2023 US$'000
Companies owned by a trust set up for the benefits of the family members of a director of the Company and the director is one of the ultimate beneficiaries of the trust:			
Godalming Industries Limited ("Godalming")	Rental charges on land and buildings paid by the Group (note c)	**286**	565
	Balance due from/to as at year end and included in:		
	– other receivables (note d)	**36**	98
	– other payables (note d)	**67**	46
Connected party at subsidiary level			
Non-controlling interest of a subsidiary	Sales of sportswear products by the Group	**4,017**	4,330
	Commission from concessionaire sales by the Group	**158**	161
	Other operating income received by the Group	**47**	47
	Interest expense paid by the Group	**14**	17
	Balance due from/to as at year end and included in:		
	– trade receivables	**298**	151
	– other payables (note d)	**382**	393

All the transactions on the table above falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under the Listing Rules.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(II) OTHER RELATED PARTIES

Name of related party	Nature of transactions/balances	2024 US$'000	2023 US$'000
Joint ventures	Purchase of raw materials by the Group	143,432	138,676
	Sales of shoe-related products by the Group	13,402	11,748
	Management and other service income received by the Group	1,801	1,221
	Rental income received by the Group	2,017	1,884
	Management and other service fee paid by the Group	18,518	21,660
	Balance due from/to as at year end and included in:		
	– trade receivables	1,185	1,258
	– trade payables	32,281	28,983
	– other receivables (note d)	2,229	1,881
	– other payables (note d)	302	83
Associates	Purchase of raw materials by the Group	105,457	99,227
	Sales of shoe-related products by the Group	3,435	3,171
	Management service income received by the Group	738	646
	Rental income received by the Group	1,543	1,421
	Balance due from/to as at year end and included in:		
	– trade receivables	557	642
	– trade payables	21,255	19,166
	– other receivables (note d)	2,197	1,586
	– other payables (note d)	20	19

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(III) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2024 US$'000	2023 US$'000
Short term benefits	**2,817**	2,783
Post-employment benefits	**2**	2
	2,819	2,785

The remuneration of key management personnel is determined having regard to the performance of the individuals.

Save as disclosed in notes (a) and (b) below, all other related party transactions did not fall under the scope of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

notes:

(a) During the year, the Group sold leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools and provided consultancy and guidance services to the PCC Group. In addition, the Group purchased raw materials, moulds, shoe-related products and manufacturing equipment and production tools for production needs from the PCC Group. The extent of these connected sales and purchases did not exceed the limit approved by the shareholders of the Company on December 5, 2023. PCC is a substantial shareholder of the Company owning 824,143,835 ordinary shares of the Company of which 773,156,303 ordinary shares were held by Wealthplus Holdings Limited and 50,987,532 ordinary shares were held by Win Fortune Investments Limited. Both Wealthplus Holdings Limited and Win Fortune Investments Limited are wholly-owned subsidiaries of PCC.

(b) Pursuant to services agreement dated February 22, 1997, first supplemental services agreement dated January 9, 2007, second supplemental services agreement dated November 20, 2008, third supplemental services agreement dated August 25, 2011, fourth supplemental services agreement dated September 15, 2014, fifth supplemental services agreement dated October 21, 2014, sixth supplemental services agreement dated October 13, 2017, seventh supplemental services agreement dated October 8, 2020 and eighth supplemental services agreement dated October 6, 2023 for a term of 3 years commencing from January 1, 2024 entered into between the Company and PCC (collectively the "Services Agreements"), the Company has engaged PCC 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 Group's products and general administration support. The services to be provided by PCC may be provided by or through members of the PCC Group, but PCC will remain fully liable for the provision of these services. In consideration of the services provided by the PCC Group under the Services Agreements, the Company is obligated to reimburse the costs and expenses incurred by PCC.

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

notes: (continued)

(b) (continued)

In addition, the Company shall also pay to PCC the following service fees:

(i) in respect of the 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 amount of such products 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;

(ii) in respect 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, not more than 1% of the merchandise cost invoiced to the PCC Group 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; and

(iii) in respect of 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 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.

(c) Based on information available to the Company, Godalming is owned as to approximately 85.45% by a discretionary trust and its sub-funds for the benefits of Tsai's family (including Ms. Tsai Pei Chun, Patty, a director of the Company). The rentals on premises paid to Godalming were based on a tenancy agreement dated June 8, 1992, together with supplemental tenancy agreements dated August 25, 2011, September 15, 2014, October 21, 2014, October 13, 2017, October 8, 2020 and October 6, 2023 for a term of 3 years commencing from January 1, 2024 entered into between members of the Group and a joint venture of the Company as tenants and wholly-owned subsidiaries of Godalming as landlords.

The rentals were based on the open market rates which are referenced to valuation performed by an independent professional valuer.

(d) Save as disclosed in Notes 25 and 27, the amounts are unsecured, interest-free and repayable on demand.

44. NON-CONTROLLING INTERESTS

	Interests attributable to shares held in subsidiaries US$'000	Shares held under share award scheme of a listed subsidiary US$'000	Share award reserve of a listed subsidiary US$'000	Total US$'000
At January 1, 2023	482,664	(30,765)	715	452,614
Profit for the year	34,496	–	–	34,496
Fair value gain on an equity instrument at FVTOCI	4	–	–	4
Remeasurement of defined benefit obligations, net of tax	19	–	–	19
Exchange difference arising on the translation of foreign operations	(12,856)	–	–	(12,856)
Share of other comprehensive expense of a joint venture	(186)	–	–	(186)
Total comprehensive income for the year	21,477	–	–	21,477
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	–	–	344	344
Share award vested under share award scheme of a listed subsidiary	(87)	496	(409)	–
Dividends paid to non-controlling interests of a subsidiary	(4,675)	–	–	(4,675)
At December 31, 2023	499,379	(30,269)	650	469,760
Profit for the year	32,238	–	–	32,238
Fair value gain on an equity instrument at FVTOCI	65	–	–	65
Remeasurement of defined benefit obligations, net of tax	(3)	–	–	(3)
Exchange difference arising on the translation of foreign operations	(13,164)	–	–	(13,164)
Share of other comprehensive expense of a joint venture	(201)	–	–	(201)
Total comprehensive income for the year	18,935	–	–	18,935
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	–	–	554	554
Deregistration of a subsidiary	(534)	–	–	(534)
Capital contribution from non-controlling interests of subsidiaries	6,064	–	–	6,064
Acquisition of additional interest of a subsidiary	(5,952)	–	–	(5,952)
Share award vested under share award scheme of a listed subsidiary	(243)	907	(664)	–
Dividends paid to non-controlling interests of a subsidiary	(12,664)	–	–	(12,664)
At December 31, 2024	**504,985**	**(29,362)**	**540**	**476,163**

44. NON-CONTROLLING INTERESTS (continued)

The table below shows details of the Pou Sheng Group, the Company's non-wholly-owned subsidiary that have material non-controlling interests at the end of the reporting period:

Name of subsidiary	Principal place of operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2024	2023	**2024 US$'000**	2023 US$'000	**2024 US$'000**	2023 US$'000
Pou Sheng Group	PRC	**37.45%**	37.45%	**25,548**	25,912	**429,593**	428,771
Individually immaterial subsidiaries with non-controlling interests				**6,690**	8,584	**46,570**	40,989
Total				**32,238**	34,496	**476,163**	469,760

Summarized financial information in respect of the Pou Sheng Group that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intra-group eliminations and the effect of acquisition of subsidiaries using merger accounting.

	2024 US$'000	2023 US$'000
Financial information of consolidated income statement and consolidated statement of comprehensive income		
Revenue	**2,561,408**	2,830,730
Gross profit	**875,683**	953,144
Profit before taxation	**95,524**	92,649
Profit for the year	**69,098**	70,993
Profit for the year attributable to owners of Pou Sheng	**68,219**	69,190
Profit for the year attributable to owners of Pou Sheng		
– owners of the Company	**42,671**	43,278
– non-controlling interests of Pou Sheng	**25,548**	25,912
	68,219	69,190

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

44. NON-CONTROLLING INTERESTS (continued)

	2024 US$'000	2023 US$'000
Other comprehensive expense, attributable to		
– owners of the Company	**(21,477)**	(21,108)
– non-controlling interests of Pou Sheng	**(12,616)**	(12,551)
	(34,093)	(33,659)
Total comprehensive income, attributable to		
– owners of the Company	**21,194**	22,170
– non-controlling interests of Pou Sheng	**12,932**	13,361
	34,126	35,531
Dividends paid to non-controlling interests of Pou Sheng	**12,664**	4,675
Financial information of consolidated statement of financial position		
Non-current assets	**494,870**	529,647
Current assets	**1,282,252**	1,330,468
Current liabilities	**(443,495)**	(487,081)
Non-current liabilities	**(124,477)**	(164,904)
Non-controlling interests	**(13,127)**	(12,971)
	1,196,023	1,195,159
Equity attributable to owners of Pou Sheng, attributable to		
– owners of the Company	**766,430**	766,388
– non-controlling interests of Pou Sheng	**429,593**	428,771
	1,196,023	1,195,159
Financial information of consolidated statement of cash flows		
Net cash from operating activities	**164,421**	480,265
Net cash used in investing activities	**(74,171)**	(185,564)
Net cash used in financing activities	**(147,156)**	(204,757)
Effect of foreign exchange rate changes	**(6,085)**	(5,395)
Net cash (outflow) inflow	**(62,991)**	84,549

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

45. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at December 31, 2024 and 2023 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group		Principal activities
			2024	2023	
Bangladesh Pou Hung Industrial Ltd.	Bangladesh	US$4,800,000	100%	100%	Manufacture and sales of footwear
Bao Sheng Dao Ji (Beijing) Trading Company Ltd.	PRC**	US$65,000,000	62.55%+	62.55%+	Retailing of sportswear
Dongguan Pou Chen Footwear Company Limited	PRC**	RMB263,827,800	100%	100%	Manufacture and sales of footwear
Dong Guan Yue Sheng Footwear Company Limited	PRC**	RMB319,970,250	100%	100%	Manufacture and sales of footwear
Dongguan Yu Xiang Shoes Material Company Limited	PRC**	US$9,500,000	100%	100%	Manufacture and sales of leather
Guangzhou Baoyuen Trading Company Limited	PRC**	US$23,310,000	62.55%+	62.55%+	Retailing of sportswear
Harbin Baosheng Sports Goods Company Limited	PRC**	RMB22,000,000	62.55%+	62.55%+	Retailing of sportswear
Hefei Baoxun Sports GoodsTrading Company Limited	PRC***	RMB1,000,000	62.55%+	62.55%+	Retailing of sportswear
High Glory Footwear India Private Limited	India	INR10,000,000	100%	100%	Manufacture and sales of footwear
Idea (Macao Commercial Offshore) Limited	Macau	MOP101,000	100%	100%	Trading of footwear
Jiangxi Uniscien Consulting Co., Ltd	PRC**	US$350,000	100%	100%	Provision of corporate management consultation services
Kunshan Baowei Information Technology Co., Ltd	PRC***	RMB600,000,000	62.55%+	62.55%+	Retailing of sportswear
Mega International Trading Limited	Macau	MOP25,000	80%	75%	Trading of footwear

45. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 2024	2023	Principal activities
Myanmar Pou Chen Company Limited	Myanmar	US$130,000,000	**100%**	100%	Manufacture and processing of footwear
PT. Glostar Indonesia	Indonesia	US$162,000,000	**100%**	100%	Manufacture and sales of footwear
PT. Nikomas Gemilang	Indonesia	US$125,904,520	**100%**	100%	Manufacture and sales of footwear
PT. Pou Chen Indonesia	Indonesia	US$64,000,000	**100%**	100%	Manufacture and sales of footwear
PT. Pou Yuen Indonesia	Indonesia	US$172,500,000	**100%**	100%	Manufacture and sales of footwear
Pou Chen (Cambodia) Co., Ltd.	Cambodia	US$88,040,000	**100%**	100%	Manufacture and sales of footwear
Pou Chen Vietnam Enterprise Ltd.	Vietnam	US$36,389,900	**100%**	100%	Manufacture and sales of footwear
Pou Hung Vietnam Company Limited	Vietnam	US$100,000,000	**100%**	100%	Manufacture and sales of footwear
Pou Li Vietnam Company Limited	Vietnam	US$46,000,000	**100%**	100%	Manufacture and sales of footwear
Pou Sheng	Bermuda*	HK$53,261,796	**62.55%**	62.55%	Investment holding
Pou Sung Vietnam Co., Ltd	Vietnam	US$117,000,000	**100%**	100%	Manufacture and sales of footwear
Pou Yuen Industrial (Holdings) Limited	Hong Kong	HK$1,654,873,183	**100%**	100%	Investment holding
Pou Yue Pte. Ltd.	Singapore	US$3,000,000	**100%**	100%	Investment holding
Pouyuen Vietnam Company Limited	Vietnam	US$146,406,000	**100%**	100%	Manufacture and sales of footwear

45. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Proportion of issued and fully paid share capital/ registered capital attributable to the Group 2024	2023	Principal activities
Prime Asia (Vietnam) Co., Ltd.	Vietnam	US$40,000,000	**100%**	100%	Manufacture and sales of leather
Shanghai Pouyuen Sports Trading Co. Ltd	PRC**	US$50,000,000	**62.55%+**	62.55%+	Retailing of sportswear
Shaanxi Pousheng Trading Company Ltd	PRC**	US$66,000,000	**62.55%+**	62.55%+	Retailing of sportswear
Shang Gao Yisen Industry Co., Ltd.	PRC**	US$30,390,000	**100%**	100%	Manufacture and sales of footwear
Shengdao (Chengdu) Trading Co., Ltd.	PRC**	US$22,400,000	**62.55%+**	62.55%+	Retailing of sportswear
The Look (Macao Commercial Offshore) Company Limited	Macau	MOP101,000	**100%**	100%	Trading of footwear
Wuxi Pouyuen Sports Goods Trading Company Limited	PRC***	RMB1,000,000	**62.55%+**	62.55%+	Retailing of sportswear
Yue Yuen Industrial Limited	BVI	US$625,000	**100%**	100%	Trading of footwear
Yue De Vietnam Company Limited	Vietnam	US$44,500,000	**100%**	100%	Manufacture and sales of footwear
Yangxin Poujia Footwear Co. Ltd.	PRC**	RMB387,563,020	**100%**	100%	Manufacture and sales of footwear
Yichun Yisen Industry Co., Ltd.	PRC**	US$14,000,000	**100%**	100%	Manufacture and sales of footwear
Yue Yuen (An Fu) Footwear Co., Ltd.	PRC**	US$60,000,000	**100%**	100%	Manufacture and sales of footwear

* Pou Sheng is a company whose shares listed on the Stock Exchange.
** These companies are wholly-foreign owned enterprises established in the PRC.
*** These companies are wholly-domestic owned enterprises established in the PRC.
+ These companies were wholly-owned subsidiaries of Pou Sheng as at the end of the reporting period.

45. PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The majority of these subsidiaries operate in Myanmar, BVI, Hong Kong, PRC, Vietnam, Indonesia and Cambodia. The principal activities of these subsidiaries are either manufacturing and sales of footwear, property investment, investment holding, retailing of sportswear or inactive.

FINANCIAL SUMMARY

	For the year ended December 31,				
	2020 US$'000	2021 US$'000	2022 US$'000	2023 US$'000	**2024** **US$'000**
RESULTS					
Revenue	8,444,935	8,533,337	8,970,228	7,890,168	**8,182,161**
(Loss) profit before taxation	(51,399)	175,431	413,251	390,198	**572,097**
Income tax expense	(20,962)	(33,485)	(120,050)	(80,992)	**(147,444)**
(Loss) profit for the year	(72,361)	141,946	293,201	309,206	**424,653**
Attributable to:					
Owners of the Company	(90,791)	115,072	296,347	274,710	**392,415**
Non-controlling interests	18,430	26,874	(3,146)	34,496	**32,238**
	(72,361)	141,946	293,201	309,206	**424,653**

	As at December 31,				
	2020 US$'000	2021 US$'000	2022 US$'000	2023 US$'000	**2024** **US$'000**
ASSETS AND LIABILITIES					
Total assets	8,522,870	8,638,084	7,935,421	7,358,232	**7,375,354**
Total liabilities	(4,148,728)	(4,033,633)	(3,293,096)	(2,648,204)	**(2,461,000)**
Net Assets	4,374,142	4,604,451	4,642,325	4,710,028	**4,914,354**
Equity attributable to:					
Owners of the Company	3,895,854	4,098,458	4,189,711	4,240,268	**4,438,191**
Non-controlling interests	478,288	505,993	452,614	469,760	**476,163**
Total Equity	4,374,142	4,604,451	4,642,325	4,710,028	**4,914,354**

裕元工業(集團)有限公司
Yue Yuen Industrial (Holdings) Limited

22nd Floor, C-Bons International Center,
108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong
香港九龍觀塘偉業街108號絲寶國際大廈22樓

裕元工業(集團)有限公司
Yue Yuen Industrial (Holdings) Limited

www.yueyuen.com

FSC
www.fsc.org
MIX
Paper | Supporting responsible forestry
紙張 | 支持負責任的林業
FSC™ C132597