YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
裕 元 工 業（集 團）有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2025

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended June 30, 2025	2024	Percentage Increase/ (decrease)
Revenue *(US$'000)*	**4,060,148**	4,015,407	**1.1%**
Recurring profit attributable to owners of the Company *(US$'000)*	**162,822**	178,887	**(9.0)%**
Non-recurring profit attributable to owners of the Company *(US$'000)*	**8,368**	5,514	**51.8%**
Profit attributable to owners of the Company *(US$'000)*	**171,190**	184,401	**(7.2)%**
Basic earnings per share *(US cents)*	**10.67**	11.44	**(6.7)%**
Dividend per share – interim dividend *(HK$)*	**0.40**	0.40	**–**

* *For identification purpose only*

INTERIM RESULTS

The directors (the "Directors") of Yue Yuen Industrial (Holdings) Limited (the "Company" or "Yue Yuen") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2025 with comparative figures for the corresponding period in 2024 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2025

		For the six months ended June 30,	
		2025	2024
		(unaudited)	(unaudited)
	NOTES	***US$'000***	*US$'000*
Revenue	*3*	**4,060,148**	4,015,407
Cost of sales		**(3,141,576)**	(3,040,320)
Gross profit		**918,572**	975,087
Other income		**48,689**	63,373
Selling and distribution expenses		**(399,030)**	(424,158)
Administrative expenses		**(283,032)**	(275,307)
Other expenses		**(78,222)**	(79,676)
Finance costs		**(26,522)**	(32,602)
Share of results of associates		**23,818**	21,237
Share of results of joint ventures		**8,684**	11,732
Other gains and losses	*4*	**8,368**	5,514
Profit before taxation		**221,325**	265,200
Income tax expense	*5*	**(39,020)**	(61,229)
Profit for the period	*6*	**182,305**	203,971
Attributable to:			
Owners of the Company		**171,190**	184,401
Non-controlling interests		**11,115**	19,570
		182,305	203,971
		US cents	*US cents*
Earnings per share	*8*		
– Basic		**10.67**	11.44
– Diluted		**10.66**	11.43

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2025

	For the six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit for the period	**182,305**	203,971
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income	**(2,809)**	899
Share of other comprehensive (expense) income of associates	**(2,911)**	249
	(5,720)	1,148
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on the translation of foreign operations	**32,698**	(29,775)
Share of other comprehensive income (expense) of associates and joint ventures	**3,799**	(6,261)
Reserve release upon partial disposal of associates	**168**	1,463
	36,665	(34,573)
Other comprehensive income (expense) for the period	**30,945**	(33,425)
Total comprehensive income for the period	**213,250**	170,546
Total comprehensive income for the period attributable to:		
Owners of the Company	**190,480**	161,887
Non-controlling interests	**22,770**	8,659
	213,250	170,546

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2025

	NOTE	**At June 30, 2025 (unaudited)** *US$'000*	At December 31, 2024 (audited) *US$'000*
Non-current assets			
Investment properties		**345,885**	327,202
Property, plant and equipment		**1,578,205**	1,578,860
Right-of-use assets		**446,081**	469,693
Deposits paid for acquisition of property, plant and equipment/right-of-use assets		**27,928**	30,102
Intangible assets		**13,642**	13,106
Goodwill		**257,924**	256,148
Interests in associates		**431,071**	425,495
Interests in joint ventures		**146,762**	164,305
Equity instruments at fair value through other comprehensive income		**17,985**	20,240
Financial assets at fair value through profit or loss		**70,691**	61,099
Bank deposits over three months		**49,851**	62,140
Other financial assets at amortized cost		**8,210**	5,795
Rental deposits		**15,121**	14,886
Deferred tax assets		**111,230**	101,359
		3,520,586	3,530,430
Current assets			
Inventories		**1,322,304**	1,335,969
Trade and other receivables	*9*	**1,687,196**	1,555,506
Equity instrument at fair value through other comprehensive income		**2,647**	3,139
Financial assets at fair value through profit or loss		**45,251**	37,662
Taxation recoverable		**29,237**	31,632
Bank deposits over three months		**159,919**	124,167
Cash and cash equivalents		**672,568**	756,849
		3,919,122	3,844,924

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At June 30, 2025

	NOTE	At June 30, 2025 (unaudited) US$'000	At December 31, 2024 (audited) US$'000
Current liabilities			
Trade and other payables	10	**1,072,343**	1,203,244
Contract liabilities		**43,562**	54,208
Financial liabilities at fair value through profit or loss		**189**	3,126
Taxation payable		**71,054**	76,051
Bank borrowings		**568,387**	357,616
Lease liabilities		**73,443**	75,534
		1,828,978	1,769,779
Net current assets		**2,090,144**	2,075,145
Total assets less current liabilities		**5,610,730**	5,605,575
Non-current liabilities			
Bank borrowings		**399,766**	399,684
Deferred tax liabilities		**71,075**	70,439
Lease liabilities		**120,797**	137,383
Retirement benefit obligations		**84,235**	83,715
		675,873	691,221
Net assets		**4,934,857**	4,914,354
Capital and reserves			
Share capital		**51,795**	51,795
Reserves		**4,390,618**	4,386,396
Equity attributable to owners of the Company		**4,442,413**	4,438,191
Non-controlling interests		**492,444**	476,163
Total equity		**4,934,857**	4,914,354

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to HKFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2025 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2024.

2.1 Application of amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2025 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability

The application of the amendments to a HKFRS Accounting Standard in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENTAL INFORMATION

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

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

	For the six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Revenue		
Manufacturing Business	**2,797,981**	2,634,404
Retailing Business	**1,262,167**	1,381,003
	4,060,148	4,015,407

4. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Gain on disposal/partial disposal of associates	**3,365**	23,999
Fair value changes on financial instruments at fair value through profit or loss	**5,003**	(11,922)
Impairment loss on interest in a joint venture	**–**	(5,000)
Impairment loss on interest in an associate	**–**	(1,563)
	8,368	5,514

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
The People's Republic of China Enterprise Income Tax		
– current period	**20,331**	23,619
– overprovision in prior periods	**(3,420)**	(1,597)
Overseas taxation		
– current period	**29,215**	37,462
– overprovision in prior periods	**(2,876)**	(88)
	43,250	59,396
Income tax – Pillar Two Rules	**2,860**	–
Withholding tax on dividend	**2,067**	3,837
Deferred tax credit	**(9,157)**	(2,004)
	39,020	61,229

note:

The Group is subject to the global minimum top-up tax Pillar Two Rules. Pillar Two Rules have become effective in Hong Kong in which certain group entities are Hong Kong resident entities. The top-up tax relates to the Group's operation in Macau, where the statutory tax rate is 12% and the annual effective income tax rate is estimated to be below 15%. Therefore, a top-up tax is accrued in the current interim period using the tax rate based on the estimated adjusted covered taxes and net Global Anti-Base Erosion income for the year. The Group has recognized a current tax expense of US$2,860,000 related to the Pillar Two Rules for the six months ended June 30, 2025 (six months ended June 30, 2024: Nil) which is expected to be levied on the group entities in Hong Kong.

Meanwhile, the Group's certain subsidiaries are operating in Indonesia, Vietnam, Singapore and Brazil where the Pillar Two Rules are effective. The estimated effective tax rates of the Group's subsidiaries in Indonesia and Vietnam are higher than 15%, after taking into account the adjustments under the Global Anti-Base Erosion Rules based on management's best estimate, and the Group's subsidiaries in Singapore and Brazil are qualified for the transitional Country-by-Country Reporting Safe Harbor, the management of the Group considered the Group's subsidiaries in these countries are not liable to top-up tax under the Pillar Two Rules.

The Group has applied the temporary mandatory exception from recognizing and disclosing deferred tax assets and liabilities for the impacts of the Pillar Two Rules and accounts for it as a current tax when it is incurred.

5. INCOME TAX EXPENSE (CONTINUED)

note: (continued)

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

As stated in note 9 to the consolidated financial statements for the year ended December 31, 2024 in the 2024 annual report of the Company, 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 supplementary payment of corporate income tax and related withholding tax together with administrative penalties and surcharges (the "Disputed Taxes").

The Disputed Taxes for the aforesaid Indonesian Subsidiaries amounted to US$79.0 million and US$30.0 million, respectively, have been provisionally fully paid as at June 30, 2025. Having considered that sufficient grounds had been provided to the Indonesian Tax Bureau to defend against the above Tax Disputes, one of the Indonesian Subsidiaries lodged appeal to the Supreme Court of the Republic of Indonesia (the "Supreme Court") on July 29, 2024 and the other Indonesian Subsidiary lodged appeal to the Supreme Court on February 17, 2025, respectively.

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. 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, had determined that other than the US$28.2 million additional income tax expenses and administrative penalties of US$12.3 million (included in other expenses) which have been already recognized in the Group's consolidated financial statements for the year ended December 31, 2024, the remaining paid amount of approximately US$19.4 million and US$49.1 million are recognized as tax recoverable and other receivable, respectively, as at June 30, 2025. Currently, the appeal process for the Tax Disputes is expected to be completed within a year.

6. PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit for the period has been arrived at after charging (crediting):		
Total staff costs *(note)*	**1,047,055**	993,374
Net exchange gain (included in other income)	**(1,242)**	(6,157)
Amortization of intangible assets	**946**	679
Depreciation of right-of-use assets	**51,322**	58,875
Depreciation of property, plant and equipment *(note)*	**125,869**	139,724
Net changes in allowance for inventories (included in cost of sales)	**2,253**	(3,180)
Loss (gain) on disposal of property, plant and equipment (included in other expenses/income)	**713**	(393)
Gain on disposal of right-of-use-assets (included in other income)	**–**	(1)
Research and development expenditures (included in other expenses)	**70,833**	68,750
(Reversal of) impairment losses recognized on trade and other receivables	**(289)**	1,218

note: Total staff costs and depreciation of property, plant and equipment disclosed above included amounts capitalized in inventories.

7. DIVIDENDS

	For the six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Dividends recognized as distribution during the period:		
2024 final dividend of HK$0.90 per share (2024: 2023 final dividend of HK$0.70 per share)	**183,950**	144,458

The board of directors of the Company (the "Board") has resolved to declare an interim dividend of HK$0.40 (2024: HK$0.40) per share for the six months ended June 30, 2025. The interim dividend of approximately HK$641,772,000 shall be paid on October 9, 2025.

8. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**171,190**	184,401

	For the six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,603,664,911**	1,611,693,788
Effect of dilutive potential ordinary shares:		
Unvested awarded shares	**1,530,923**	1,620,702
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,605,195,834**	1,613,314,490

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

9. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables, net of allowance for credit losses, of US$1,045,345,000 (December 31, 2024: US$938,499,000) presented based on invoice date, which approximated to the respective revenue recognition dates:

	At June 30, 2025 (unaudited) ***US$'000***	At December 31, 2024 (audited) *US$'000*
0 to 30 days	**669,303**	603,752
31 to 90 days	**375,627**	334,252
Over 90 days	**415**	495
	1,045,345	938,499

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period:

	At June 30, 2025 (unaudited) ***US$'000***	At December 31, 2024 (audited) *US$'000*
0 to 30 days	**331,228**	352,739
31 to 90 days	**130,751**	137,000
Over 90 days	**14,716**	10,715
	476,695	500,454

11. FINANCIAL GUARANTEE CONTRACTS

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

	At June 30, 2025 (unaudited) *US$'000*	At December 31, 2024 (audited) *US$'000*
Guarantees given to banks in respect of banking facilities granted to:		
(i) joint ventures		
– amount guaranteed	**32,796**	32,764
– amount utilized	**22,453**	20,748
(ii) an associate		
– amount guaranteed	**20,700**	20,700
– amount utilized	**149**	–

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Yue Yuen is the world's largest manufacturer of athletic, athleisure, casual and outdoor footwear, with a diversified portfolio of brand customers and production sites. It has long-standing relations and a reputation for serving leading international brands, including Nike, adidas, Asics, New Balance 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 International (Holdings) Limited ("Pou Sheng").

In the six months ended June 30, 2025 (the "Period"), the value of footwear exports from major manufacturing countries in Southeast Asia continued to grow, despite increasing risk and uncertainty arising from reciprocal tariff-related challenges, inflation and ongoing regional conflicts. According to Vietnam Customs, the value of Vietnamese footwear exports in the first half of 2025 increased by 10.1% year-on-year to US$11.9 billion. According to the Central Bureau of Statistics of Indonesia, the value of Indonesian footwear exports in the first half of 2025 increased by 13.6% year-on-year to US$3.8 billion. While according to China Customs, the value of Chinese footwear exports in the first half of 2025 declined by 7.2% year-on-year to US$21.7 billion.

During the Period, demand for footwear products within the Group's manufacturing business sustained its upward trajectory. Footwear shipment volumes continued to grow steadily, driven by increased orders from multiple brands and their corresponding production lines running at full capacity. The growth of the manufacturing business was also supported by a rebound in average selling prices.

However, order fulfilment and capacity utilization rates at certain factories significantly deviated from average, resulting in uneven production leveling. This, combined with the production efficiency of some production lines that fell short of set targets, impeded the Group's efforts to reduce reliance on overtime and other ineffective costs. Each of these challenges unfolded within a volatile operating environment, shaped by a complex and dynamic global economic landscape. During the Period, the number of employees within the Group's manufacturing business rose by 6.6% year-on-year, while wages rose by a high single-digit percentage across multiple regions, significantly increasing labor costs. Together, these factors negatively impacted the short-term profitability of the Group's manufacturing business.

Meanwhile, the mainland China sportwear market experienced subdued consumer confidence and elevated industry inventory levels, leading to weak foot traffic and aggressive promotional activity. However, the online sales momentum of the Group's retail subsidiary, Pou Sheng, remained solid, as it further enhanced its omni-channel capabilities in the highly competitive e-commerce landscape of the sector's market. Simultaneously, it maintained agility and flexibility in decision-making by developing its online presence in a systemic manner. Pou Sheng's solid online momentum helped partially mitigate ongoing pressure on its offline retail channels, while declining sales contributed to operational deleverage. To help combat this, Pou Sheng remains focused on improving conversion rates within its retail stores, while dynamically managing its store portfolio, and enhancing productivity and operational efficiency at the store level. For a more detailed explanation of the financials and strategy of the Group's retail business, please refer to the 2025 interim results announcement of Pou Sheng.

As a responsible leader in the footwear industry, Yue Yuen is a member of the World Federation of the Sporting Goods Industry ("WFSGI") and supports the principles of the WFSGI Code of Conduct, 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 earned significant recognition from distinguished external parties for its sustainability and corporate governance. In the 2024 Corporate Sustainability Assessment ("CSA") conducted by S&P Global, Yue Yuen achieved an S&P Global Environmental, Social and Governance ("ESG") Score of 48 and a CSA score of 43, placing it ahead of 87% of the 188 companies in the Textiles, Apparel & Luxury Goods industry. Based on the assessed data submitted in 2024, the Group earned a 'B-' rating for CDP Water Security and a 'B' rating for CDP 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.

During the Period, the Group was selected for inclusion in the S&P Global Sustainability Yearbook (China) 2025 for the second consecutive year, in recognition of its outstanding ESG performance. The Group featured prominently in "2025 Asia (ex-Japan) Executive Team" rankings published by financial research firm Extel (formerly Institutional Investor), as voted by investment professionals. For the first time, the Group secured first place across all rankings – in both the Rest of Asia region for Consumer/Discretionary Sector and the Hong Kong region categories – earning recognition as the "Most Honored Company" in both categories, thanks to its outstanding ESG sustainability principles and investor relations efforts. It also won an unprecedented 11 awards in the mid-cap category at the 11th Investor Relations Awards 2025 conducted by the Hong Kong Investor Relations Association, including "Grand ESG Award" and "Overall Best IR Company".

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, has built a great workplace that places the health, safety and welfare of all employees as its 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 Listing Rules of the Hong Kong Stock Exchange 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 Period under review, the Group recorded revenue of US$4,060.1 million, representing an increase of 1.1% as compared with the corresponding period of last year. The profit attributable to owners of the Company was US$171.2 million, a decrease of 7.2% compared to US$184.4 million recorded for the corresponding period of last year. The profit attributable to owners of the manufacturing business amounted to US$155.0 million, reflecting a largely flattish trend compared to last year, while the profit attributable to owners of Pou Sheng decreased by 44.1% to RMB187.6 million due to a decline in sales. The basic earnings per share was 10.67 US cents, compared to 11.44 US cents for the corresponding period of last year.

Revenue Analysis

During the Period under review, revenue attributed to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) increased by 8.3% to US$2,610.8 million, compared with the corresponding period of previous year. The volume of shoes shipped during the Period increased by 5.0% to 126.7 million pairs. The average selling price increased by 3.2% to US$20.61 per pair, which was attributed to a higher-quality order mix.

The Group's athletic/outdoor shoes category accounted for 83.4% of footwear manufacturing revenue in the Period under review. Casual shoes and sports sandals accounted for 16.6% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 53.6% of total revenue, followed by casual shoes and sports sandals, which accounted for 10.7% 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$2,797.9 million in the Period under review, representing an increase of 6.2% as compared to the corresponding period of last year.

For the retail business, revenue attributed to Pou Sheng decreased by 8.6% to US$1,262.2 million in the Period under review, compared to US$1,381.0 million in the corresponding period of previous year. In RMB terms (Pou Sheng's reporting currency), revenue decreased by 8.3% to RMB9,159.4 million, compared to RMB9,983.3 million in the corresponding period of previous year. The overall sales was hindered by volatile foot traffic across regions amid an increasingly dynamic retail environment in mainland China, including a substantial decline in the offline direct retail and sub-distributors channel compared to the corresponding period of last year. Despite this, the performance of Pou Sheng's omni-channels remained resilient, rising by approximately 16% year-on-year, with livestreaming sales more than doubling. As of June 30, 2025, Pou Sheng had 3,408 directly operated retail stores across the Greater China region, representing a net closure of 40 stores as compared with the 2024 year-end. Pou Sheng's retail refinement strategy centers around taking a holistic approach to new store openings and selectively rightsizing or upgrading its existing stores, allowing it to focus on improving store-level efficiency and prudently developing new brands and sales channels.

Total Revenue by Category

	For the six months ended June 30,				
	2025		2024		*change*
	US$ million	*%*	*US$ million*	*%*	*%*
Athletic/Outdoor Shoes	**2,176.2**	**53.6**	2,074.6	51.7	4.9
Casual Shoes & Sports Sandals	**434.6**	**10.7**	336.4	8.4	29.2
Soles, Components & Others	**187.1**	**4.6**	223.4	5.5	(16.2)
Pou Sheng*	**1,262.2**	**31.1**	1,381.0	34.4	(8.6)
Total Revenue	**4,060.1**	**100.0**	4,015.4	100.0	1.1

* *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 prioritizing balancing agile capacity allocation with on-time delivery and swift responsiveness to short-term issues arising from reciprocal tariff policies and macroeconomic uncertainties.

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

Production Review

During the Period, the Group's manufacturing business shipped a total of 126.7 million pairs of shoes, an increase of 5.0% compared to the 120.7 million pairs shipped in the corresponding period of last year. The average selling price per pair was US$20.61, an increase of 3.2% as compared to US$19.98 in the corresponding period of last year.

In terms of production allocation, Indonesia, Vietnam and mainland China continued to be the Group's main production locations by shoe volume during the Period, representing 53%, 32% and 10% of total shoe shipments, respectively.

Cost and Expenses Review

With respect to the cost of goods sold by the Group's manufacturing business during the Period under review, total main material costs were US$995.2 million (first half of 2024: US$925.1 million). Direct labor costs and production overheads were US$1,307.2 million (first half of 2024: US$1,206.7 million). The total cost of goods sold by the Group's manufacturing business was US$2,302.4 million (first half of 2024: US$2,131.8 million). For the Group's retail business, Pou Sheng, cost of sales were US$839.2 million in the Period under review (first half of 2024: US$908.5 million).

During the Period under review, the Group's gross profit decreased by 5.8% to US$918.6 million, with the overall gross profit margin decreasing by 1.7 percentage points to 22.6%. Among which, the gross profit of the manufacturing business decreased by 1.4% to US$495.6 million, with the gross profit margin of the manufacturing business decreasing by 1.4 percentage points to 17.7% as compared to the corresponding period of last year. This decrease was mainly attributed to uneven production leveling across various manufacturing plants, the production efficiency of some production lines that fell short of set targets, as well as higher labor costs stemming with expanding labor force and rising wages across various regions.

Cost of Goods Sold Analysis – Manufacturing Business

	For the six months ended June 30,				
	2025		2024		*change*
	US$ million	***%***	*US$ million*	*%*	*%*
Main Material Costs	**995.2**	**43.2**	925.1	43.4	7.6
Direct Labor Costs & Production Overheads	**1,307.2**	**56.8**	1,206.7	56.6	8.3
Total Cost of Goods Sold	**2,302.4**	**100.0**	2,131.8	100.0	8.0

For Pou Sheng, its gross profit margin was 33.5% during the Period, a decrease of 0.7 percentage points, due to aggressive promotions across the retail industry and increased average mark downs. This occurred despite Pou Sheng's efforts to optimize its inventory mix and sales structure.

The Group's selling and distribution expenses for the Period decreased by 5.9% to US$399.0 million (first half of 2024: US$424.2 million), equivalent to approximately 9.8% (first half of 2024: 10.6%) of revenue.

Administrative expenses for the Period increased by 2.8% to US$283.0 million (first half of 2024: US$275.3 million), equivalent to approximately 7.0% (first half of 2024: 6.9%) of revenue.

Total selling and distribution expenses and administrative expenses for the Period decreased by 2.5% to US$682.0 million, equivalent to approximately 16.8% (first half of 2024: 17.4%) of revenue.

Other income for the Period decreased by 23.2% to US$48.7 million (first half of 2024: US$63.4 million), equivalent to approximately 1.2% (first half of 2024: 1.6%) of revenue. Other expenses decreased by 1.9% to US$78.2 million (first half of 2024: US$79.7 million), equivalent to approximately 1.9% (first half of 2024: 2.0%) of revenue.

As a result, the Group's net operating expenses for the Period decreased by US$4.2 million to US$711.6 million, equivalent to approximately 17.5% (first half of 2024: 17.8%) of revenue.

Product Development

During the Period under review, the Group spent US$70.8 million (first half of 2024: US$68.8 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, Tax Expense and Updates on Tax Disputes

During the Period under review, interest paid on bank borrowings (excluding finance costs on lease liabilities) amounted to US$22.4 million (first half of 2024: US$26.9 million). During the Period under review, in accordance with applicable Financial Reporting Standards, finance costs on lease liabilities amounted to US$4.0 million (first half of 2024: US$5.1 million).

Income tax expense for the Period amounted to US$39.0 million, with US$221.3 million of profit before taxation, resulting in an effective tax rate of 17.6% (first half of 2024: 23.1%).

In regards to the Tax Disputes in Indonesia, as at June 30, 2025, the two Indonesian Subsidiaries of the Group had provisionally paid the Disputed Taxes in full, amounting to US$109.0 million in total. The Group, based on its best estimate, recognized additional income tax expenses and administrative penalties of US$40.5 million in total in the consolidated financial statements for the year ended December 31, 2024, while the remaining paid amount of approximately US$19.4 million and US$49.1 million were recognized as tax recoverable and other receivable, respectively, as at June 30, 2025. No additional income tax expenses and administrative penalties related to the Tax Disputes were recognized in the condensed consolidated financial statements for the Period. The detail of the Tax Disputes can be seen in Note 5 to the condensed consolidated financial statements in this announcement.

Recurring Profit Attributable to Owners of the Company

During the Period under review, the Group recognized a non-recurring profit attributable to owners of the Company of US$8.4 million, as compared to US$5.5 million recognized in the corresponding period of last year. This included a one-off gain on the disposal/partial disposal of associates totaling US$3.4 million, and a gain of US$5.0 million due to fair value changes on financial instruments at fair value through profit or loss ("FVTPL"). The non-recurring profit recognized in the corresponding period of last year included a one-off gain on the partial disposal of associates totaling US$24.0 million, which was largely offset by a loss of US$11.9 million due to fair value changes on financial instruments at FVTPL 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 Period under review was US$162.8 million, representing a decrease of 9.0% compared with US$178.9 million for the corresponding period of last year.

Liquidity, Financial Resources, Capital Structure and Others

Cash Flow

During the Period under review, the Group recorded net cash generated from operating activities (net of tax) of US$110.4 million (first half of 2024: US$173.7 million). Free cash outflow amounted to US$35.6 million (first half of 2024: inflow of US$79.9 million), mainly due to payments recognized during the Period for projects settled last year, resulting in a significant increase in capital expenditure. Net cash used in investing activities amounted to US$140.1 million (first half of 2024: US$51.4 million), while net cash used in financing activities was US$63.8 million (first half of 2024: US$337.7 million). The overall net decrease in cash and cash equivalents amounted to US$84.3 million (first half of 2024: US$223.9 million).

Financial Position and Liquidity

The Group's financial position remained solid. As at June 30, 2025, the Group had bank balances and cash of US$882.3 million* (December 31, 2024: US$943.2 million) and total bank borrowings of US$968.2 million (December 31, 2024: US$757.3 million). The Group's gearing ratio (total bank borrowings to total equity) was 19.6% (December 31, 2024: 15.4%). As at June 30, 2025, the Group had net borrowing of US$85.8 million (December 31, 2024: net cash of US$185.9 million). As at June 30, 2025, the Group had current assets of US$3,919.1 million (December 31, 2024: US$3,844.9 million) and current liabilities of US$1,829.0 million (December 31, 2024: US$1,769.8 million). The current ratio was 2.1 as at June 30, 2025 (December 31, 2024: 2.2).

* *Ending bank balances and cash as at June 30, 2025 included bank deposits with original maturity over three months which amounted to US$209.8 million (December 31, 2024: US$186.3 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 June 30, 2025, around 51.6% of the Group's total bank borrowings were long-term bank loan. As at June 30, 2025, no assets of the Group were pledged to secure banking facilities for the Group.

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

During the Period under review, the Group's overall capital expenditure reached US$146.0 million (first half of 2024: US$93.8 million). The capital expenditure for its manufacturing business was US$129.6 million (first half of 2024: US$67.4 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. The year-on-year increase was mainly due to payments recognized during the Period for projects settled last year.

During the Period under review, capital expenditure for Pou Sheng, decreased to US$16.4 million (first half of 2024: US$26.4 million). Pou Sheng maintained its retail refinement strategy, which adopts 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

During the Period 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 Period, the Group commenced the early-stage construction work on the project and it is progressing in an orderly manner. The timeline for completion and production ramp-up will depend on various factors, including but not limited to government approvals, operational conditions and future demand from the Group's brand customers. All major developments 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 and may have other plans for making material investments or acquiring capital assets in the future.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not carry out any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period under review.

Contingent Liabilities

The Group has 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 11 to the condensed consolidated financial statements in this announcement.

Foreign Exchange Exposure

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

During the Period under review, the share of results of associates and joint ventures was a combined profit of US$32.5 million, compared to a combined profit of US$32.9 million in the corresponding period of last year.

Interim Dividend

The Board has resolved to declare an interim dividend of HK$0.40 per share (2024: HK$0.40 per share) for shareholders whose names appear on the register of members of the Company on Tuesday, September 16, 2025. The interim dividend shall be paid on Thursday, October 9, 2025.

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

Employees

As at June 30, 2025, the Group had approximately 292,300 employees employed across all regions in which it operates, an increase of 5.5% as compared to approximately 277,000 employees employed as at June 30, 2024. The Group's manufacturing business employed approximately 273,100 employees, an increase of 6.6%, while Pou Sheng employed around 19,200 employees, a decrease of 7.2%.

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

The Group employs a competitive remuneration scheme and provides comprehensive employee benefits, including insurance coverage, maternity support and retirement plans, in line with the relevant laws and regulations applicable to each of its operating locations. The remuneration of each employee is determined based on their responsibilities, competencies and skills, experience, and performance, and is benchmarked against prevailing market pay levels. The Group also sets aside a certain percentage of its profits, according to the annual performance, as year-end bonuses to reward employees' contributions and work enthusiasm, and allow them to share in the operating results.

The Group is dedicated to fostering a diverse workplace and a corporate culture that prioritizes diversity, equity, and inclusion among employees. All recruitment, remuneration, benefits, development, and promotion decisions are made under the principle of meritocracy, based on candidates' qualifications, experience, skills, potential and performance, and taking into account of the positive impact of talent diversity.

The Group fosters leadership and professional talent through a systematic, diversified and comprehensive training and development mechanism, strengthening a competitive advantage in human capital and laying a solid foundation for its sustainable development.

As the first and only FLA-accredited footwear supplier globally, the Group is committed to abiding by the FLA Workplace Code of Conduct and the Principles of Fair Labor & Responsible Production. It actively participates in FLA initiatives – such as the Fair Compensation project – demonstrating its commitment to upholding high labor rights standards.

Prospects

Despite mounting global economic headwinds, the Group remains optimistic about the long-term prospects of the sports industry and is confident that its role as a strategic supplier will strengthen its sustaining partnership with leading international brands. In the second half of 2025, the Group expects the near-term business environment and order visibility to remain unsettled, with volatile sentiment potentially arising from reciprocal tariff-related challenges, inflation, weakened consumer confidence due to macroeconomic uncertainties, and further disruption of shipping logistics caused by regional conflicts.

As it continues to actively monitor economic and political developments, the Group remains committed to its mid to long-term capacity allocation strategy. This includes diversifying its manufacturing capacity into regions such as Indonesia and India, where labor supply and infrastructure are supportive of sustainable growth. To navigate short-term uncertainties and strike an optimal balance between growth and profitability, the Group will prioritize responsiveness as its core guiding principle, implementing a comprehensive plan that includes more disciplined workforce planning and capacity expansion schedules, thereby better balancing demand with its order pipeline and labor supply to safeguard its production efficiency.

The Group will also further strengthen its operational resilience through its highly flexible and agile manufacturing excellence strategies, while leveraging its core competitive edges and superior adaptability. These efforts, coupled with strict cost and expense controls and its long-term digital transformation strategy, will continue to safeguard the profitability of the Group's manufacturing business, while maintaining a healthy cash flow and a solid financial position. It will also 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.

In addition, Yue Yuen expects to fully complete the roll-out of its SAP ERP system and One Common Platform ("OCP") by the end of 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, as well as 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. However, with the retail environment across Greater China remaining dynamic and highly promotional, Pou Sheng's sales and profitability will continue to face short-term pressures.

Looking to the future, the Group is still confident that its short – and long-term strategies will safeguard and strengthen its core operational strengths, while ensuring the continued delivery of unparalleled, comprehensive solutions to its brand partners. By embracing this forward-looking approach, the Group will further elevate its superior market positioning and leadership, while reinforcing its long-term profitability to deliver sustainable returns and create value to shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities including sale of treasury shares (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")) except that the trustee of the share award scheme of the Company (the "Share Award Scheme") purchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 2,180,000 shares of the Company (the "Shares") at a total consideration of approximately HK$28,797,312.77 (equivalent to approximately US$3,705,000) pursuant to the terms of the rules and trust deed of the Share Award Scheme. As at June 30, 2025 and up to the date hereof, the Company does not hold any treasury shares (whether in the Central Clearing and Settlement System or otherwise).

CORPORATE GOVERNANCE

During the Period, the Company has applied the principles of and has complied with all the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

REVIEW OF UNAUDITED INTERIM FINANCIAL REPORT

The audit committee (renamed as the audit and risk management committee with effect from August 11, 2025) of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial information.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, September 16, 2025 to Thursday, September 18, 2025, both days inclusive, during which period no transfer of Shares will be effected. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, September 15, 2025. The record date for the entitlement to the interim dividend will be Tuesday, September 16, 2025.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

ACKNOWLEDGEMENT

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

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

Hong Kong, August 11, 2025

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr. Lu Chin Chu (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Chou Wei-Te, Mr. Lin Cheng-Tien, Mr. Liu George Hong-Chih and Mr. Shih Chih-Hung (Chief Financial Officer).

Independent Non-executive Directors:

Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Dr. Yang Ju-Huei.

Website: www.yueyuen.com