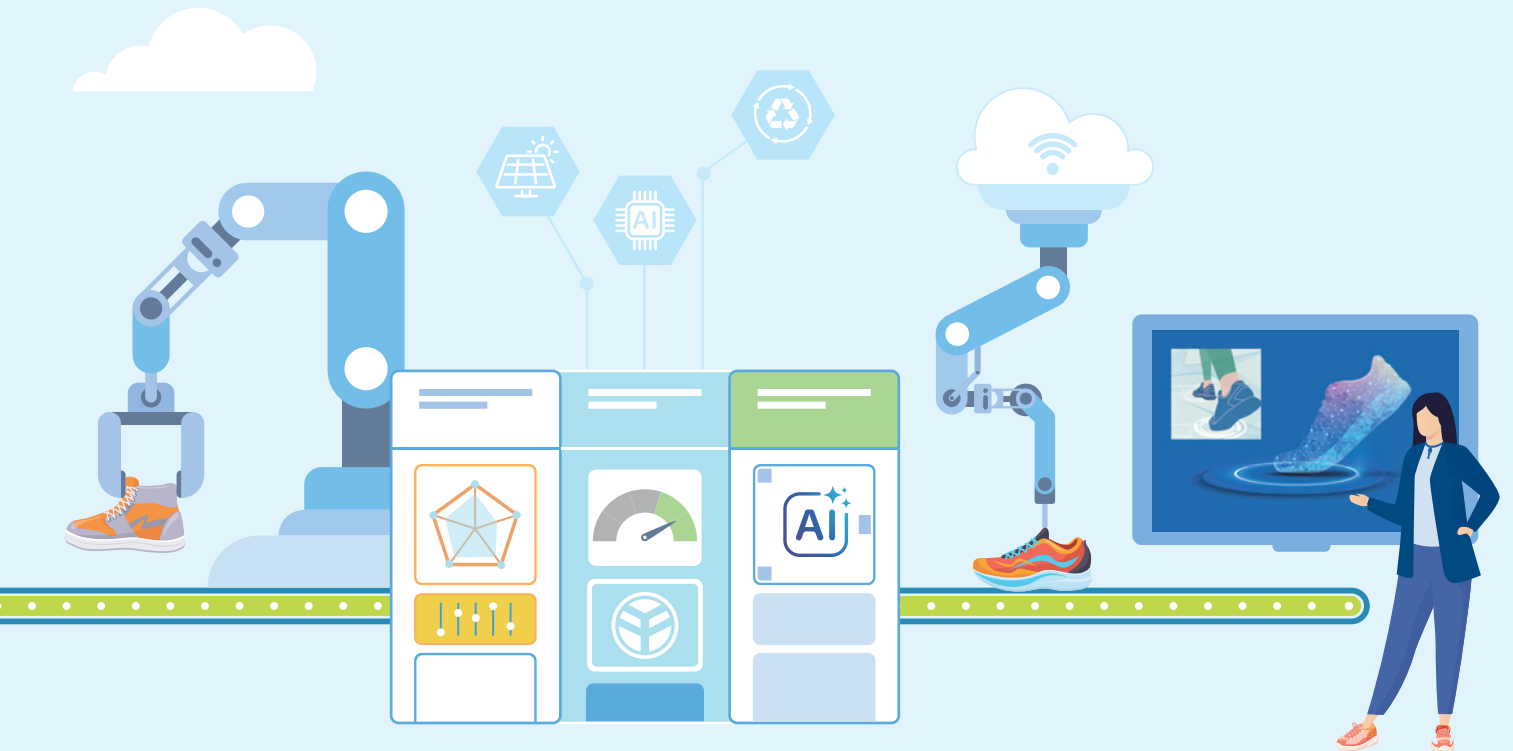
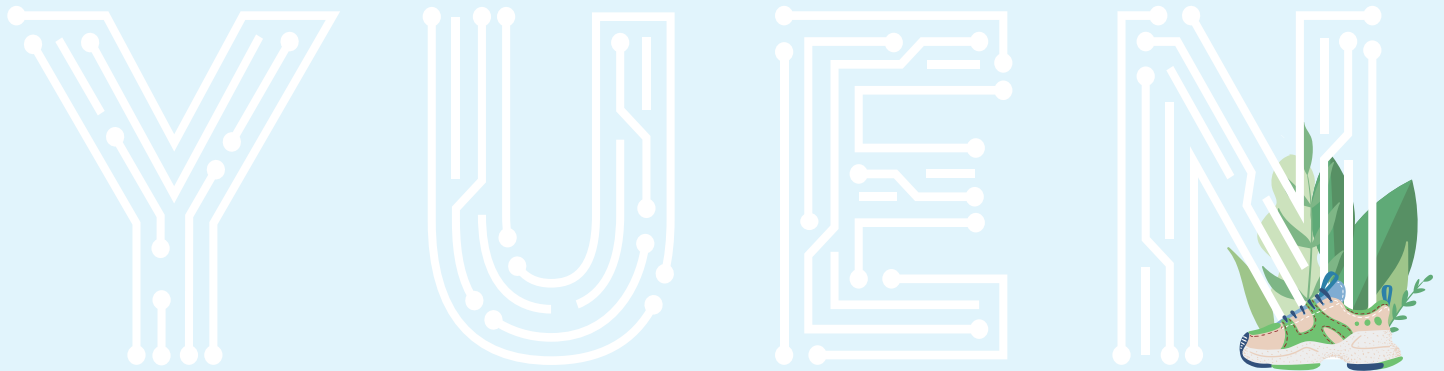




裕元工業(集團)有限公司 Yue Yuen Industrial (Holdings) Limited

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



2025 ANNUAL REPORT 年報



VISION

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

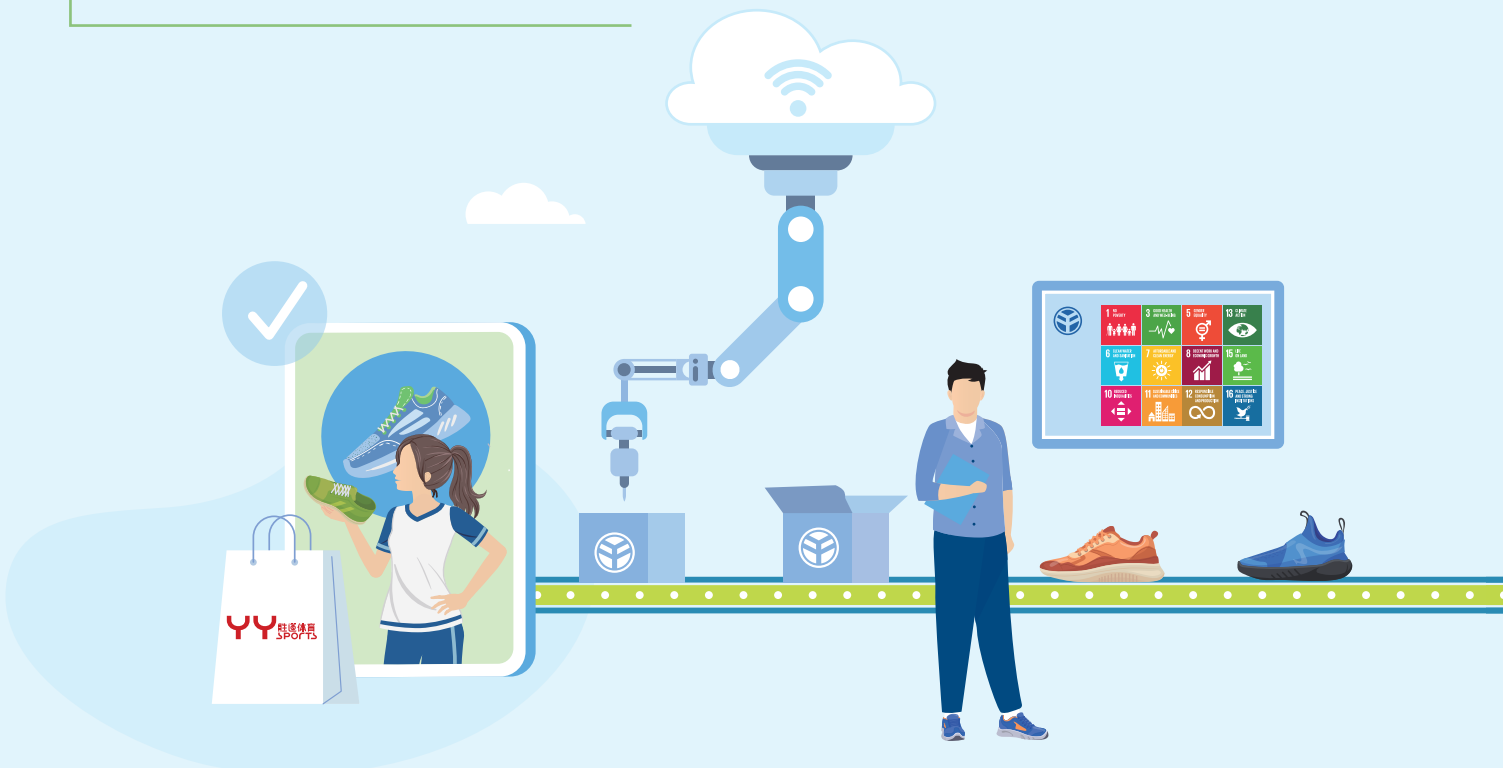


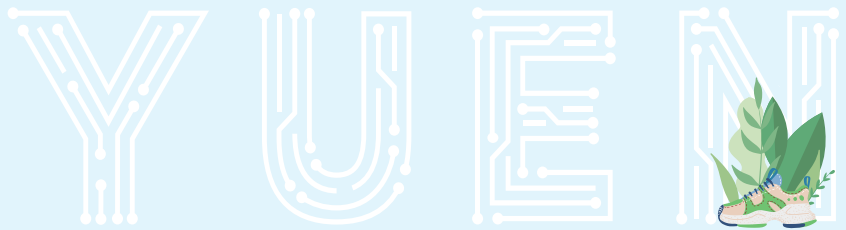
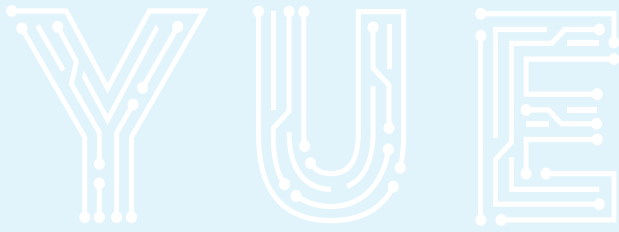
MISSION

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.

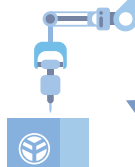




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Corporate Overview

Financial and Operating Highlights for the year ended December 31, 2025

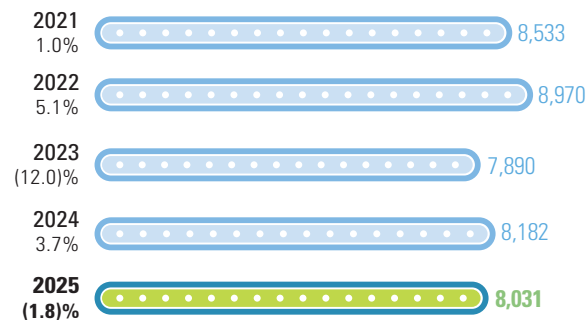
(US\$ million, except where otherwise stated)	2025	2024	% Change
Total Shoe Volume (million pairs)	252.2	255.3	(1.2)
Revenue	8,031.4	8,182.2	(1.8)
Profit attributable to Owners of the Company	381.1	392.4	(2.9)
Recurring Profit attributable to Owners of the Company	366.8	378.6	(3.1)
Free Cash Flow	265.3	325.8	(18.6)
Capital Expenditure	325.9	211.3	54.2
EBITDA	779.1	899.7	(13.4)
Basic Earnings Per Share (US cents)	23.76	24.37	(2.5)
Dividend Per Share			
Interim	HK\$0.40	HK\$0.40	–
Final	HK\$0.90	HK\$0.90	–
Full Year	HK\$1.30	HK\$1.30	–
Total Equity	5,111.0	4,914.4	4.0
Return on Equity (%)	8.3	8.8	(0.5)pp
Gearing Ratio* (%)	15.4	15.4	–
Net Debt to Equity Ratio* (%)	Net cash	Net cash	N/A
Outstanding Shares (# of shares)	1,604,556,486	1,604,556,486	–

* Debt excludes lease liabilities

Key Shareholder Value Indices

Revenue

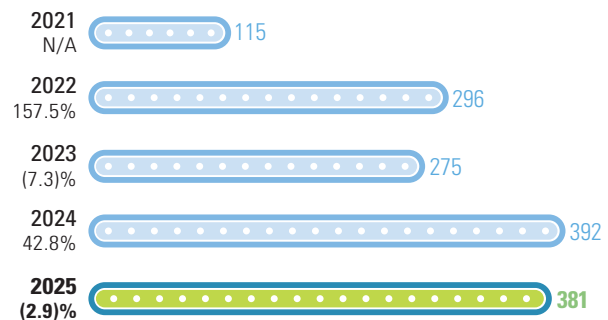
US\$ million



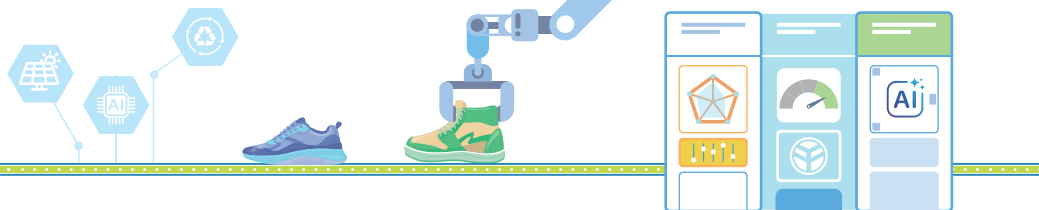
% change

Profit Attributable to Owners of the Company

US\$ million



% change

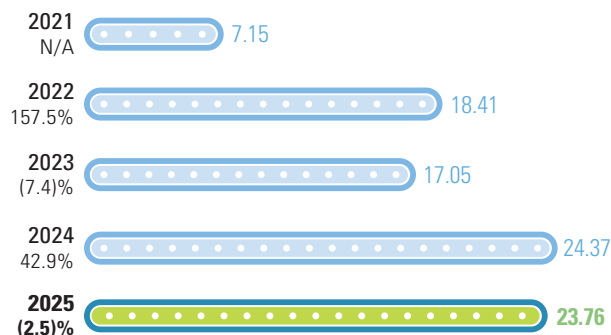


Corporate Overview

Key Shareholder Value Indices (continued)

Earnings Per Share

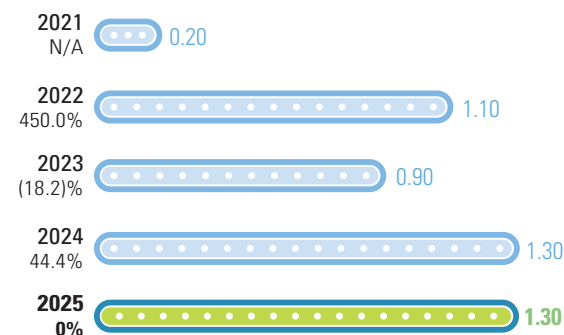
US cents



% change

Dividend Per Share

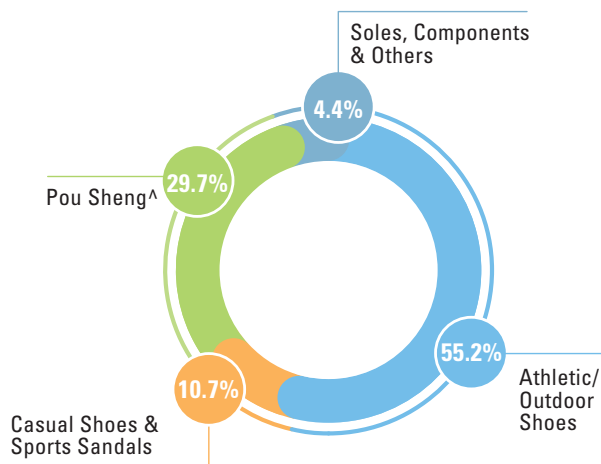
HK\$



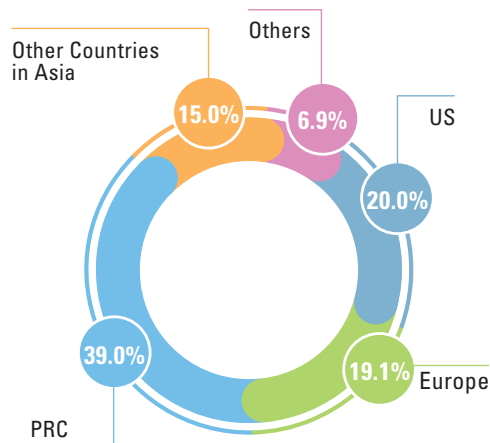
% change

Revenue by Category and Geography for the year ended December 31, 2025

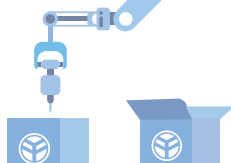
Revenue by Category



Revenue by Geography



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



Corporate Information

(As of March 11, 2026)

Executive Directors

Lu Chin Chu (*Chairman*)

Tsai Pei Chun, Patty⁵ (*Managing Director*)

Chou Wei-Te

Lin Cheng-Tien

Liu George Hong-Chih

Chau Chi Ming (*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 and risk management committee
2. Chairman of audit and risk management 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

Authorised Representatives

Chau Chi Ming

Ng Yin Ling, Jennifer

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong

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

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 HM 11
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 China (Hong Kong) Limited
- Bank of Singapore Limited
- Bank SinoPac
- BNP Paribas
- Cathay United Bank Company, Limited
- CTBC Bank Co., Ltd.
- Citibank, N.A.
- China CITIC Bank International Limited
- 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
- Taipei Fubon Commercial Bank Co., Ltd.
- Taishin International Bank Co., Ltd.
- Taiwan Shin Kong Commercial Bank Co., Ltd.
- UBS AG
- United Overseas Bank Ltd.

Solicitors

CFN Lawyers LLP

Website

www.yueyuen.com

STOCK CODE: 00551



Note: The bar charts demonstrate the shipment volume by region

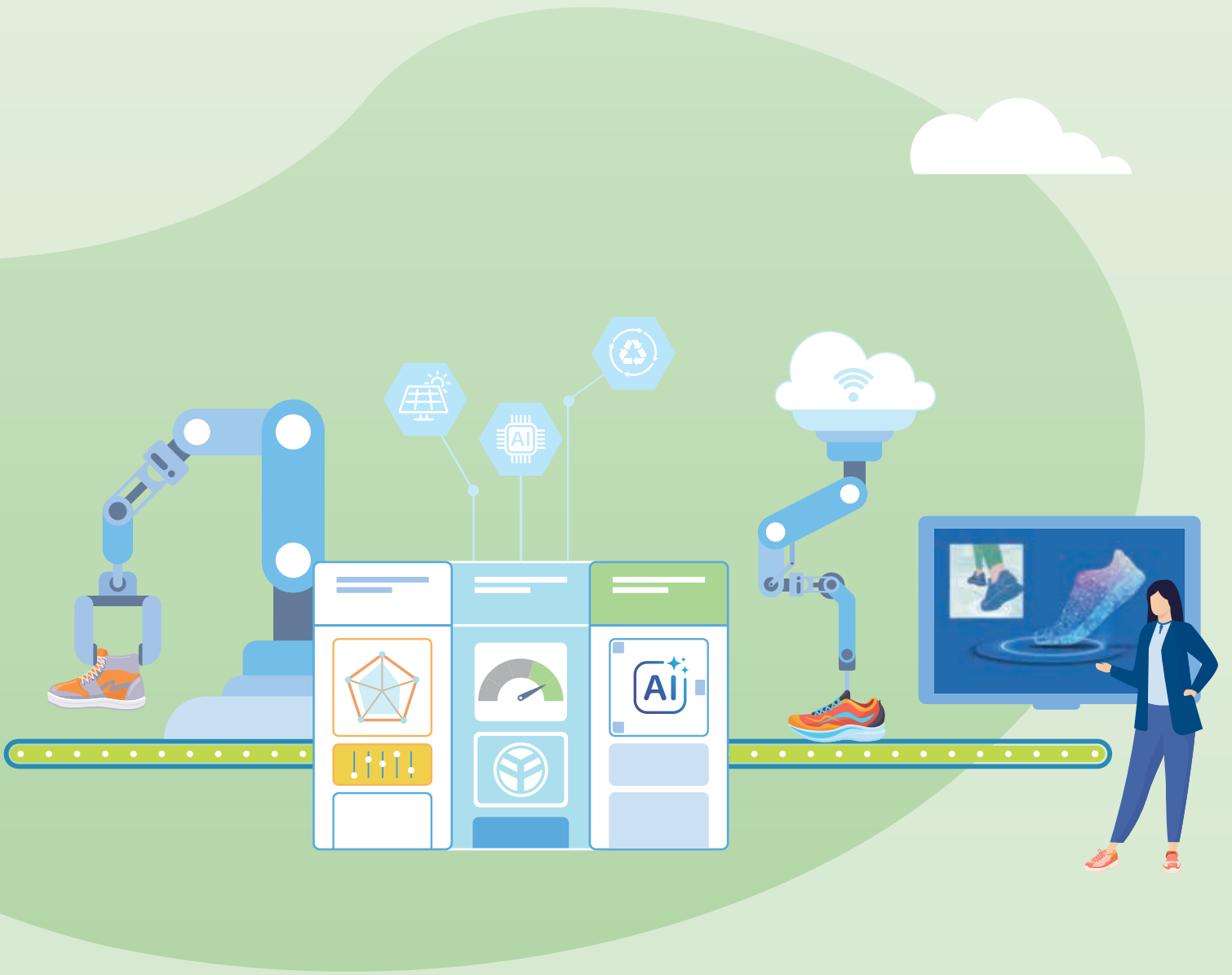
Chairman's Statement

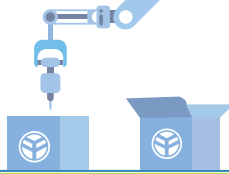
LOOKING FOR SUSTAINABLE GROWTH

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, 2025 (the "Year"), to the shareholders of the Company (the "Shareholders").







Chairman's Statement

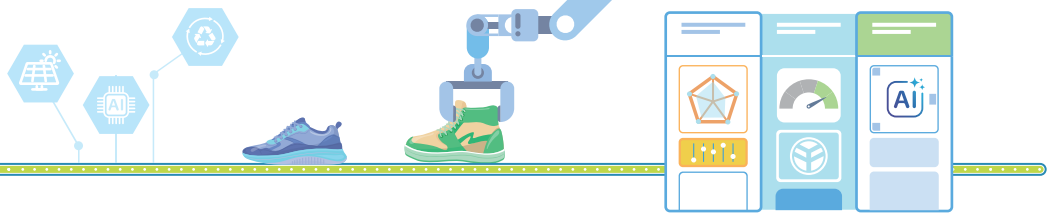
Navigating Headwinds, Positioning for Opportunities

In 2025, the international landscape remained complex and volatile. Reciprocal tariffs and geopolitical uncertainties continued to weigh on consumer confidence, prompting brand customers to adopt more conservative procurement strategies. As brands and supply chains accelerated the reallocation of their regional production capacity, footwear production demand in major manufacturing countries in Southeast Asia sustained its upward trajectory, while footwear exports from China declined substantially. In 2025, according to official statistics, the value of Vietnamese footwear exports increased by 5.8% year-on-year to US\$24.2 billion, while the value of Indonesian footwear exports increased by 9.5% year-on-year to US\$8.0 billion. Meanwhile, the value of Chinese footwear exports declined by 11.3% year-on-year to US\$41.6 billion.

Frequent adjustments in reciprocal tariff policies, combined with a more cautious end-consumer market, created challenges for footwear manufacturers, particularly around flexible production allocation and rapid responsiveness. Amid this complex and dynamic environment, we demonstrated our operational resilience by leveraging our diversified production locations and high-end footwear development capabilities. Overall shoe shipment volumes decreased slightly by 1.2% year-on-year to 252.2 million pairs. Nevertheless,

solid order growth from several brand customers, together with a more premium product mix, further drove up our average selling price to US\$21.00 per pair, an increase of 3.7% year-on-year. However, fluctuations in order allocation caused order-fill rates and capacity utilization at certain manufacturing plants to deviate significantly from the average, resulting in uneven production leveling. This, combined with the effects of tariff sharing and capacity ramp-up, suppressed the near-term performance and profit stability of our manufacturing business.

At the same time, mainland China's retail landscape remained dynamic, with subdued consumer confidence, elevated industry inventory levels and promotions becoming the norm. In 2025, our retail business, Pou Sheng International (Holdings) Limited ("Pou Sheng"), continued to strengthen its online channel capabilities to mitigate the adverse impact of weak foot traffic. However, amid the lack of overall consumer momentum, its sales still declined by 7.2% year-on-year to RMB17,132.1 million, which in turn suppressed profitability. Against this backdrop, we seized upon opportunities to quickly establish a forward-looking and agile strategy designed to reinforce the competitive edges of our manufacturing and retail businesses.



Chairman's Statement

Building Resilience with a More Diversified Footprint and through Flexible Allocation

During the Year, we adhered to demand-driven production planning and strengthened our capacity allocation agility to achieve more balanced production scheduling and enhanced production efficiency, while protecting our profitability with more agile and flexible operations.

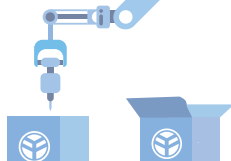
As one of the industry's most forward-looking suppliers and having diversified our global footprint at an early stage, we continued to deepen our strengths by further optimizing resource allocation across our existing locations, further diversifying our production footprint, and promoting a sustained local supply-chain strategy to ensure faster responsiveness. Our new manufacturing facility in Central Java, Indonesia commenced operations in the third quarter of 2025, and construction of our new facility in India is now underway. As a strategic supply-chain partner with flexible multinational production experience and strong development capabilities, we are reinforcing our long-term competitiveness through these initiatives, ensuring we remain the preferred supplier of choice for our brand customers.

In terms of our retail business, Pou Sheng continued to enhance its business model, diversify its channel mix and brand matrix, reinforce its digital capabilities and further optimize its operational structure. These efforts are aimed at building an integrated, one-stop retail operation and deepening our strategic cooperation with business partners on an ongoing basis, positioning Pou Sheng optimally for long-term growth and sustained value creation.

Deepening Digital Transformation to Drive Operational Momentum

We upheld our mission of becoming a smart, technology-based footwear manufacturer by enhancing our eco-intelligent and smart manufacturing approach, which enabled us to further strengthen our operational capabilities to meet fast-changing market demands. Following the full rollout of our SAP ERP system and One Common Platform ("OCP"), we utilized a visual data monitoring system to dynamically manage production efficiency. These systems, complemented by the application of artificial intelligence pilot agents, helped optimize production scheduling decisions, enhance operational efficiency, and address brand customers' increasing demand for flexibility, greater agility, highly customized innovative solutions and Environmental, Social and Governance ("ESG")-centric management.

On the retail side, revenue contribution from our digital sales reached over 30% in 2025, supported by our efforts in recent years to build our online channel capabilities and high-quality revenue streams. We also recognized the prevailing trend towards stronger online-offline integration to keep pace with the rapid expansion of hybrid retail models such as livestream e-commerce and instant retail. Pou Sheng strengthened its integrated, group-wide operational management by leveraging a multifaceted engagement strategy – including its multi-storefront model, and in-house team livestreaming, influencers and content-e-commerce – while strengthening intelligent product-to-store matching for faster fulfilment and efficient delivery. This allowed Pou Sheng to connect its offline presence more seamlessly with the online community, capitalizing on instant retail opportunities.



Chairman's Statement

Promoting Sustainable Development and Solidifying Our Competitive Edge

Sporting goods companies worldwide have set ambitious ESG goals and developed clear strategic action plans, closely linking sustainability to consumer identity, innovation and long-term growth. As part of this global effort, we are committed to working closely with our brand partners on key initiatives, reinforcing our role as an essential and influential force across the value chain, with the achievement of a sustainable model as our long-term goal. We are also actively responding to the global trends towards carbon reduction and green energy development by promoting low-carbon production and expanding the application of green energy. Going forward, we will continue to target a 46.2% reduction in greenhouse gas emissions by 2030 compared with the 2019 baseline year and implement emission reduction initiatives accordingly.

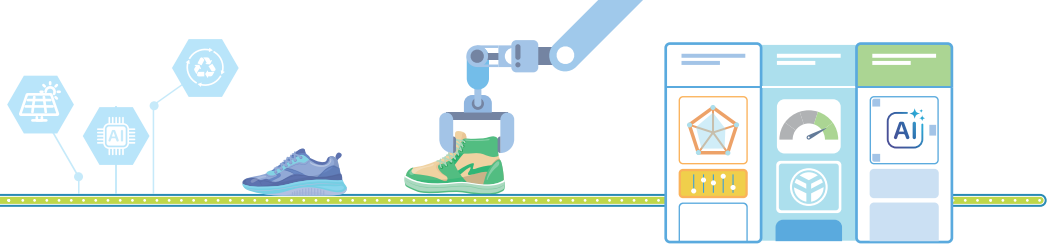
We continue to be recognized as a distinguished external partner for our sustainability practices. We were included in the S&P Global Sustainability Yearbook (China) 2025 for the second consecutive year, building on the key milestone achieved last year. Our CDP Water Security rating was upgraded from 'B-' to 'B', while we maintained our CDP Climate Change rating at 'B'.

Meanwhile, our commitment to outstanding ESG sustainability principles and high-quality investor relations was also acknowledged by the investment community in Extel's "2025 Asia (ex-Japan) Executive Team Rankings", where Yue Yuen was named a "Most Honored Company" in both the Rest of Asia region for the Consumer/Discretionary Sector and the Hong Kong region categories.

Compelling Long Term Growth Outlook Alongside Stable Dividend Policy

Despite the numerous challenges facing the global macroeconomic environment, the long-term outlook for the sportswear industry remains compelling, with increasing sports participation rates, the adoption of healthy lifestyles and product innovation set to drive sustained long-term growth. According to the "Sporting Goods 2025" report¹ released by McKinsey & Company and the World Federation of the Sporting Goods Industry ("WFSGI"), the global footwear industry is projected to grow by 6% annually from 2024 to 2029. According to Statista, global footwear revenue is predicted to maintain a compound annual growth rate of 5.4% and increase to approximately US\$679 billion² in 2030.

The deep convergence of wellness, lifestyle, technology and sustainability will continue to reshape consumer expectations, with the accelerating adoption of athleisure positioning sports shoes as a mainstay across casual, social and professional settings. We are confident in our strong high-end footwear development capabilities, enabling us to further strengthen our role as a strategic supplier, and further reinforce our enduring partnerships with leading international brands.



Chairman's Statement

Against an increasingly dynamic environment, we leveraged our solid operational capabilities to maintain a solid financial position. The Company's full-year dividend payout ratio was maintained at 70%, reflecting our commitment to delivering long-term sustainable returns to shareholders and upholding a relatively stable dividend policy over the long term.

On behalf of the board of directors of the Company (the "Board"), I would like to express my sincere gratitude to our customers, suppliers, business partners and shareholders for their invaluable and enduring support. I would also like to thank my dedicated colleagues for their hard work, professionalism and contributions.

Lu Chin Chu

Chairman

Hong Kong
March 11, 2026

Management Discussion and Analysis

BUILD VALUE FOR OUR STAKEHOLDERS

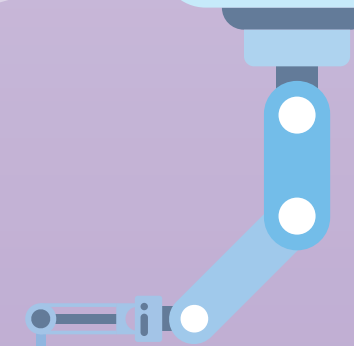
Business Review

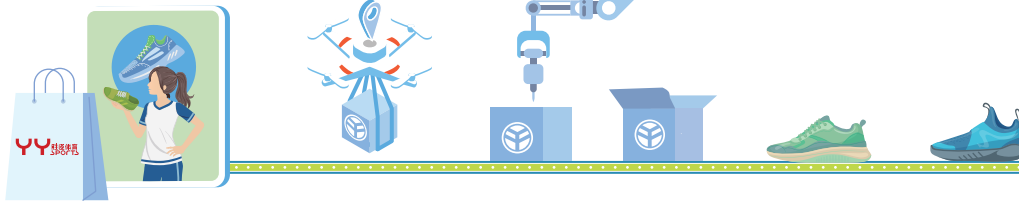
Yue Yuen is the world's largest manufacturer of athletic, athleisure, casual and outdoor footwear, with a diversified portfolio of brand customers and production sites. It has long-standing relations and a reputation for serving leading international brands, including Nike, adidas, Asics, New Balance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

During the year ended December 31, 2025 (the "Year"), reciprocal tariffs and geopolitical uncertainties continued to weigh on the stability of overall footwear demand. Notwithstanding the impact of tariff policies, footwear production demand in major manufacturing countries in Southeast Asia maintained its upward trajectory. This was underpinned by the rapid reallocation of regional manufacturing capacity. Meanwhile, footwear exports from mainland China experienced a substantial decline.

While actively seeking cooperation and support from strategic supply chain partners with strong development capabilities, brand customers adopted more cautious and conservative procurement policies in the second half of the Year amid the particularly complex and dynamic global economic landscape. This, coupled with a high base effect from the Group's strong performance in 2024, led to a modest year-on-year decline in shipment volumes.







Management Discussion and Analysis

Business Review (continued)

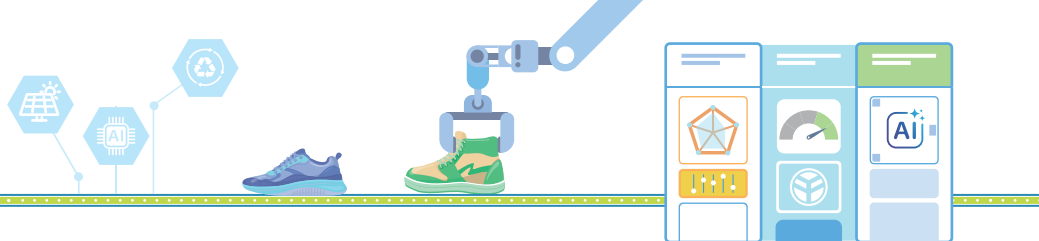
Nevertheless, the Group's manufacturing business demonstrated its strong operational resilience. Despite headwinds from reciprocal tariffs, it secured solid order growth from multiple brand customers. A richer premium order mix helped lift the Group's average selling price, offsetting the adverse impact of lower shipment volumes on its footwear manufacturing revenue.

Throughout the Year, the Group's manufacturing performance was negatively affected by significant deviations from average order fulfilment patterns and capacity utilization levels at certain factories, resulting in uneven production leveling. Its performance was further weighed down by initial investments for capacity ramp-ups and the commencement of tariff sharing in the second half of the Year. Furthermore, a 4.3% increase in manufacturing headcount and high single-digit wage growth across multiple regions significantly elevated associated labor costs during the Year, placing further pressure on the short-term profitability of the Group's manufacturing business.

Meanwhile, the Group's retail subsidiary, Pou Sheng, continued to face headwinds from subdued consumer confidence and elevated industry inventory levels, leading to aggressive promotional activity. Despite its ongoing efforts to rigorous inventory management, inventory mix optimization, digital capabilities enhancement, stringent expense control and organizational adjustment, Pou Sheng experienced operational deleverage due to discount pressures and a decline in sales scale. Nevertheless, following a restructuring aimed at enhancing synergies, Pou Sheng's digital sales momentum remained solid. It continued to enhance its online channels capabilities in mainland China's highly competitive sportswear e-commerce landscape, while maintaining a high degree of agility and flexibility in its decision-making and systematically developing its online presence – all of which partially mitigated the ongoing pressures on its offline channels. For more details on the financials and strategies of the Group's retail business, please refer to the 2025 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 earned significant recognition from distinguished external parties for its sustainability and corporate governance. In the 2025 Corporate Sustainability Assessment ("CSA") conducted by S&P Global, Yue Yuen achieved an ESG Score of 45 and a CSA score of 40, placing it ahead of 77% of Textiles, Apparel & Luxury Goods companies. In the latest CDP rating released in January 2026, the Group and its parent company, Pou Chen Corporation ("Pou Chen") collaboratively achieved the Management level. Specifically, its CDP Climate Change rating was maintained at 'B' while its CDP Water Security rating improved from the previous year's 'B-' rating to 'B', reflecting the Groups and Pou Chen's efforts in setting targets and taking action to promote sustainability and corporate governance.



Management Discussion and Analysis

Business Review (continued)

During the Year, 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 the “2025 Asia (ex-Japan) Executive Team” rankings published by 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. 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”. These awards reflect the investment community’s recognition of the Group’s adherence to its ESG principles and its continued investor relations efforts.

As a people-oriented business, the Group abides by its Code of Conduct and is dedicated to promoting a caring culture, while cultivating a safe, friendly, and equitable workforce that operates in harmony. Talent cultivation is a key foundation for the Group’s long-term sustainable operations. 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 2025 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

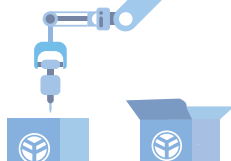
During the Year under review, the Group recorded revenue of US\$8,031.4 million, representing a decrease of 1.8% compared with the previous year. The profit attributable to owners of the Company was US\$381.1 million, a slight decrease of 2.9% as compared to US\$392.4 million recorded for the previous year. The profit attributable to owners of the manufacturing business increased by 3.7% to US\$362.7 million, while the profit attributable to owners of Pou Sheng decreased by 57.1% to RMB210.8 million due to a decline in sales. The basic earnings per share was 23.76 US cents, compared to 24.37 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 2.5% to US\$5,296.6 million, compared with the previous year. The volume of shoes shipped during the Year decreased slightly to 252.2 million pairs due to the more cautious procurement policies adopted by brand customers and a relatively high base. However, the average selling price rose more than expected, reaching US\$21.00 per pair, benefiting from a higher-quality order mix.

The Group’s athletic/outdoor shoes category accounted for 83.7% of footwear manufacturing revenue in the Year under review. Casual shoes and sports sandals accounted for 16.3% of footwear manufacturing revenue. When considering the Group’s consolidated revenue, athletic/outdoor shoes represented the Group’s principal category, accounting for 55.2% 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\$5,648.3 million in the Year under review, representing an increase of 0.5% as compared to previous year.



Management Discussion and Analysis

Results of Operations (continued)

Revenue Analysis (continued)

For the retail business, revenue attributed to Pou Sheng decreased by 7.0% to US\$2,383.1 million in the Year under review, compared to US\$2,561.4 million in the previous year. In RMB terms (Pou Sheng's reporting currency), revenue decreased by 7.2% to RMB17,132.1 million, compared to RMB18,453.9 million in the previous year. The mainland China market faced subdued consumer confidence and sustained weakness in foot traffic, with elevated industry inventory levels leading to aggressive promotional activity. Sales in Pou Sheng's retail stores and sub-distributor channels declined substantially compared with the previous year, partially offset by the continued resilient performance of its digital sales. The performance of multiple e-commerce platforms was satisfactory, particularly in livestream sales which increased by over 70%, driving up digital sales contribution to over 30% of Pou Sheng's total revenue. As of December 31, 2025, Pou Sheng had 3,310 directly operated retail stores across the Greater China region, representing a net closure of 138 stores as compared with the 2024 year-end. This aligns with the Group's retail refinement strategy, under which it takes a holistic approach to planning its physical retail network, enabling it to focus on improving store-level efficiency and prudently developing new brands and sales channels.

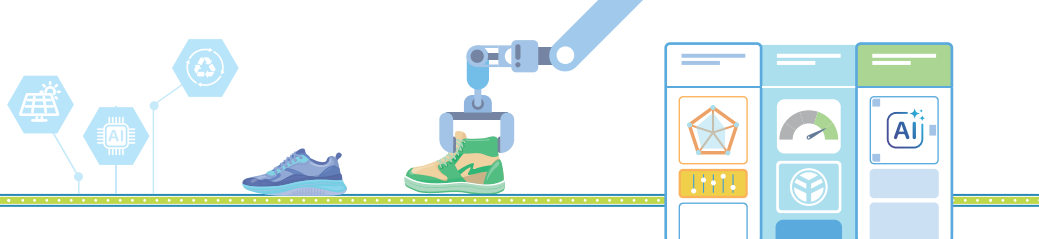
Total Revenue by Category

	For the year ended December 31,				change %
	2025		2024		
	US\$ million	%	US\$ million	%	
Athletic/Outdoor Shoes	4,435.0	55.2	4,403.6	53.8	0.7
Casual Shoes & Sports Sandals	861.6	10.7	765.4	9.4	12.6
Soles, Components & Others	351.7	4.4	451.8	5.5	(22.2)
Pou Sheng*	2,383.1	29.7	2,561.4	31.3	(7.0)
Total Revenue	8,031.4	100.0	8,182.2	100.0	(1.8)

* 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 macroeconomic uncertainties.

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 2025, the Group's manufacturing business shipped a total of 252.2 million pairs of shoes, a decrease of 1.2% compared to the 255.3 million pairs shipped in the previous year. The average selling price per pair was US\$21.00, an increase of 3.7% as compared to US\$20.25 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 2025, representing 54%, 32% and 9% of total shoe shipments, respectively.

Cost and Expenses Review

With respect to the cost of goods sold by the Group's manufacturing business in 2025, total main material costs were US\$2,002.8 million (2024: US\$2,006.2 million). Direct labor costs and production overheads were US\$2,615.5 million (2024: US\$2,497.5 million). The total cost of goods sold by the Group's manufacturing business was US\$4,618.3 million (2024: US\$4,503.7 million). For the Group's retail business, Pou Sheng, cost of sales were US\$1,585.2 million (2024: US\$1,685.7 million).

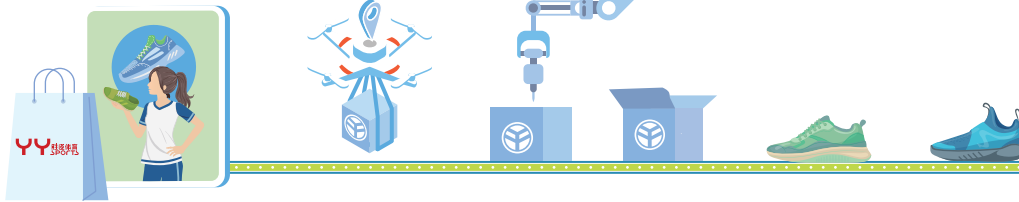
During the Year under review, the Group's gross profit decreased by 8.3% to US\$1,827.8 million, with the overall gross profit margin decreasing by 1.6 percentage points to 22.8%. Among which, the gross profit of the manufacturing business decreased by 7.8% to US\$1,030.0 million, with the gross profit margin of the manufacturing business decreasing by 1.7 percentage points to 18.2% as compared to the previous year. This decrease was attributed to uneven production leveling across various manufacturing plants, the production efficiency of some production lines that fell short of set targets, and higher labor costs and capacity ramp-ups, which together placed pressure on direct labor costs and production overheads for the Year.

Cost of Goods Sold Analysis – Manufacturing Business

	For the year ended December 31,				change %
	2025		2024		
	US\$ million	%	US\$ million	%	
Main Material Costs	2,002.8	43.4	2,006.2	44.5	(0.2)
Direct Labor Costs & Production Overheads	2,615.5	56.6	2,497.5	55.5	4.7
Total Cost of Goods Sold	4,618.3	100.0	4,503.7	100.0	2.5

For Pou Sheng, its gross profit margin was 33.5% during the Year under review, 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.

The Group's selling and distribution expenses for 2025 decreased by 6.9% to US\$780.5 million (2024: US\$838.2 million), equivalent to approximately 9.7% (2024: 10.2%) of revenue.



Management Discussion and Analysis

Results of Operations (continued)

Cost and Expenses Review (continued)

Administrative expenses for 2025 increased by 1.6% to US\$562.2 million (2024: US\$553.4 million), equivalent to approximately 7.0% (2024: 6.8%) of revenue.

Total selling and distribution expenses and administrative expenses for 2025 decreased by 3.5% to US\$1,342.7 million, equivalent to approximately 16.7% (2024: 17.0%) of revenue.

Other income for 2025 decreased by 12.8% to US\$107.0 million (2024: US\$122.7 million), equivalent to approximately 1.3% (2024: 1.5%) of revenue. Other expenses decreased by 12.0% to US\$156.2 million (2024: US\$177.4 million), equivalent to approximately 1.9% (2024: 2.2%) of revenue. Other expenses for 2024 included US\$12.3 million in administrative penalties related to tax disputes involving subsidiaries of the Company in Indonesia ("Tax Disputes"). In light of developments in the adjudication of the Tax Disputes, US\$8.9 million of these penalties had been reversed as of the end of 2025.

As a result, the Group's net operating expenses for the Year decreased by US\$54.4 million to US\$1,391.9 million, equivalent to approximately 17.3% (2024: 17.7%) of revenue.

Product Development

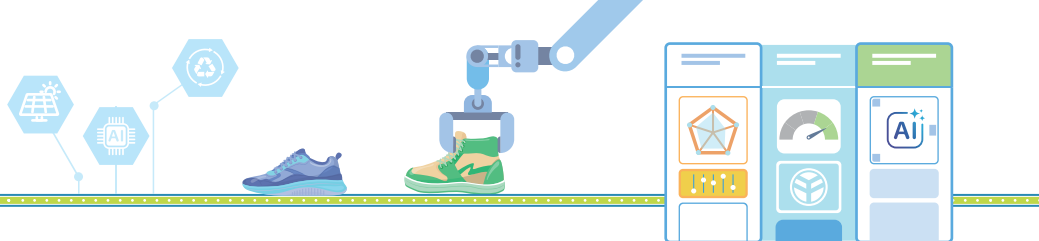
During the Year under review, the Group spent US\$145.9 million (2024: US\$142.2 million) on product development, including investments in product shaping, sampling and digitalization, technological upgrades and process engineering, as well as initiatives to enhance production efficiency. In accordance with the R&D requirements of its major brand customers, the Group has established dedicated, independent product-development centers for each customer, ensuring effective integration of product design and development processes. The Group is committed to incorporating innovation, technology and sustainable materials into its product development, and to cooperating with its customers to implement digital transformation that enhances efficiency in development, production processes and lead times, while producing best-quality footwear for world-renowned brand customers with high standards.

Finance Costs and Tax Expense

In the Year under review, interest paid on bank and other borrowings amounted to US\$44.6 million (2024: US\$52.8 million) and finance costs on lease liabilities amounted to US\$8.3 million (2024: US\$9.9 million).

Income tax expense for the Year amounted to US\$70.4 million, reflecting the reversal of US\$20.4 million in income tax expense related to the Tax Disputes as of the end of 2025. Excluding the reversal, income tax expense for the Year amounted to US\$90.8 million on profit before taxation of US\$456.9 million, resulting in an effective tax rate of 19.9% (2024: 20.4% excluding the Tax Disputes).

In regards to the Tax Disputes in Indonesia, as at December 31, 2025, the two Indonesian Subsidiaries of the Group had paid the Disputed Taxes in full, amounting to US\$109.0 million in total. As at December 31, 2025, US\$39.8 million and US\$58.0 million were recognized as tax recoverable and other receivable related to Tax Disputes, respectively, in the consolidated statement of financial positions. The details of the Tax Disputes can be seen in Note 9 to the consolidated financial statements in this annual report.



Management Discussion and Analysis

Results of Operations (continued)

Recurring Profit Attributable to Owners of the Company

During the Year under review, the Group recognized a non-recurring profit attributable to owners of the Company of US\$14.3 million, as compared to US\$13.8 million recognized in the previous year. This included a one-off gain on the disposal/partial disposal of associates totaling US\$13.8 million. The non-recurring profit recognized in the previous year 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 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\$366.8 million, representing a decrease of 3.1% compared with US\$378.6 million for the previous year.

Liquidity, Financial Resources, Capital Structure and Others

Cash Flow

In 2025, the Group recorded net cash generated from operating activities (net of tax) of US\$591.2 million (2024: US\$537.1 million). Free cash inflow fell to US\$265.3 million (2024: US\$325.8 million), partially due to payments recognized during the Year for projects settled in the previous year, resulting in a significant increase in capital expenditure. Net cash used in investing activities amounted to US\$310.6 million (2024: US\$58.5 million), while net cash used in financing activities was US\$409.7 million (2024: US\$631.0 million). The overall net decrease in cash and cash equivalents amounted to US\$129.1 million (2024: US\$152.4 million).

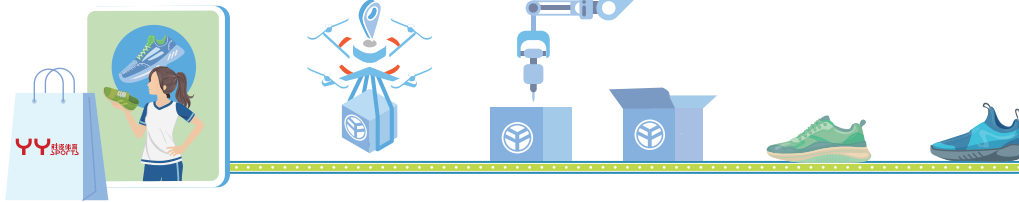
Financial Position and Liquidity

The Group's financial position remained solid. As at December 31, 2025, the Group had bank balances and cash of US\$851.2 million* (December 31, 2024: US\$943.2 million) and total bank borrowings of US\$788.7 million (December 31, 2024: US\$757.3 million). The Group's gearing ratio (total bank borrowings to total equity) was 15.4% (December 31, 2024: 15.4%). As at December 31, 2025, the Group had net cash of US\$62.5 million (December 31, 2024: US\$185.9 million). As at December 31, 2025, the Group had current assets of US\$3,865.1 million (December 31, 2024: US\$3,844.9 million) and current liabilities of US\$1,819.2 million (December 31, 2024: US\$1,769.8 million). The current ratio was 2.1 as at December 31, 2025 (December 31, 2024: 2.2).

* Ending bank balances and cash as at December 31, 2025 included bank deposits with original maturity over three months which amounted to US\$217.3 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.



Management Discussion and Analysis

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

Funding and Capital Structure (continued)

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, 2025, no assets of the Group were pledged to secure banking facilities, while around 63% of the Group's total bank borrowings were long-term bank loans.

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.

All of the Group's bank borrowings relating to its manufacturing business are on a floating rate basis.

Capital Expenditure

In 2025, the Group's overall capital expenditure reached US\$325.9 million (2024: US\$211.3 million). The capital expenditure for its manufacturing business increased to US\$292.0 million (2024: US\$159.8 million), partially due to payments recognized during the Year for projects settled in the previous year. The Group continued to pursue the strategic expansion and optimization of its manufacturing capacity, along with focused investments in digital transformation to drive manufacturing excellence.

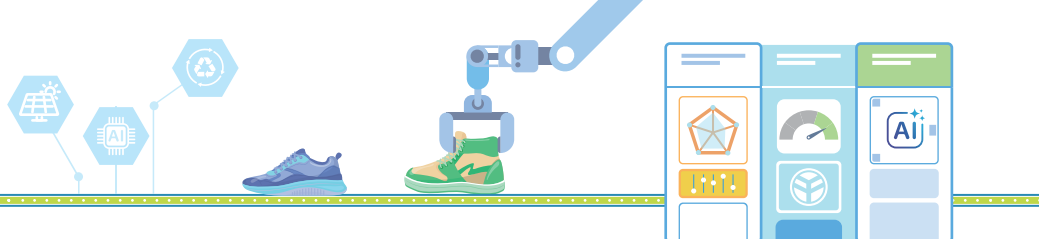
In 2025, capital expenditure for Pou Sheng decreased to US\$33.9 million (2024: US\$51.5 million). Pou Sheng maintained its retail refinement strategy, which adopts a selective approach to opening and upgrading experience-driven retail stores, further advancing its long-term digital transformation strategy and optimizing its SAP ERP system.

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

During the 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, construction work for the project progressed 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.



Management Discussion and Analysis

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not undertake material acquisitions or disposals of subsidiaries, associates and joint ventures in 2025.

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 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 2025, the share of results of associates and joint ventures was a combined profit of US\$69.9 million, compared to a combined profit of US\$78.4 million in the previous year.

Dividends

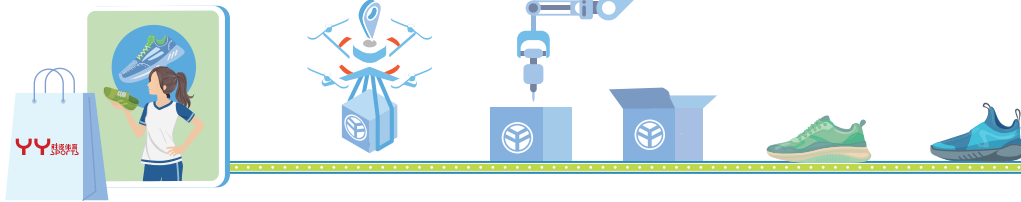
The Board has resolved to declare a final dividend of HK\$0.90 per share (2024: HK\$0.90 per share) for shareholders whose names appear on the register of members of the Company on Monday, June 8, 2026. The final dividend shall be paid on Tuesday, June 23, 2026. Together with the interim dividend, the total dividend for the Year would be HK\$1.30 per share (2024: HK\$1.30 per share), representing the dividend payout ratio of 70%.

The Group's commitment to upholding a long-term and relatively steady dividend level remains intact. The determination to pay dividends and level of dividend to be distributed is subject to the discretion of the Board in accordance with the Company's dividend policy.

Employees

As at December 31, 2025, the Group had approximately 294,900 employees employed across all regions in which it operates, an increase of 3.3% as compared to approximately 285,500 employees employed as at December 31, 2024. The Group's manufacturing business employed approximately 276,800 employees, an increase of 4.3%, while Pou Sheng employed around 18,100 employees, a decrease of 9.5%.

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, 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.

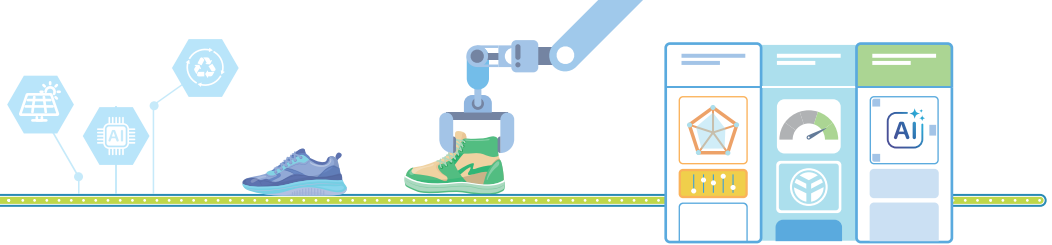
The Group fosters leadership and professional talent through a systematic, diversified and comprehensive training and development mechanism, strengthening a competitive advantage in human capital and laying a solid foundation for its sustainable development.

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. It will continue to solidify its role as a strategic supplier and strengthen its high-end footwear development capabilities, while deepening its enduring partnerships with leading international brands.

Looking ahead to 2026, the operational environment remains unsettled. Reciprocal tariff-related challenges, inflation pressures and macroeconomic trajectory uncertainties may continue to weaken consumer momentum, while regional conflicts could also disrupt shipping logistics and the stability of raw material supply. Multiple factors may lead to volatile sentiment, with near-term order demand expected to continue fluctuating. The Group also expects seasonal scheduling challenges for production in the first quarter of 2026 arising from the overlap of the Lunar New Year and Ramadan. To mitigate the related impact, the Group has coordinated its order pacing as far as practicable, although this may still result in uneven production leveling and temporary inefficiencies due to production bottlenecks and demand volatility.



Management Discussion and Analysis

Prospects (continued)

As it continues to closely monitor global 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. The Group's new manufacturing facility in Central Java, Indonesia, commenced operations in the third quarter of 2025, while the construction of its new factory in India is progressing in an orderly manner. Going forward, the Group will flexibly adjust its ramp-up and production commencement plans in line with demand from its brand customers. To safeguard its production efficiency, the Group will continue to prioritize responsiveness as its core guiding principle and implement a comprehensive plan that includes disciplined workforce planning and capacity expansion schedules, thereby better balancing demand with its order pipeline and labor supply.

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 and build a product mix with stronger niche advantages. In addition, the lineup of major international sporting events in 2026, including the FIFA World Cup, the Asian Games and the Winter Olympics, will further elevate global interest in sports and wellness, laying a long-term demand foundation for related industries and sectors.

In addition, the Group will further deepen the application of its rolled-out SAP ERP system and OCP and will continue to upgrade both systems to further strengthen its framework for manufacturing excellence and sustainable corporate operating capabilities. By integrating its Manufacturing Execution System ("MES") and by continuously broadening the application of its Digital Reporting System ("DRS"), the Group is committed to building a comprehensive manufacturing site visualization management module to monitor the real-time data indicators of key equipment. Complemented by the introduction of AI agents, this will optimize its capabilities in dynamic production allocation management, while enhancing responsiveness, enabling the Group to better navigate the fast-moving market and operational environment. This includes meeting increased demand from brand customers for greater versatility and flexibility, more efficient turnaround times, on-time delivery, end-to-end capabilities and most importantly, ESG-centric management.

With the retail environment across Greater China remaining dynamic and highly promotional, the Group's retail subsidiary, Pou Sheng, will continue to advance its retail refinement strategy – dynamically managing its brick and mortar and online channels footprint, diversifying its channel mix, strengthening its business portfolio and broadening its category offerings – while maintaining its unwavering commitment to build an integrated one-stop retail operation.

Looking to the future, the Group will uphold its long-time commitment to 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 for shareholders.

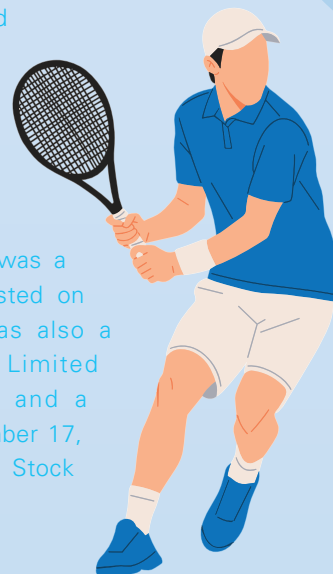
Biographical Details of Directors and Senior Management

TREASURE AND TALENTS CONNECT PEOPLE

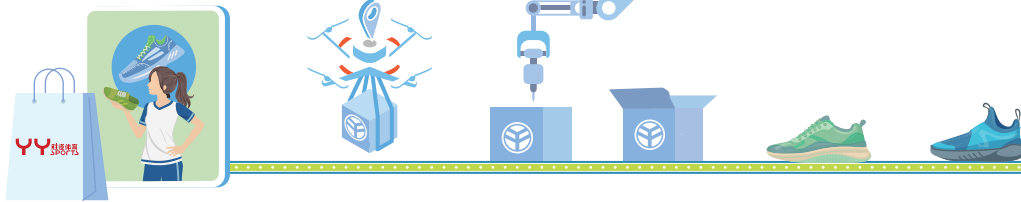
Executive Directors

Mr. Lu Chin Chu, aged 72, 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 48 years of experience in the manufacturing of footwear and footwear materials. He joined Pou Chen Corporation ("PCC"), a company 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 of which are wholly-owned subsidiaries of PCC, together directly holding a majority of shares in the Company ("Share(s)").

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 listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").







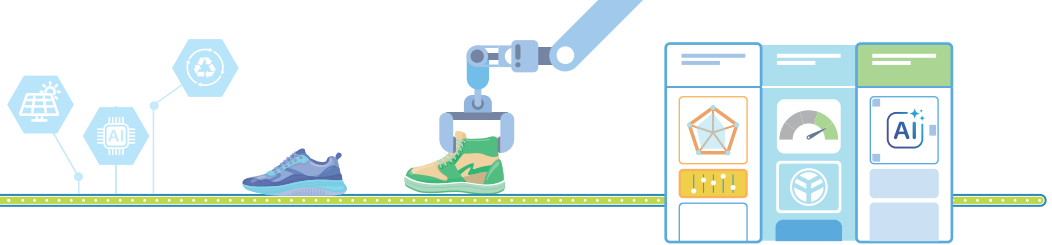
Biographical Details of Directors and Senior Management

Ms. Tsai Pei Chun, Patty, aged 46, 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 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. 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. Chou Wei-Te, aged 58, joined the Group in 2015 and has been appointed as an executive director of the Company on June 1, 2025. He is also a director of certain subsidiaries of the Company. He joined PCC in 2003 and currently is the vice president and in charge of finance and accounting. He is also a director of Wealthplus and Win Fortune. He is an executive director of Eagle Nice (International) Holdings Limited, a company listed on the main board of the Stock Exchange since June 30, 2025. 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 30 years' experience in finance, accounting, and administration management.

Mr. Lin Cheng-Tien, aged 66, 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 35 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 53, 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.

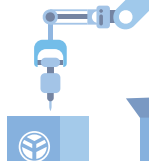


Biographical Details of Directors and Senior Management

Mr. Chau Chi Ming, aged 62, joined the Group in 1993, and has been appointed as an executive director and chief financial officer of the Company on August 11, 2025. He is also a director of certain subsidiaries of the Company. Mr. Chau 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. Mr. Chau was concurrently the Head of Investment Management Division under the Strategy and Investment Department of PCC from January 1, 2021 to September 2, 2022, responsible for the post-investment management in relation to various joint ventures and associated companies of the Group. He also served as the acting Head of Strategy and Investment Department of PCC from September 2, 2022 to May 29, 2023, responsible for the Group's business analysis, strategic planning, and investment management. He was the company secretary of the Company (the "Company Secretary") from January 12, 2014 to March 23, 2016 and from July 31, 2019 to August 11, 2023. Mr. Chau had worked in the corporate banking department of an international bank before joining the Group in 1993.

Independent Non-executive Directors

Mr. Wong Hak Kun, aged 69, has been an independent non-executive director, the chairman of the audit and risk management committee as well as the 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, of which he was a partner since 1992 and Managing Partner of Deloitte China Audit and Assurance practice before his retirement from Deloitte China 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.



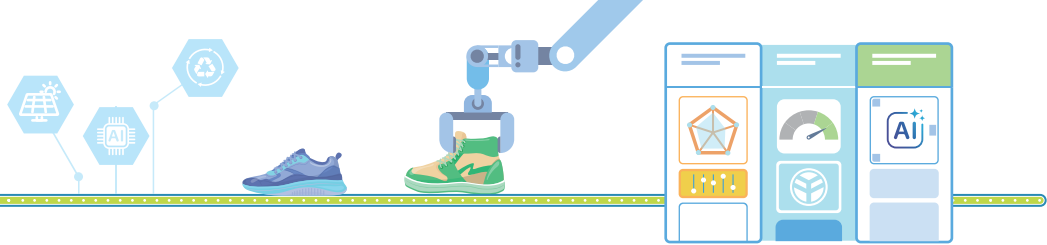
Biographical Details of Directors and Senior Management

Mr. Ho Lai Hong, aged 68, has been an independent non-executive director, the chairman of nomination committee, the member of the audit and risk management committee and the 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 and chief executive officer 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.

Mr. Lin Shei-Yuan, aged 63, has been an independent non-executive director, the member of the audit and risk management committee, the remuneration committee and the 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 over 30 years of working experiences in the banking industry in Taiwan. 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 49, has been an independent non-executive director, the member of the audit and risk management committee as well as the 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 the executive director of New Generation Youth Think Tank of Association of Taiwan Listed Companies. She is also 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. She 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 TWSE, from February 1, 2018 to November 26, 2024, during which she completed three terms of service. 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.



Biographical Details of Directors and Senior Management

Senior Management

Mr. Song Wan Fan, Johnny, aged 68, 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 30 years' experience in development and factory management.

Mr. Tsai Wen Tsung, aged 58, joined the Group in 2014 and is a director of certain subsidiaries of the Company. He joined PCC in 1996 and currently is one of the assistant vice president, mainly responsible for the financial management in Hong Kong and Macau. He holds a Master's degree in Business Administration and a Bachelor's degree in Accounting. Before joining the Group, he worked in a reputable accounting firm and was responsible for auditing. He has over 30 years' experience in accounting and financial management.

Mr. Lin Wang Chyan, aged 60, joined the Group in 2021 and is a director of certain subsidiaries of the Company. He joined PCC in 2016 and currently serves as one of the executive assistant vice president, primarily responsible for the planning and implementation of the Group's overseas administrative management and operational support. He holds a Master's degree in Philosophy and a Bachelor's degree in Law. Before joining the Group, he held various senior management positions, including vice president, manager and supervisory roles, in several domestic and international companies, and has extensive practical experience in corporate administration and operations. He has over 30 years of experience in corporate administration and management.

Ms. Yau Suet Fong, Christina, aged 65, 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 34 years of accounting experience.

Ms. Chua Chun Po, aged 46, is a director of Financial Reporting 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. Wang Chi, Olivia, aged 45, 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 19 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 52, 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 18 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.

The Group's performance for the Year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the Year and the material factors underlying its results and financial position, as well as the future development of the Group's business, are provided in the sections headed "Chairman's Statement" (pages 6 to 11) and the "Management Discussion and Analysis" (pages 12 to 23) of this annual report. Particulars of significant events affecting the Group that have occurred since the end of 2025, if applicable, are set out in the aforesaid sections. Description of the principal risks and uncertainties faced by the Group are set out in the section headed "Principal Risks and Uncertainties" in the "Corporate Governance Report" (pages 64 to 65). An analysis using financial key performance indicators is provided in the "Corporate Overview" (pages 2 to 3). Discussion on the Group's environment policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which would have a significant impact on the Group are contained in the separate 2025 Environmental, Social and Governance Report ("2025 ESG Report").

The above discussion forms part of this Directors' report.

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 78 and 79 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, 2025. Having considered the dividend policy of the Company and historical dividend payouts, 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 8, 2026, amounting to approximately HK\$1,443,987,000, subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on May 22, 2026 ("2026 AGM").

Subsidiaries, Associates and Joint Ventures

Details of the principal subsidiaries, associates and joint ventures of the Group as at December 31, 2025 are set out in Notes 45, 20 and 21 to the consolidated financial statements respectively.



Directors' Report

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 82 to 84 of this annual report and Note 34 to the consolidated financial statements, respectively.

Distributable Reserves

As at December 31, 2025, the Company's reserves available for distribution to the Shareholders were US\$2,038,172,000 which comprised contributed surplus of US\$38,126,000 and retained profits of US\$2,000,046,000 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.

Five-Year Financial Summary

A financial summary of the Group for the past five financial years is set out on page 204.

Donations

During the Year, the Group made charitable and other donations amounted to approximately US\$2.8 million.

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.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the bye-laws of the Company (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.



Directors' Report

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. Chou Wei-Te

(appointed on June 1, 2025)

Mr. Chan Lu Min

(retired on June 1, 2025)

Mr. Lin Cheng-Tien

Mr. Liu George Hong-Chih

Mr. Chau Chi Ming (*Chief Financial Officer*)

(appointed on August 11, 2025)

Mr. Shih Chih-Hung (*Chief Financial Officer*)

(resigned on August 11, 2025)

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 (the "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. Lu Chin Chu, Mr. Wong Hak Kun and Dr. Yang Ju-Huei will retire from office by rotation at the 2026 AGM in accordance with Bye-law 84 of the Bye-laws. Mr. Chou Wei-Te, who was appointed as an executive Director with effect from June 1, 2025, and Mr. Chau Chi Ming, who was appointed as an executive Director and the chief financial officer of the Company with effect from August 11, 2025, will also retire at 2026 AGM in accordance with Bye-law 83(2) of 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 2026 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.

Both Mr. Chan Lu Min and Mr. Shih Chih-Hung have confirmed that they have no disagreement with the Board and they are not aware of any matters in relation to their cessation that need to be brought to the attention of the Shareholders.

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.



Directors' Report

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' Interests in Competing Business

As at December 31, 2025, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the changes in information of the Directors since the date of publication of the Company's 2025 interim report are set out below:

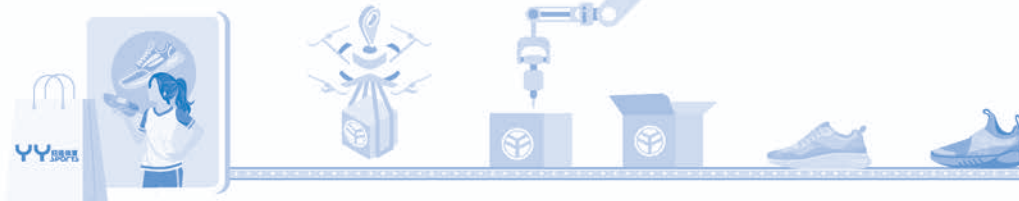
Dr. Yang Ju-Huei was appointed as executive director of New Generation Youth Think Tank of Association of Taiwan Listed Companies on November 1, 2025.

Emolument Policy

Details of the emolument of Directors are set out in the section in the "Corporate Governance Report" (page 54) and Note 11 to the consolidated financial statements. Details of emolument policy applicable to employees are set out in section in the "Management Discussion and Analysis" (pages 21 to 22). 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" in this report and Note 35 to the consolidated financial statements.

Directors' and Chief Executives' Interests in Securities

As at December 31, 2025, 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 Securities and Futures Ordinance ("SFO")) (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)				Total	Percentage of issued Shares (Note 1)
		Personal interests	Family interests	Corporate interests	Other interests		
Lu Chin Chu	Beneficial owner	603,000	-	-	-	603,000	0.03%
Chou Wei-Te	Beneficial owner	80,000	-	-	-	80,000	0.00%
		(Note 2)					
Lin Cheng-Tien	Beneficial owner	334,000	-	-	-	334,000	0.02%
Liu George Hong-Chih	Beneficial owner	760,000	-	-	-	760,000	0.04%
		(Note 2)					

(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)				Total	Percentage of issued shares of Pou Sheng (Note 3)
		Personal interests	Family interests	Corporate interests	Other interests		
Tsai Pei Chun, Patty	Beneficial owner	19,523,000	-	-	-	19,523,000	0.37%
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)				Total	Percentage of issued shares of PCC (Note 4)
		Personal interests	Family interests	Corporate interests	Other interests		
Lu Chin Chu	Beneficial owner	1,070,470	73,300	-	-	1,143,770	0.04%
Tsai Pei Chun, Patty	Beneficial owner	4,177,779	-	-	-	4,177,779	0.14%
Lin Cheng-Tien	Beneficial owner	297,760	-	-	-	297,760	0.01%

Notes:

1. The total number of issued Shares as at December 31, 2025 is 1,604,556,486.
2. Each of Mr. Chou Wei-Te and Mr. Liu George Hong-Chih is interested in 80,000 Shares respectively, which were 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, 2025 is 5,326,179,615.
4. The total number of issued shares of PCC as at December 31, 2025 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, 2025.



Directors' Report

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.

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 shall 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, 2025 and December 31, 2025 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.



Directors' Report

Share Incentive Schemes (continued)

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

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, and further 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.

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; and (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.



Directors' Report

Share Incentive Schemes (continued)

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

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, 2025, December 31, 2025 and March 11, 2026 (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 30,736,129 Shares, 28,394,129 Shares and 28,394,129 Shares, respectively, representing 1.92%, 1.77% and 1.77% of the issued Shares as at January 1, 2025, December 31, 2025 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 statements.



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, 2025	Granted during the Year	Lapsed/ Cancelled during the Year	Vested during the Year	Balance as at December 31, 2025
Directors							
Lu Chin Chu	13.03.2025	13.03.2025-01.06.2025	-	70,000	-	(70,000)	-
Chan Lu Min (Note 3)	13.03.2025	13.03.2025-01.06.2025	-	94,000	-	(94,000)	-
Chou Wei-Te (Note 4)	01.06.2025	01.06.2025-31.05.2027	-	80,000	-	-	80,000
Lin Cheng Tien	13.03.2025	13.03.2025-01.06.2025	-	33,000	-	(33,000)	-
Shih Chih-Hung (Note 5)	13.03.2025	13.03.2025-01.06.2025	-	20,000	-	(20,000)	-
Liu George Hong-Chih	28.06.2023	28.06.2023-31.05.2025	90,000	-	-	(90,000)	-
	13.03.2025	13.03.2025-01.06.2025	-	75,000	-	(75,000)	-
	01.06.2025	01.06.2025-31.05.2027	-	80,000	-	-	80,000
Sub-total			90,000	452,000	-	(382,000)	160,000
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	1,395,000	-	(90,000)	(1,305,000)	-
	13.03.2025	13.03.2025-01.06.2025	-	320,000	(30,000)	(290,000)	-
	01.06.2025	01.06.2025-31.05.2027	-	1,680,000	(80,000)	-	1,600,000
Sub-total			1,480,000	2,000,000	(200,000)	(1,680,000)	1,600,000
Grand Total			1,570,000	2,452,000	(200,000)	(2,062,000)	1,760,000
Five highest paid individuals in aggregate							
	28.06.2023	28.06.2023-31.05.2025	90,000	-	-	(90,000)	-
	13.03.2025	13.03.2025-01.06.2025	-	192,000	-	(192,000)	-
	01.06.2025	01.06.2025-31.05.2027	-	160,000	-	-	160,000
Total			90,000	352,000	-	(282,000)	160,000



Directors' Report

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 March 13, 2025 and June 1, 2025 were HK\$13.64 per Share and HK\$11.82 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 March 13, 2025 and June 1, 2025 were US\$1,027,000 and US\$2,774,000 respectively, which is calculated based on the closing price of Shares on the dates of grant of HK\$13.04 and HK\$11.82 respectively.
2. During the Year, the weighted average closing price of the Shares immediately before the date on which the awarded Shares were vested (being March 31, 2025, May 31, 2025 and June 1, 2025) was HK\$11.85 per Share.
3. Mr. Chan Lu Min retired as an executive Director on June 1, 2025.
4. Mr. Chou Wei-Te was appointed as an executive Director on June 1, 2025.
5. Mr. Shih Chih-Hung resigned as an executive Director on August 11, 2025.

During the Year, the Group recognized a net expense of US\$2,055,000 as equity-settled share-based payments under the Yue Yuen Share Award Scheme.

As at the date of this report, a total of 126,000 Shares were held by the Trustee, representing approximately 0.0079% of the issued Shares.

(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 recognising 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 not involving 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.



Directors' Report

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 the 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's Share Award Scheme, a total of 158,551,810 Pou Sheng's shares, constituting approximately 2.98% of the Pou Sheng's issued shares, have been granted. Of these, 43,566,570 Pou Sheng's shares, representing approximately 0.82% of the Pou Sheng's issued shares, have subsequently lapsed or been cancelled. Consequently, as at the date of this report, 98,061,944 Pou Sheng's shares remain available for future awards, which accounts for approximately 1.84% of the Pou Sheng's issued shares.

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:

	Date of grant	Vesting period	Number of Pou Sheng's awarded shares					
			Balance as at January 1, 2025	Granted during the Year	Lapsed/ cancelled during the Year	Reclassified ² during the Year	Vested during the Year	Balance as at December 31, 2025
Directors/Chief Executive of Pou Sheng								
Chiu, Hui-Yao ¹	18.08.2025	18.08.2025-17.02.2027	-	240,000	-	-	-	240,000
	18.08.2025	18.08.2025-17.02.2028	-	360,000	-	-	-	360,000
	18.08.2025	18.08.2025-17.08.2028	-	600,000	-	-	-	600,000
Chang, Su-Ching ²	19.08.2024	19.08.2024-18.08.2025	-	-	-	400,000	(400,000)	-
	19.08.2024	19.08.2024-18.08.2026	-	-	-	400,000	-	400,000
	18.08.2025	18.08.2025-17.02.2027	-	200,000	-	-	-	200,000
	18.08.2025	18.08.2025-17.02.2028	-	300,000	-	-	-	300,000
	18.08.2025	18.08.2025-17.08.2028	-	500,000	-	-	-	500,000
Chen, Li-Chieh	18.08.2025	18.08.2025-17.02.2027	-	140,000	-	-	-	140,000
	18.08.2025	18.08.2025-17.02.2028	-	210,000	-	-	-	210,000
	18.08.2025	18.08.2025-17.08.2028	-	350,000	-	-	-	350,000
Yu Huan-Chang ³	11.11.2022	11.11.2022-10.11.2025	480,000	-	(480,000)	-	-	-
Wang Jun ⁴	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			1,480,000	2,900,000	(1,480,000)	800,000	(400,000)	3,300,000
Employees of Pou Sheng in aggregate								
	19.08.2024	19.08.2024-18.08.2025	10,300,000	-	(1,050,000)	(400,000)	(8,850,000)	-
	19.08.2024	19.08.2024-18.08.2026	10,300,000	-	(1,200,000)	(400,000)	-	8,700,000
	18.08.2025	18.08.2025-17.02.2027	-	4,386,000	-	-	-	4,386,000
	18.08.2025	18.08.2025-17.02.2028	-	6,579,000	-	-	-	6,579,000
	18.08.2025	18.08.2025-17.08.2028	-	10,965,000	-	-	-	10,965,000
Sub-total			20,600,000	21,930,000	(2,250,000)	(800,000)	(8,850,000)	30,630,000
Grand total			22,080,000	24,830,000	(3,730,000)	-	(9,250,000)	33,930,000
Five highest paid individuals in aggregate								
	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
	18.08.2025	18.08.2025-17.02.2027	-	888,000	-	-	-	888,000
	18.08.2025	18.08.2025-17.02.2028	-	1,332,000	-	-	-	1,332,000
	18.08.2025	18.08.2025-17.08.2028	-	2,220,000	-	-	-	2,220,000
Total			4,000,000	4,440,000	-	-	(2,000,000)	6,440,000

Notes:

- ¹ Mr. Chiu, Hui-Yao was appointed as a non-executive director and the chairman of Pou Sheng on April 22, 2025.
- ² Ms. Chang, Su-Ching was appointed as an executive director and the chief executive officer of Pou Sheng on April 22, 2025. 800,000 Pou Sheng's awarded shares owned by Ms. Chang, Su-Ching were reclassified from the category of 'Employees of Pou Sheng in aggregate' to the category of 'Directors/Chief Executive of Pou Sheng' as at April 22, 2025.
- ³ Mr. Yu Huan-Chang resigned from all his positions with Pou Sheng on April 14, 2025.
- ⁴ Mr. Wang Jun resigned from all his positions with Pou Sheng on April 14, 2025.



Directors' Report

Share Incentive Schemes (continued)

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

The closing price of the Pou Sheng's shares immediately before the grant of Pou Sheng's awarded shares on August 18, 2025 was HK\$0.498 per share.

During the Year, the weighted average closing price of the Pou Sheng's shares immediately before the date on which the Pou Sheng's awarded shares were vested (being August 19, 2025) was HK\$0.498 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 18, 2025 was approximately RMB11,360,000, which was calculated based on the closing price of Pou Sheng's shares on the date of grant of HK\$0.498 per share.

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

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, 2025, the register ("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*
PCC	Interest of controlled corporations (Note (a))	824,143,835	51.36%
Wealthplus	Beneficial owner (Note (a))	773,156,303	48.18%

* The total number of issued Shares as at December 31, 2025 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 and Ms. Tsai Pei Chun, Patty, the executive Directors, are also directors of PCC and Wealthplus. Mr. Chou Wei-Te, the executive Director, is also the director of Wealthplus. Mr. Lu Chin Chu and Mr. Chou Wei-Te are directors of Win Fortune.
- (b) All the interests stated above represented long positions.

Other than the interests disclosed above, as at December 31, 2025, 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.



Directors' Report

Purchase, Sale or Redemption of Listed Securities

During the Year, 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 Listing Rules) except that the trustee of the Yue Yuen Share Award Scheme, purchased on the Stock Exchange a total of 2,180,000 Shares at a total consideration of approximately HK\$28,797,312.77 (equivalent to approximately US\$3,705,000) pursuant to the rules the Yue Yuen Share Award Scheme and the terms of the trust deed in relation thereto. As at December 31, 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).

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:

Continuing connected transactions with PCC ("PCC Connected Transactions")

On October 6, 2023 and November 12, 2025, 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 <i>(as amended by the eighth supplemental agreement dated November 12, 2025)</i>	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 semi-finished shoe products and quality control inspection tools and provide consultancy and guidance services to the PCC Group as may be ordered/requested by the PCC Group	The Group will place orders for raw materials, shoe-related products, moulds and manufacturing equipment and production tools with the PCC Group
Annual Caps:			
2024	US\$374,228,000	US\$5,116,000	US\$4,699,000
2025	US\$392,940,000	US\$6,166,000 <i>(Note)</i>	US\$5,084,000
2026	US\$412,587,000	US\$7,149,000 <i>(Note)</i>	US\$5,283,000

Note: The annual caps for the year ended/ending December 31, 2025 and 2026 were revised by the eighth supplemental agreement to the Seventh Supplemental PCC Connected Sales Agreement dated November 12, 2025.



Directors' Report

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

Details of the terms of the PCC Connected Transactions are set out in the Company's announcements dated October 6, 2023, December 5, 2023 and November 12, 2025, and the circular dated November 10, 2023 (the "Circular"). Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Circular.

Since PCC was the controlling shareholder of the Company (as defined in the Listing Rules), indirectly owning or controlling approximately 51.11% and 51.36% of the issued Shares as at October 6, 2023 and November 12, 2025 respectively, it was a connected person of the Company and the transactions contemplated under the above supplemental agreements constituted continuing connected transactions of the Company. The Company has followed its pricing policies when determining the price and terms of the PCC Connected Transactions conducted during the Year.

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, all the INEDs have reviewed the continuing connected transactions and confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms or better, and (iii) 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. Save as the transactions disclosed above, none of such related party transactions constitutes a non-exempted connected transaction under Chapter 14A of the Listing Rules.

Save as disclosed in Note 43 to the consolidated financial statements, 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.



Directors' Report

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were approximately 58% of the Group's total sales for the Year; and the sales attributable to the Group's largest customer were approximately 24% of the Group's total sales for the Year.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 39% of the Group's total purchases for the Year; and the purchases attributable to the Group's largest supplier were approximately 22% of the Group's total purchases for the Year.

During the Year, PCC has an equity interest indirectly in one of the five largest suppliers. 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.

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 the prescribed public float with more than 25% of the issued Shares being held by the public as at the latest practicable date prior to the printing of this annual report under the Listing Rules.

Corporate Governance

The Company is committed to maintaining 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 46 to 71 of this annual report.

Environmental, Social and Governance

A separate 2025 ESG Report will be published on the websites of the Company and the Stock Exchange at the same time as the publication of this annual report in accordance with the Listing Rules.

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 2026 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, 2026



Corporate Governance Report

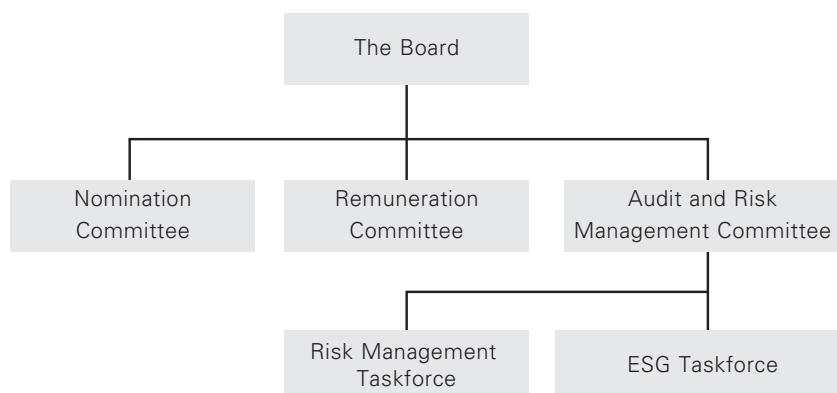
The Company has been striving to achieve good corporate governance which could contribute to long term success and sustainability of the Company. Led by the chairman of the Board (the “Chairman”) and the managing director of the Company (the “Managing Director”), the Senior Management across all regions work closely to ensure the culture, purpose, values and strategy of the Group are aligned with one another. The Company is committed to cultivating a corporate culture, focusing on teamwork, ethics, creativity and competitiveness, coupled with the core values of “Professionalism, Dedication, Innovation, Service” and the strong foundation from which the Company achieves its vision, mission and strategy. More information about the Company’s vision, mission, values and corporate culture as well as strategy can be found throughout this annual report, particularly the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” in this annual report and the 2025 ESG Report.

Throughout the Year, the Company has complied with all the applicable code provisions under the Corporate Governance Code (the “CG Code”) as contained in Appendix C1 to the Listing Rules which reflects that the Company has committed to applying the principles of good corporate governance (the “Principles”). Such application of the Principles could also be illustrated from the below disclosure of the Company’s governance framework and Board structure, Board composition, Board operation and accountability and Shareholders engagement.

(A) Governance Framework and Board Structure

The corporate governance framework is established to continually enhance Board effectiveness and support oversight of the management in its delivery of the Company’s strategy as mentioned above as well as ensuring accountability, transparency and ethical behaviours towards Shareholders, stakeholders, investors as well as employees of the Company. Such framework is designed with reference to the applicable legislations and Listing Rules, and is backboned by a collection of guidelines, policies and procedures formulated by the Board. There is proper allocation of responsibilities among board committees.

Board Structure





Corporate Governance Report

(A) Governance Framework and Board Structure (continued)

Major duties

Board	<ul style="list-style-type: none"> • Provides effective and responsible leadership for the Company • 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, continuing professional development of the Board, and also monitors the performance of Senior Management • Decides on matters relating to annual, interim and quarterly results, notifiable transactions, appointments or reappointments of Directors, dividends and accounting policies • Delegates certain management functions and authorities to Managing Director, various Board committees and Senior Management
Chairman	<ul style="list-style-type: none"> • Mr. Lu Chin Chu acts as the Chairman of the Board • Being responsible for the leadership of the Group and promoting a high standard of corporate governance • 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 • 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 • Meets regularly with all the INEDs without the presence of other Directors • Ensures that appropriate steps are taken to provide effective communication with Shareholders and their view are communicated to the Board as a whole • Promotes a culture of openness and debate by facilitating the effective contribution of INEDs and ensures constructive relations between executive Directors and INEDs
Managing Director	<ul style="list-style-type: none"> • Ms. Tsai Pei Chun, Patty acts as the Managing Director • 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 formulates the organizational structure, control systems and internal procedures and processes for the Board's approval



Corporate Governance Report

(A) Governance Framework and Board Structure (continued)

Major duties (continued)

Executive Directors	<ul style="list-style-type: none"> • Mr. Lu Chin Chu, Ms. Tsai Pei Chun, Patty, Mr. Chou Wei-Te, Mr. Lin Cheng-Tien, Mr. Liu George Hong-Chih and Mr. Chau Chi Ming • Devise strategy and formulate policies for Board consideration and approval • Lead the implementation of the Group's strategy and decisions made by the Board
INEDs	<ul style="list-style-type: none"> • Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Dr. Yang Ju-Huei • Being appointed for a term of not more than three years, subject to retirement by rotation/re-election in accordance with the Bye-laws and the Listing Rules, and having served not more than nine years on the Board • Bring independent oversight and judgement in respect of Board decisions, accountability, key appointments and standards of conduct • Serve on Board committees • Raise queries and hold management to account • Promote high standards of integrity and corporate governance • Take the lead where potential conflicts of interests arise
Audit and Risk Management Committee	<ul style="list-style-type: none"> • Comprises all INEDs • Oversees financial statements, financial reporting systems, corporate reports and the appointment of auditor • Oversees risk management and internal control systems, internal audit function and ESG matters
Nomination Committee	<ul style="list-style-type: none"> • Comprises Ms. Tsai Pei Chun, Patty and Mr. Ho Lai Hong and Mr. Lin Shei-Yuan • Being responsible for Board nomination, skills matrix, diversity, appointment, re-appointment and succession plan, independence assessment, time commitment and contribution assessment • Conducts performance evaluation of the Board
Remuneration Committee	<ul style="list-style-type: none"> • Comprises all INEDs • Determines remuneration for Directors and Senior Management • Oversees the Company's remuneration policy ("Remuneration Policy"), structure, incentive mechanisms and share incentive schemes



Corporate Governance Report

(B) Board Composition

As at the date of this report, the Board is a diversified board of ten members, comprising six executive Directors and four INEDs. Names and other biographical details of the members of the Board (including their length of tenure) are set out on pages 24 to 28 of this annual report under the “Biographies of Directors and Senior Management” section and on the Company’s website. 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.

Board Independence

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

Composition of the Board and board committees	<ul style="list-style-type: none"> • 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 • All the Board committees comprise a majority of INEDs and are chaired by an INED • Separation of the role of the Chairman and the Managing Director ensures that there is a balance of power and authority
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Independence and contribution assessment	<ul style="list-style-type: none"> • In assessing suitability of the candidates, the Nomination Committee will review their qualification, experience and time commitment, the Board’s composition, skills matrix, the Company’s nomination policy (the “Nomination Policy”) and the Board diversity policy (the “Board Diversity Policy”) • The Nomination Committee and the Board assess the independence of all INEDs annually and at any other time where the circumstances warrant reconsideration to ensure that they can continually exercise independent judgement, and also each Director’s time commitment to the Company’s affairs • Board evaluation will be conducted regularly to enhance efficiency, greater transparency and improve governance practices
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Remuneration	<ul style="list-style-type: none"> • Director’s fee is determined by the Board with authorization granted by the Shareholders at the Company’s annual general meeting • INEDs receive fixed fee(s) for their role as members of the Board and Board Committee(s) as appropriate, no equity-based remuneration with performance related elements will be granted to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence • Remuneration of INEDs is determined by the Remuneration Committee and the Board based on a regular review mechanism
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Corporate Governance Report

(B) Board Composition (continued) Board Independence (continued)

Board level
decision making

- All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board committee meetings
- To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary, Senior Management or the in-house legal team as well as from independent professional advisers at the Company's expense
- Appropriate liability insurance for the Directors has been arranged for indemnifying their liabilities arising out of corporate activities
- The Chairman meets with INEDs annually without the presence of the executive Directors
- The Audit and Risk Management Committee meets with external auditor, without the presence of executive Directors at least twice a year
- 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 Board reviewed implementation of these mechanisms for the Year and determined that they remain effective.

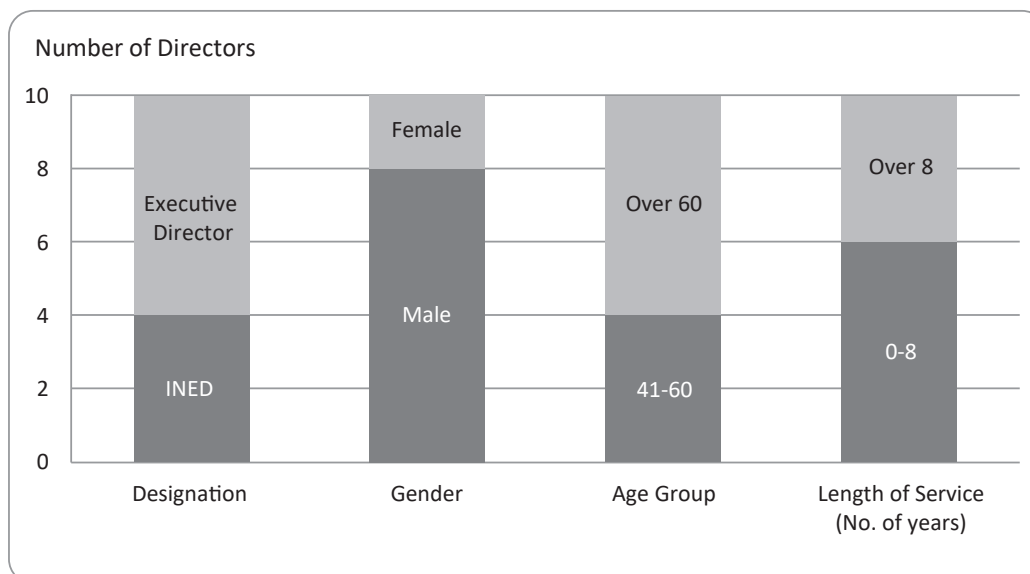
Board Diversity

The Board adopted the Board Diversity Policy on August 13, 2013, setting 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 in order to have comprehensive considerations in Board composition which contribute to the achievement of strategic objectives and sustainable development of the Company. The merits and contribution that will bring to the Board for any Director proposed for re-election or any candidate nominated to be Director will also be assessed, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

The Nomination Committee was delegated by the Board to review such policy at least annually to ensure its implementation and continued effectiveness from time to time. The current Board composition reflects a diverse mix of educational background, professional knowledge, industry experience and length of service. The diversity mix of the Board as at December 31, 2025 and up to the date of this report is summarized as follows:

Corporate Governance Report

(B) Board Composition (continued) Board Diversity (continued)



Expertise	Relevance to the Company	No. of Directors (% of the Board)
Extensive board and executive management experience	Experience in a leading role facilitates understanding of many facets of the Group, including strategy, financial reporting, compliance and risk oversight	10 (100%)
Relevant industry experience of the Group	Deep industry knowledge assists in understanding the issues faced by the Group and can direct the Company to focus on value drivers	6 (60%)
Other listed company directorship roles	Understanding financial, legal and regulatory requirements applicable to listed companies is crucial to maintaining a high corporate governance standard	7 (70%)
Accounting professionals/ financial management expertise/regulatory & compliance/risk management/ shipping management expertise/shoe making professional/business administration expertise/ academia	The complex and diverse nature of the Group's business necessitates valuable input from professionals with oversight, advisory and operational experience	10 (100%)

Further details of the current Board's composition with their diversity perspectives are also included in the section headed "Biographical Details of Directors and Senior Management" of this annual report.



Corporate Governance Report

(B) Board Composition (continued)

Board Diversity (continued)

The Nomination Committee and the Board considered that the current composition is suitable in view of the balanced mix of board tenure and age group, and also an appropriate level of INED and female representation, taking into account the business model and specific need of the Company. Giving the Board's gender diversity ratio (i.e. 20%) as at December 31, 2025 was similar to industrial average (consumer discretionary) of Hang Seng Index Constituents (i.e. 23.1%), there was no numerical target timeline or plan 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.

Workforce Diversity

The Board adopted the Workforce Diversity Policy on August 11, 2025, setting out the Company's approach and commitment to diversity in the workforce, including senior management of the Company. The Group is dedicated to fostering a diverse workplace where all employees are treated with respect and fairness, and offered with equal opportunities when making recruitment, remuneration, benefits, development, and promotion decisions. The Company will review such policy periodically to ensure its effectiveness.

Given the nature of the Group's industry and market, the Company is committed to maintaining appropriate balance among different genders and ensuring adequate female representation within the management level. As at December 31, 2025, the proportion of female representation in the workforce (excluding Directors and Senior Management) and Senior Management (excluding Directors) were 77.5% and 57.1% respectively. For details of gender distribution, please refer to the Company's 2025 ESG Report.

Continuing professional development and Induction to Directors

To facilitate fulfillment of Directors' duties and obligations with a view to driving performance towards strategic goals of the Company, training and reading materials are provided for Directors to keep abreast of relevant knowledge and skills on an ongoing basis. In according with the training records maintained by the Company, the Company has arranged training and reading materials, covering all topics as required by Rule 3.09G of the Listing Rules, for Directors during the Year in a manner that best fit their own circumstances.



Corporate Governance Report

(B) Board Composition (continued)

Continuing professional development and Induction to Directors (continued)

According to the training confirmation provided by each of the Directors as well as the Company's records, the Directors had participated in the following trainings during the Year:

Name of Directors	Total no. of hours taken during the Year	Mode of trainings ^(Note)
Executive Directors		
Mr. Lu Chin Chu	14.0	E, S
Ms. Tsai Pei Chun, Patty	13.0	E, S
Mr. Chou Wei-Te (appointed on June 1, 2025)	8.0	E, S
Mr. Lin Cheng-Tien	8.0	E, S
Mr. Liu George Hong-Chih	7.5	E, S
Mr. Chau Chi Ming (appointed on August 11, 2025)	20.5	E, S, I
Mr. Chan Lu Min (retired on June 1, 2025)	2.0	E, S
Mr. Shih Chih-Hung (resigned on August 11, 2025)	5.0	E, S, I
INEDs		
Mr. Wong Hak Kun	24.0	E, S, I
Mr. Ho Lai Hong	13.5	E, S, I
Mr. Lin Shei-Yuan	13.0	E, S, I
Dr. Yang Ju-Huei	19.0	E, S, I

Notes:

- E : External training provided by professional organization (e.g. law firm, audit firm, HKICPA, Hong Kong Business Ethics Development Centre, Equal Opportunities Commission)
- S : Self-study via reading of powerpoint, guidance materials, consultation papers related to the duties of Directors and latest legal and regulatory developments as well as ESG matters
- I : Internal training via business and financial briefing provided by the Senior Management

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. Mr. Chou Wei-Te and Mr. Chau Chi Ming, who were appointed as executive Directors during the Year, had received directors' induction training and legal advice from external legal advisers pursuant to Rule 3.09D of the Listing Rules on May 22, 2025 and July 14, 2025 respectively. Both of them confirmed they understood their obligations as Directors.

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary confirmed that she had 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

(B) Board Composition (continued) Board Remuneration

	Executive Directors	INEDs
Fixed portion	<ul style="list-style-type: none"> Salaries, benefits and pension 	<ul style="list-style-type: none"> Director's fee
Variable portion	<ul style="list-style-type: none"> Performance related bonus Share-based payment 	

The Director's fee is determined by the Board with authorization granted by the Shareholders at the Company's annual general meeting, as well as the recommendation from the Remuneration Committee and the written Remuneration Policy. 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. 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.

Board Refreshment

In order to maintain a Board that spans a range of leadership, skills and experience relevant to the Company's strategic vision and goals, paying attention to the Company's circumstances, changes in industry and regulatory initiatives, global market trends as well as the views of Shareholders and other key stakeholders, 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.



Corporate Governance Report

(B) Board Composition (continued) Board Refreshment (continued)

(i) Nomination procedures by the Board for appointment and re-election

Review	Nomination Committee considers the Company's business model, current specific needs, future plans, risks and opportunities of the Company to determine the skills, expertise, experience and characteristics that could contribute to the Board and committees, as well as succession planning
Identity	Nomination Committee identifies potential candidates with desired background and skill sets with reference to the Nomination Policy and Board Diversity Policy as well as Board skills matrix, including:– <ul style="list-style-type: none"> gender, age, cultural and educational background, professional experience, skills, knowledge and length of service commitment to devoting sufficient time and attention to the Company's affairs character and integrity accomplishment, experience and knowledge in the relevant industry
Evaluate	Nomination Committee evaluates the suitability of potential candidates by considering: <ul style="list-style-type: none"> character, integrity, qualification, background, skills and experience complementary to those of existing Directors able to devote sufficient time and attention to the Company's affairs in respect of an INED, assessing his/her independence
Recommend	After discussion, the Nomination Committee recommends the appointment/re-election of the candidate to the Board with the goal of creating a balance of knowledge, experience and diversity
Appointment/ Re-election	The Board considers the recommendation of the Nomination Committee on the appointment of new Director(s), as well as re-election of newly appointed Director(s) and existing Director(s) pursuant to the Listing Rules and Bye-laws

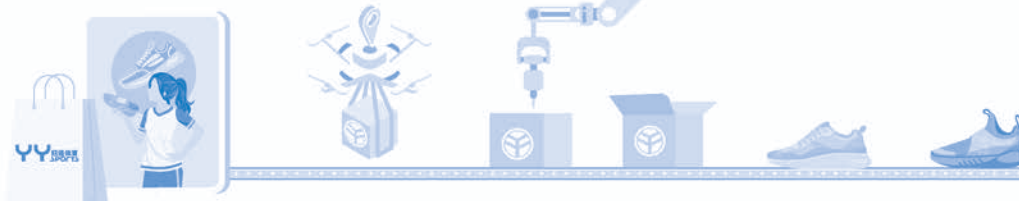
The Nomination Policy shall be reviewed periodically to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

(ii) Nomination procedures by Shareholders on election of new Director

Please refer to the procedures made available under the "Corporate Governance" section of the Company's website for details.

Board Evaluation

In order to enable the Board to enhance its leadership and effectiveness to support the Company's strategic vision and goals, the Board adopted the Rules for Performance Evaluation of the Board on August 11, 2025 which sets procedures to identify the Board's strengths, weakness and recommendation for every two years. The Board proposed to conduct the first Board performance review in 2027.



Corporate Governance Report

(C) Board Operation & Accountability

Directors' attendance and time commitment

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

	General Meeting	Board Meetings	Audit and Risk	Remuneration	Nomination	Chairman
			Management Committee Meetings	Committee Meetings	Committee Meetings	Meeting with INEDs
Number of Meeting(s) attended/held						
Executive Directors						
Mr. Lu Chin Chu	1/1	5/5	N/A	N/A	N/A	1/1
Ms. Tsai Pei Chun, Patty	1/1	5/5	N/A	N/A	3/3	N/A
Mr. Chou Wei-Te (<i>Note 1</i>)	N/A	2/2	N/A	N/A	N/A	N/A
Mr. Lin Cheng-Tien	1/1	5/5	N/A	N/A	N/A	N/A
Mr. Liu George Hong-Chih	1/1	5/5	N/A	N/A	N/A	N/A
Mr. Chau Chi Ming (<i>Note 2</i>)	N/A	1/1	N/A	N/A	N/A	N/A
Mr. Chan Lu Min (<i>Note 3</i>)	1/1	3/3	N/A	N/A	N/A	N/A
Mr. Shih Chih-Hung (<i>Note 4</i>)	1/1	4/4	N/A	N/A	N/A	N/A
INEDs						
Mr. Wong Hak Kun	1/1	5/5	4/4	3/3	N/A	1/1
Mr. Ho Lai Hong	1/1	5/5	4/4	3/3	3/3	1/1
Mr. Lin Shei-Yuan	1/1	5/5	4/4	3/3	3/3	1/1
Dr. Yang Ju-Huei	1/1	5/5	4/4	3/3	N/A	1/1

Notes:

1. Mr. Chou Wei-Te was appointed as executive Director on June 1, 2025
2. Mr. Chau Chi Ming was appointed as executive Director and chief financial officer of the Company on August 11, 2025
3. Mr. Chan Lu Min retired as executive Director on June 1, 2025
4. Mr. Shih Chih-Hung resigned as executive Director and chief financial officer of the Company on August 11, 2025

After considering the above attendance, continuous professional development as disclosed on page 53, professional qualifications and existing directorships and working experience as disclosed on pages 24 to 28 as well as the written confirmation from each Director regarding his/her time commitment to the Company, the Nomination Committee is of the view that all Directors, including INEDs, have given sufficient time and attention to the Company's affairs.



Corporate Governance Report

(C) Board Operation & Accountability (continued) Communication and information support

Meeting scheduling	<ul style="list-style-type: none"> The Board holds four regular meetings a year while additional meetings are held as and when required 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 paper preparation	<ul style="list-style-type: none"> The Company Secretary assists the Chairman in setting the agenda of the Board and committee meetings and each Director is invited to present any business that they wish to discuss or propose at such meetings Agenda and accompanying 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
Resolution	<ul style="list-style-type: none"> Pursuant to the Bye-laws, Board or committee approval may also be obtained by way of circulation of a resolution in writing on urgent matters when convening a Board or committee 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
Board communication	<ul style="list-style-type: none"> 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
Information updates between Board meetings	<ul style="list-style-type: none"> Monthly updates regarding the financial performance of manufacturing business are circulated to all Directors Pre-meetings will be arranged between INEDs and chief financial officer of the Company before Board meetings 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



Corporate Governance Report

(C) Board Operation & Accountability (continued)

Major work performed for the Year

Board

Business and financial performance

- Approved final results for the year ended December 31, 2024 and report for publication, and recommend final dividend
- Approved interim results for the six months ended June 30, 2025 and report for publication, and interim dividend
- Approved quarterly results for the three months ended March 31, 2025 and for the nine months ended September 30, 2025 for publication

Corporate Governance

- Received the reports and recommendations from the Nomination Committee, Remuneration Committee, Audit and Risk Management Committee
- Approved proposed resolutions to put forward to the 2025 AGM and the publication of related circular and other document
- Reviewed the time commitment 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 2024 Annual Report
- Reviewed the Company's Whistleblowing Policy, Prevention of Bribery Policy and Code of Conduct
- Reviewed the effectiveness of the Company's Shareholders Communication Policy

Continuing Connected Transaction

- Reviewed and approved the revision of the annual caps for the years ended/ending December 31, 2025 and 2026 under the PCC Connected Sales Agreement and publication of related announcement
- Annual review of the continuing connected transactions

ESG Matters

- Reviewed the Group's ESG performance in 2024, progress reported by the Company's ESG taskforce (the "ESG Taskforce") and the publication of 2024 ESG Report

Compliance requirement

- Reviewed and approved the revised Statement of Policy on Corporate Governance of the Company, and the adoption of the Workforce Diversity Policy



Corporate Governance Report

(C) Board Operation & Accountability (continued) Major work performed for the Year (continued)

Audit and Risk Management Committee

Financial Statements

- Reviewed and recommended the Board to approve the Group's final results for the year ended December 31, 2024 ("Previous Year"), the interim results for the six months ended June 30, 2025, the quarterly results for the three months ended March 31, 2025 and for the nine months ended September 30, 2025

External Auditor

- Recommended the Board for re-appointment of Deloitte as the external auditor at AGM held in 2025 (the "2025 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, 2025
- Approved the audited planning issue for the Year, reviewed the independence of the external auditor and approved its engagement

Risk Management and Internal Control and ESG matters

- 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, 2025
- Considered and recommended the Board to approve (i) establishment of the Company's risk management taskforce (the "Risk Management Taskforce"), (ii) revision of the Corporate Risk Management Policy, the terms of reference of Audit and Risk Management Committee and the Inside Information Policy, and (iii) adoption of the terms of reference of the Risk Management Taskforce
- 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
- 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 and recommended the Board to approve the ESG work report for the nine months ended September 30, 2025 and the adoption of terms of reference of the ESG Taskforce



Corporate Governance Report

(C) Board Operation & Accountability (continued) Major work performed for the Year (continued)

Nomination Committee

Board composition review

- Reviewed the structure, size and composition (including the skills, knowledge and experience) and diversity of the Board
- Assessed, reviewed and affirmed the independence of the INEDs

Board refreshment

- Recommended the Board the retirement and re-election of Directors at the 2025 AGM
- Considered and recommended the Board to approve the re-appointment of four executive Directors upon expiry of their respective service agreement in 2025
- Considered and recommended the Board to approve the re-appointment of an INED upon expiry of his appointment letter in 2025
- Considered and recommended the Board to approve the retirement/resignation of executive Directors and the appointment of new executive Directors

Compliance requirements

- Reviewed the Board Diversity Policy and Nomination Policy and their respective implementation and effectiveness
- Considered and recommended the Board to approve the revision of the terms of reference of Nomination Committee and adoption of the Rules for Performance Evaluation of the Board

Remuneration Committee

Performance and rewards for executive Directors and senior management

- Reviewed the structure for all Directors' and Senior Management's remuneration
- Reviewed and recommended the Board to approve the remuneration of four executive Directors for renewal of their service agreements in 2025
- Reviewed and recommended the Board to approve the remuneration of an INED for renewal of his appointment letter in 2025
- Reviewed and recommended the Board to approve the Company's 2025 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 and recommended the Board to approve the remuneration of new appointed executive Directors

Share award scheme

- 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 the Company's scheme execution team

Compliance requirements

- Reviewed and recommended the Board to approve the amended Remuneration Policy



Corporate Governance Report

(C) Board Operation & Accountability (continued)

Compliance and accountability

Corporate Governance Code

The Company's corporate governance practices are discussed in this "Corporate Governance Report". During the Year, the Company was in full compliance with all applicable principles and code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

Model Code for Securities Transactions

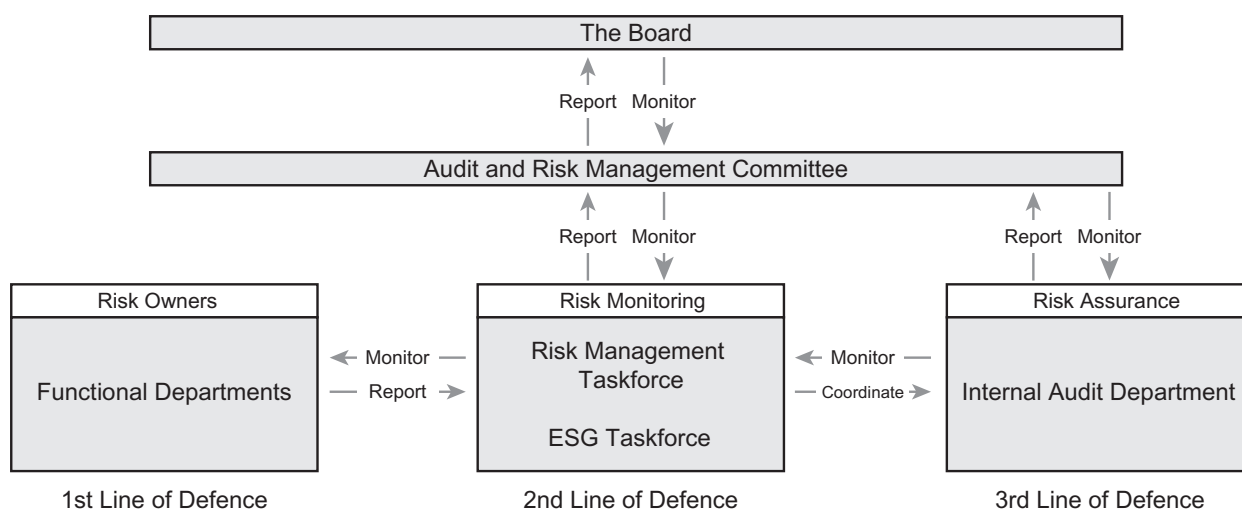
The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard as set out in the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

The Company has implemented procedures and adopted the "Guidelines for Securities Transactions by Relevant Employees". 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.

Risk Management and Internal Control

The Board acknowledges its responsibilities and the importance of adequate and effective risk management and internal control systems which assist them in understanding the Group's risk profile, allocating resources to manage key risks and making risk-reward optimised business decisions. The Board adopted the three lines of defence model to coordinate and facilitate risk management activities across the Group.

Risk Governance Structure





Corporate Governance Report

(C) Board Operation & Accountability (continued) Risk Governance Structure (continued)

Roles	Responsibilities
The Board	<ul style="list-style-type: none"> • Ultimate supervisory body for risks oversight • Maintaining the effectiveness of the Group's risk management and internal control systems • Empowering and delegating the oversight responsibility to the Audit and Risk Management Committee
Audit and Risk Management Committee	<ul style="list-style-type: none"> • Overseeing the risk management and internal control systems • Reviewing their adequacy and effectiveness • Advising the Board at least annually on the risk exposures and their corresponding risk treatment plans
First Line of Defence – Risk Owners <ul style="list-style-type: none"> • Functional Departments 	<ul style="list-style-type: none"> • Identifying, analyzing and evaluating risks in daily operations of manufacturing business and in areas of accountability • Reporting to the Risk Management Taskforce on a regular basis to ensure the effective implementation of the risk management and related control procedures within their unit
Second Line of Defence – Risk Monitoring <ul style="list-style-type: none"> • Risk Management Taskforce • ESG Taskforce 	<ul style="list-style-type: none"> • Establishing and continuously improving the Group's risk management mechanism and risk management framework of manufacturing business • Proposing risk management planning • Executing and supervising risk management affairs • Regular meetings and reporting to the Audit and Risk Management Committee at least once a year • Regularly reviewing the Group's ESG management approach, strategy and priorities of manufacturing business • Setting ESG (including climate-related) targets and make strategic recommendations to achieve these targets, and regularly reviewing its progress • Identifying ESG risks relevant to the Group, assessing the impact of such risks on the business, and formulating execution strategies for timely risk response • Regular meetings and reporting to the Audit and Risk Management Committee twice a year
Third Line of Defence – Risk Assurance <ul style="list-style-type: none"> • Internal Audit Department 	<ul style="list-style-type: none"> • Furnishing independent and objective evaluations on the adequacy, effectiveness and efficiency of the risk management and internal control systems, coordinating the operation of systems and reporting to Audit and Risk Management Committee twice a year • Developing risk-oriented internal audit plans • Promoting improvements in corporate risk management mechanisms



Corporate Governance Report

(C) Board Operation & Accountability (continued) Risk Management Process

1	Establishment of Context	Identifying the source and category of the risks applicable to the Company by analysing the scale, industry, business characteristics, and operating activities of the Company, taking into account political, economic, social, technological, environmental, and internal factors
2	Risk Identification and Analysis	Identifying potential risk factors by analysing and discussing the following factors through “bottom-up” and “top-down” approaches, in order to evaluate their probability of occurrence and severity: <ul style="list-style-type: none"> – Historical experience and information – Short, medium, and long-term goals of the respective departments – Key concerns of stakeholders
3	Risk Evaluation	Classifying risk factors into material issues (high risk), minor issues (medium risk), and areas of attention (low risk), formulating appropriate risk tolerances, and determine the risk response methods and priority for each risk level based on these tolerances
4	Risk Treatment	Formulating relevant treatment plans for material issues (high risk) and minor issues (medium risk) to effectively reduce the key risks of the Company

Review on the effectiveness of Risk Management and Internal Control Systems

The Board, with the assistance from the Audit and Risk Management Committee, reviewed and evaluated the effectiveness of the Group’s risk management and internal control systems (including ESG risks), including the consideration of the following factors:

- the changes, since the last review, in the nature and extent of significant risks (including ESG risks) and the Group’s capacity and response strategies for changes in business, external environment
- the scope and quality of Risk Management Taskforce and ESG Taskforce in ongoing monitoring of risks (including ESG risks) and of the internal controls systems
- the extent and frequency of communication of monitoring results to the Board for the purposes of assessing the effectiveness of the risk management and internal control systems
- the effectiveness of financial reporting and regulatory compliance processes
- the adequacy of the resources, staff experience and qualifications, training programmes and budget of the Group’s accounting, internal audit, financial reporting functions as well as those relating to ESG performance and reporting

In addition to the above, the Board also (a) reviewed the scope of work performed by external auditor and the significant findings identified as well as the extent of any potential or actual impact on financial performance of the Group in their audit reports during the Year; (b) reviewed the scope of work performed by internal audit department and the significant findings in respect of potential or actual impact on the Group’s risk management and internal control systems in their audit reports during the Year; and (c) received confirmation from the Audit and Risk Management Committee, the internal audit department and the Risk Management Taskforce that Group’s risk management and internal control systems are appropriate and effective. Therefore, the Board considered that the Group’s risk management and internal control systems were adequate and effective for the Year.



Corporate Governance Report

(C) Board Operation & Accountability (continued) Principal Risks and Uncertainties

The principal risks and uncertainties relating to the Group's manufacturing business in 2025 as identified by the Group's risk assessment process and their corresponding mitigation measures are set out below:

Description of principal risks and uncertainties	Mitigation Measures
<p>Market Risk – Changing Competitive Environment</p> <p>Rapid changes in market conditions and orders demand, coupled with rising costs caused by global tax issues and new competitive landscape creating pressures on the Group's production capacity allocation and profitability</p>	<ul style="list-style-type: none"> Adjusting its cross-regional production capacity allocation by leveraging the Group's production presence in various regions, so as to strengthen its core manufacturing capabilities and enhance overall flexibility in capacity scheduling Strengthening cost management and optimizing resource allocation to ensure stable annual profitability Enhancing quality management to ensure the stable delivery of products with consistent quality and market competitiveness
<p>Supply Chain Risk</p> <p>Over-reliance on resources, labour or infrastructure in specific regions posing potential threats to supply chain interruptions if there is any changes in such regions (such as natural disasters, policy changes or labor shortages)</p>	<ul style="list-style-type: none"> Increasing the local procurement ratio of shoe materials at the Group's production bases in Mainland China, Vietnam, Indonesia and other regions to reduce cross-border transportation lead times, lower logistics costs and mitigate tariff impacts Expanding the coverage of the equipment maintenance and servicing network to facilitate timely repair and maintenance of equipment, shorten parts delivery cycles and reduce factory parts inventory level
<p>Data and Information Security Risk</p> <p>Risk of the information technology system being attacked or interrupted due to disastrous events leading to disruption of business operation or leakage of important data</p>	<ul style="list-style-type: none"> Implementation of a high-standard information security management system according to the international standard ISO27001 Establishing business continuity plan to achieve uninterrupted key operations Providing training to enhance employees' awareness in information security



Corporate Governance Report

(C) Board Operation & Accountability (continued) Principal Risks and Uncertainties (continued)

Description of principal risks and uncertainties	Mitigation Measures
<p>Innovation Technology Risk</p> <p>Insufficient technological innovation resulting in lagging behind industry peers and weakening the Group’s overall competitiveness</p>	<ul style="list-style-type: none"> Innovation in manufacturing process and technology: Accelerating the adoption and scaling of automation technologies to enhance production efficiency and resilience Innovation in mold and chemical technology: Strengthening capabilities in mold design and chemical material applications to enhance manufacturing differentiation and advantage in product performance Patent and intellectual property development: Strengthening management of patent and intellectual property to raise technical entry barriers and reinforce market protection
<p>Human Resources Risk – Organizational Strength and Resilience</p> <p>Failure in skill succession or responding to internal and external contingencies when losing key personnel affecting the Group’s stability and operations</p>	<ul style="list-style-type: none"> Implementing talent development programs for key position and training local talent to enhance talent reserve and organization stability Optimizing digital processes and streamlining administrative workflows to reinforce organizational stability and establish a robust operational foundation

The above list of risks are not exhaustive nor comprehensive, and there may be other risks and uncertainties further to the major risks outlined above 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.

Particulars of (a) financial risk management objectives and policies are set out in Note 37(b) to the consolidated financial statements; and (b) major risks and the corresponding mitigation measures regarding the ESG of the Group can be found in the Company’s separate 2025 ESG Report. Furthermore, the Group’s major risks regarding its retail business and the corresponding mitigation measures in 2025 are provided in Pou Sheng’s 2025 annual report and ESG report.



Corporate Governance Report

(C) Board Operation & Accountability (continued)

Policies and Codes of Conduct

Prevention of Bribery Policy

The Board adopted Prevention of Bribery Policy on March 15, 2022, aiming to promote the highest standards of business ethics and comply 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.

During the Year, anti-corruption training had been provided to the Directors and employees. For details regarding the implementation of such policy and training provided, please refer to the 2025 ESG Report and Pou Sheng's ESG Report.

Code of conduct and practice guidelines for integrity management

The Board also adopted a code of conduct and practice guidelines for integrity management on November 11, 2024 aiming 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.

Whistleblowing Policy

The Board adopted a whistleblowing policy on March 15, 2022 and amended on March 11, 2026, which provides reporting channels and guidance to facilitate the raising of improprieties matters in matters of financial reporting, internal control or other matters 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 and Risk Management Committee via the Company Secretary.

During the Year, the Company has not received any whistleblowing report on any case which has a material adverse impact on the Company.

Climate Change Policy/ Sustainable Development Code of Practice/

Supplier – Friendly Workplace Guidelines/Supplier Sustainability Code of Conduct/

Code of Conduct

These policies outline the Company's commitment to integrating ESG principles into daily operation which could contribute to long term success and sustainability of the Company, including minimizing greenhouse gas emissions, promoting sustainable development, influencing ESG practices across the value chain, and maintaining health and safety at working environment.

Inside Information Policy

The Board adopted the Inside Information Policy on March 26, 2013 and amended on August 11, 2025 which outlines the procedures to disseminate inside information to the public in equal and timely manner in accordance with the applicable laws and regulations. The Company promptly identifies, assesses and escalates any inside information and any information which may potentially constitute inside information to the executive Directors who decide the needs of disclosure, and then such decision will be reported to the Board for final decision.



Corporate Governance Report

(C) Board Operation & Accountability (continued) Policies and Codes of Conduct (continued)

Financial reporting

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 77 of this annual report.

External auditor's remuneration and auditor related matters

The Audit and Risk Management Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to the Board and final approval and authorization by the Shareholders in general meetings.

The responsibilities of the Company's existing external auditor, Deloitte, are stated in the "Independent Auditor's Report" on pages 72 to 77 of this annual report. During the Year, the remuneration paid or to be payable to Deloitte, is set out as follows:

	2025 US\$'000	2024 US\$'000
Audit services	1,434	1,432
Non-audit service (included review of interim financial statements and professional advisory on taxation and ESG reporting requirement)	320	365
Total	1,754	1,797



Corporate Governance Report

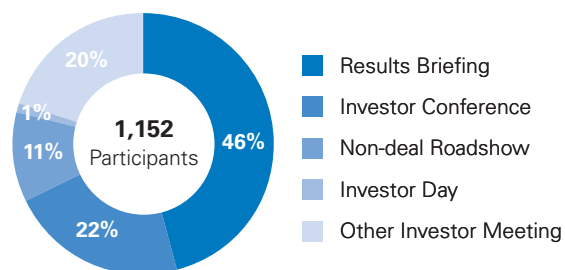
(D) Shareholders Engagement

Shareholder and Investor Communications and Engagement

The Company's Shareholders Communication Policy is available on the Company's website. It sets out the Company's procedures in providing Shareholders and the investment community with fair and timely access to balanced and understandable information about the Company, with a view to enabling Shareholders to exercise their rights and execute investment decisions in an informed manner and to facilitating effective communication and engagement between the Company and its Shareholders and investors.

The Company is committed to maintaining an open, transparent, and constructive two-way communication mechanism with its Shareholders and the investment community, mainly through means such as information disclosure on the Stock Exchange and the Company's websites, exchanges of views at general meetings, results briefings, non-deal roadshows, investor conferences, investor days, and other investor meetings. The chairman and members of the Board will make themselves available at the annual general meeting to answer Shareholders' enquiries. In addition, to better understand the market's overall perception and evaluation of the Company and to strengthen its investor relations strategy, the Company regularly appoints a third-party institution to conduct perception surveys, thereby assessing the effectiveness of its communications.

Investor Engagement by Meeting Type in 2025 Summary of Investor Relations Activities in 2025



Total Investor Meetings ¹	256	Results Briefing/ Investor Day	4/1
Non-deal Roadshow	9	Investor Conference	13

Note 1: Investor meeting includes results briefing, non-deal roadshow, investor conference, investor day and other investor meeting.

During the Year, the Company's Chief Financial Officer and Executive Director attended all the results briefings held by the Company and participated in 86% of the non-deal roadshows held in Hong Kong.

To provide shareholders and the investment community with a more comprehensive understanding of the Group's business strategy, the Company hosted an investor day in Vietnam during the Year. A total of 15 institutional investors and analysts participated in the on-site factory visit of the Vietnam facilities. The Company's Chief Financial Officer and Executive Director, together with relevant operation and business unit leadership, attended the event and clearly showcased to investors the Group's R&D strengths and advantages in and high-end production capacity for the manufacturing business, along with its achievements in automation, digitalization, and sustainability strategies, thereby further enhancing investor confidence and recognition.

Corporate Governance Report

(D) Shareholders Engagement (continued)

Shareholder and Investor Communications and Engagement (continued)

The Company has also been actively expanding its coverage among top-tier sell-side broker analysts. As of the end of 2025, a total of 24 brokers covered the Company, representing an increase of 5 brokers from the end of 2024, as well as one-fold increase compared with the end of 2023. Among them, 20 brokers gave the Company positive ratings, mainly due to optimism about the Company's growth prospects and valuation proposition, including Citi, CLSA, and Goldman Sachs, among others.

Investor Conferences Attended in 2025

Month	Name	Location*
Jan	Goldman Sachs APAC Consumer & Leisure Corporate Day	HK
	Morgan Stanley China BEST Conference	BJ
May	Macquarie Asia Conference 2025	HK
	UBS Asian Investment Conference	HK
Jun	Goldman Sachs APAC Consumer & Leisure Corporate Day	HK
	CLSA China Access Day	UK
Aug	Morgan Stanley China BEST Conference	SZ
Sep	Goldman Sachs Asia Leaders Conference	HK
	Daiwa Consumer and Healthcare Conference	HK
	CITIC CLSA 32nd Investors' Forum	HK
	Citi China Industrial, SMID and Transport Conference	HK
Nov	UBS Asian Consumer, Internet & Gaming Corporate Day	HK
Dec	CITIC Securities Consumer Forum 2025	SH

* BJ: Beijing, HK: Hong Kong, UK: United Kingdom, SH: Shanghai, SZ: Shenzhen

Investor Relations & Corporate Governance Awards in 2025

Extel (formerly Institutional Investor) 2025 Asia (ex-Japan) Executive Team

Hong Kong & Consumer Discretionary (Rest of Asia) (8 titles each)

- Best CEO
- Best CFO
- Best IR Professional
- Best IR Team
- Best IR Program
- Best ESG
- Best Company Board
- Most Honored Company

Consumer Discretionary (Small & Mid-Cap) (1 title)

- Best IR Professional

Hong Kong Investor Relations Association 11th Investor Relations Awards 2025 (11 titles)

- Overall Best IR Company
- Grand ESG Award
- Best IR Company
- Best IR by CFO
- Best IRO
- Best IR Team
- Best ESG (E & S & G totaling 3 titles)
- Best Investor Meeting
- Best Investor Presentation Material



Corporate Governance Report

(D) Shareholders Engagement (continued)

Shareholder and Investor Communications and Engagement (continued)

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. The public may also access information on the Company's business developments and operations, financial information, corporate governance practices and other information on the Company's website at www.yueyuen.com.

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.

Shareholders' Rights

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

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.

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.



Corporate Governance Report

(D) Shareholders Engagement (continued)

Shareholders' Rights (continued)

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.

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.

Dividend Policy

The Board adopted a Dividend Policy on November 13, 2018. The Company is committed to maintaining a sustainable and stable 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.

Pursuant to the Dividend Policy, the Board considered the declaration or recommendation of payment, form, frequency and amount of dividend taking into account 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. The Company does not have any pre-determined dividend payout ratio, or obligation to declare dividend at any time or amount.

The dividend decisions made by the Board during the Year (i) were made in accordance with the Dividend Policy and (ii) maintained a similar dividend payout ratio as compared to the Previous Year.

Constitutional document

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.



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 78 to 203, which comprise the consolidated statement of financial position as at December 31, 2025, 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, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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 ("HKSA") as 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"), as applicable to audits of the financial statements of public interest entities. We have also 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 period. 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 significance of the balance of goodwill to the consolidated financial statements as a whole, combined with the 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\$76,121,000 as at December 31, 2025.

Management conducted an impairment assessment by comparing the recoverable amounts of the CGUs which are estimated based on value in use calculation, with their carrying amounts.

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. The above groups of CGUs containing goodwill did not suffer any impairment during the year ended December 31, 2025.

Our procedures in relation to the impairment assessment of goodwill included:

- Involving our team of internal valuation experts to assess the discount rate applied underpinning the discounted cash flow models based on market data and management's specific parameters to the CGUs;
- Evaluating the assumptions applied underpinning the discounted cash flow models, including growth rates and gross margin in the forecasted future cash flows, by reference to the financial budget approved by the management;
- Evaluating the accuracy of historical forecasts of future cash flows by comparing them with actual results in the current year and understanding the causes for any significant variances; and
- Performing sensitivity analysis on the key assumptions including discount rate to evaluate the magnitude of their impacts on the value in use of the CGUs.



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.

Our procedures in relation to assessment of net realizable value of obsolete and slow-moving inventories included:

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, 2025 was US\$719,889,000 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\$1,787,000.

- Testing the completeness and accuracy of aging analysis of inventories and checking, on a sample basis, to the invoices and other relevant supporting documents;
- Evaluating the allowance for inventories by the management of the Group with reference to the retrospective review on actual sales by aging categories during the year for those inventories as at December 31, 2024; and
- Assessing the net realizable value of the inventories with reference to the actual sales subsequent to the end of the reporting period.

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. The management of the Group estimated the net realizable value for those items based primarily on the latest transaction prices and current market conditions.



Independent Auditor's Report

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.

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

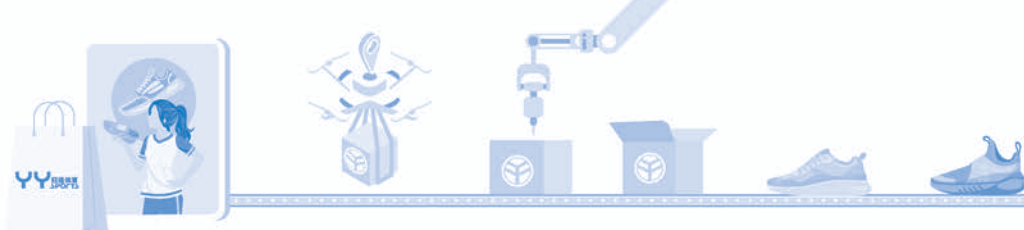
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control 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.



Independent Auditor's Report

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

As part of an audit in accordance with HKSAAs, 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.
- 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.



Independent Auditor's Report

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

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 Wu, Ka Ming (practising certificate number: P05701).

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 11, 2026



Consolidated Income Statement

For the year ended December 31, 2025

	NOTES	2025 US\$'000	2024 US\$'000
Revenue	5	8,031,354	8,182,161
Cost of sales		(6,203,550)	(6,189,451)
Gross profit		1,827,804	1,992,710
Other income	6	107,012	122,713
Selling and distribution expenses		(780,541)	(838,163)
Administrative expenses		(562,215)	(553,395)
Other expenses		(156,173)	(177,427)
Finance costs	7	(53,166)	(63,339)
Share of results of associates		53,230	54,081
Share of results of joint ventures		16,663	24,352
Other gains and losses	8	13,211	10,565
Profit before taxation		465,825	572,097
Income tax expense	9	(70,429)	(147,444)
Profit for the year	10	395,396	424,653
Attributable to:			
Owners of the Company		381,082	392,415
Non-controlling interests		14,314	32,238
		395,396	424,653
Earnings per share	13	US cents	US cents
– Basic		23.76	24.37
– Diluted		23.75	24.34

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2025

	2025 US\$'000	2024 US\$'000
Profit for the year	395,396	424,653
Other comprehensive income (expense)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on equity instruments at fair value through other comprehensive income	(4,827)	2,771
Share of other comprehensive expense of associates	(2,892)	(628)
Remeasurement of defined benefit obligations, net of tax	(322)	13,028
Revaluation gain on transfer of properties to investment properties, net of tax	29,052	56,810
	21,011	71,981
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on the translation of foreign operations	63,981	(36,480)
Share of other comprehensive income (expense) of associates and joint ventures	4,986	(5,437)
Reserve released upon partial disposal of associates	509	2,070
Reserve released upon deemed disposal of an associate	–	316
	69,476	(39,531)
Other comprehensive income for the year	90,487	32,450
Total comprehensive income for the year	485,883	457,103
Total comprehensive income for the year attributable to:		
Owners of the Company	446,572	438,168
Non-controlling interests	39,311	18,935
	485,883	457,103



Consolidated Statement of Financial Position

At December 31, 2025

	NOTES	2025 US\$'000	2024 US\$'000
Non-current assets			
Investment properties	14	415,253	327,202
Property, plant and equipment	15	1,584,499	1,578,860
Right-of-use assets	16	426,383	469,693
Deposits paid for acquisition of property, plant and equipment/right-of-use assets		34,492	30,102
Intangible assets	17	14,351	13,106
Goodwill	18	259,856	256,148
Interests in associates	20	432,824	425,495
Interests in joint ventures	21	156,120	164,305
Equity instruments at fair value through other comprehensive income	22	15,675	20,240
Financial assets at fair value through profit or loss	23	64,711	61,099
Bank deposits over three months	26	116,697	62,140
Other financial assets at amortized cost		30,686	5,795
Rental deposits		13,510	14,886
Deferred tax assets	30	98,551	101,359
		3,663,608	3,530,430
Current assets			
Inventories	24	1,379,582	1,335,969
Trade and other receivables	25	1,625,896	1,555,506
Equity instrument at fair value through other comprehensive income	22	2,336	3,139
Financial assets at fair value through profit or loss	23	73,224	37,662
Taxation recoverable		49,558	31,632
Bank deposits over three months	26	100,632	124,167
Cash and cash equivalents	26	633,897	756,849
		3,865,125	3,844,924

Consolidated Statement of Financial Position

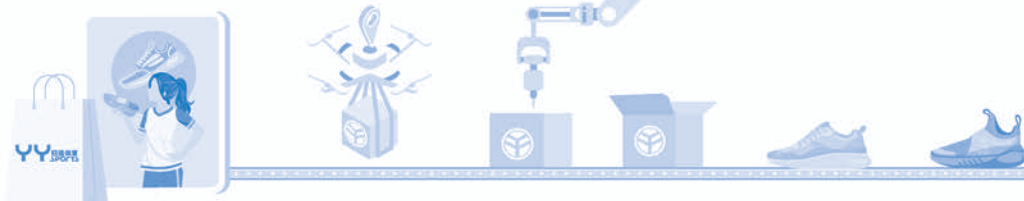
At December 31, 2025

	NOTES	2025 US\$'000	2024 US\$'000
Current liabilities			
Trade and other payables	27	1,175,836	1,203,244
Contract liabilities	28	40,498	54,208
Financial liabilities at fair value through profit or loss	23	643	3,126
Taxation payable		61,370	76,051
Bank borrowings	29	468,828	357,616
Lease liabilities	31	72,001	75,534
		1,819,176	1,769,779
Net current assets			
		2,045,949	2,075,145
Total assets less current liabilities			
		5,709,557	5,605,575
Non-current liabilities			
Bank borrowings	29	319,862	399,684
Deferred tax liabilities	30	78,690	70,439
Lease liabilities	31	114,314	137,383
Retirement benefit obligations	42(b) & (c)	85,734	83,715
		598,600	691,221
Net assets			
		5,110,957	4,914,354
Capital and reserves			
Share capital	32	51,795	51,795
Reserves		4,564,901	4,386,396
Equity attributable to owners of the Company			
Non-controlling interests	44	494,261	476,163
Total equity			
		5,110,957	4,914,354

The consolidated financial statements on pages 78 to 203 were approved and authorized for issue by the board of directors of the Company on March 11, 2026 and are signed on its behalf by:

Tsai Pei Chun, Patty
MANAGING DIRECTOR

Chau Chi Ming
EXECUTIVE DIRECTOR



Consolidated Statement of Changes in Equity

For the year ended December 31, 2025

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 changes 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, 2025

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, 2025	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
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	381,082	381,082	14,314	395,396
Remeasurement of defined benefit obligations	-	-	-	-	-	-	-	-	-	-	-	(181)	(181)	(5)	(186)
Deferred tax arising from remeasurement of defined benefit obligations	-	-	-	-	-	-	-	-	-	-	-	(137)	(137)	1	(136)
Revaluation gain on transfer of properties to investment properties	-	-	-	-	-	-	38,736	-	-	-	-	-	38,736	-	38,736
Deferred tax arising from revaluation gain on transfer of properties to investment properties	-	-	-	-	-	-	(9,684)	-	-	-	-	-	(9,684)	-	(9,684)
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	-	-	39,272	-	39,272	24,709	63,981
Fair value changes on equity instruments at fair value through other comprehensive income	-	-	(4,790)	-	-	-	-	-	-	-	-	-	(4,790)	(37)	(4,827)
Share of other comprehensive income (expense) of associates and joint ventures	-	-	(2,892)	-	-	-	-	-	-	-	4,657	-	1,765	329	2,094
Reserves release upon partial disposal of associates	-	-	-	-	-	-	-	-	-	-	509	-	509	-	509
Total comprehensive (expense) income for the year	-	-	(7,682)	-	-	-	29,052	-	-	-	44,438	380,764	446,572	39,311	485,883
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	2,055	-	-	-	2,055	959	3,014
Transfer upon partial disposal of associates	-	-	(506)	-	-	-	-	-	-	-	-	506	-	-	-
Share awards vested	-	-	-	-	-	-	-	3,513	(2,937)	-	-	(576)	-	-	-
Purchase of shares under share award scheme	-	-	-	-	-	-	-	(3,705)	-	-	-	-	(3,705)	-	(3,705)
Release upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(2,665)	-	2,665	-	-	-
Dividends (Note 12)	-	-	-	-	-	-	-	-	-	-	-	(266,417)	(266,417)	-	(266,417)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,372)	(27,372)
Capital contribution from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	5,200	5,200
Transfer upon disposal of an equity instrument at fair value through other comprehensive income	-	-	(39)	-	-	-	-	-	-	-	-	39	-	-	-
Transfer to statutory reserve fund	-	-	-	-	-	-	-	-	-	15,103	-	(15,103)	-	-	-
At December 31, 2025	51,795	577,913	18,723	(16,688)	9,321	4,551	161,988	(209)	774	219,302	2,334	3,586,892	4,616,696	494,261	5,110,957



Consolidated Statement of Changes in Equity

For the year ended December 31, 2025

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, 2025

	2025 US\$'000	2024 US\$'000
OPERATING ACTIVITIES		
Profit before taxation	465,825	572,097
Adjustments for:		
Depreciation of property, plant and equipment	262,415	266,247
Depreciation of right-of-use assets	99,690	115,074
Amortization of intangible assets	1,962	1,630
Net changes in allowance for inventories	(6,208)	(11,874)
Loss (gain) on disposal of property, plant and equipment	2,399	(1,402)
Loss (gain) on disposal of right-of-use assets	37	(769)
Equity-settled share-based payments	3,014	3,320
Defined benefit costs recognized	13,900	13,553
Dividend income from equity instruments at fair value through other comprehensive income ("FVTOCI")	(1,062)	(398)
Finance costs	53,166	63,339
Interest income	(20,904)	(29,651)
Share of results of associates and joint ventures	(69,893)	(78,433)
Fair value changes on financial instruments at fair value through profit or loss ("FVTPL")	(4,673)	2,000
Fair value changes on investment properties	5,250	12,367
Gain on disposal of associates	(937)	–
Gain on partial disposal of associates	(12,851)	(30,098)
Gain on deemed disposal of an associate	–	(1,411)
Loss on deregistration of subsidiaries	–	14
Loss on disposal of investment properties	–	3,883
Impairment loss on interest in an associate	–	1,563
Impairment loss on interest in a joint venture	–	5,000
Reversal of impairment loss on trade and other receivables	(627)	(5,517)
Impairment loss on right-of-use assets	3,146	–
Operating cash flows before movements in working capital	793,649	900,534
Increase in inventories	(1,965)	(96,517)
Increase in trade and other receivables	(53,392)	(166,098)
(Decrease) increase in trade and other payables	(40,235)	72,743
(Decrease) increase in contract liabilities	(15,664)	10,428
Decrease (increase) in financial instruments at FVTPL	19,378	(19,579)
Decrease in retirement benefit obligations	(9,783)	(11,532)
Net cash generated from operations	691,988	689,979
Taxation paid	(100,748)	(152,902)
NET CASH FROM OPERATING ACTIVITIES	591,240	537,077



Consolidated Statement of Cash Flows

For the year ended December 31, 2025

	2025 US\$'000	2024 US\$'000
INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	(313,972)	(202,875)
Payment for right-of-use assets	(10,805)	(6,683)
Payment for acquisition of investment properties	(19)	–
Payment for acquisition of intangible assets	(2,509)	(3,016)
Proceeds from disposal of property, plant and equipment	8,584	9,066
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	721	3,707
Dividends received from associates and joint ventures	68,514	58,747
Dividends received from equity instruments at FVTOCI	1,062	398
Acquisition of additional interest of an associate	(4,054)	–
Proceeds from disposal/partial disposal of associates	22,680	60,209
Acquisition of financial instruments at FVTPL	(82,581)	(31,603)
Settlement of financial instruments at FVTPL	27,167	(477)
Proceeds from disposal of an equity instrument at FVTOCI	579	1,608
Acquisition of other financial instruments at amortized cost	(24,649)	(5,858)
Interest received	20,859	29,651
Placement of bank deposits over three months	(218,361)	(234,235)
Release of bank deposits over three months	196,184	259,919
NET CASH USED IN INVESTING ACTIVITIES	(310,600)	(58,542)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(3,300,315)	(3,523,893)
Bank borrowings raised	3,330,368	3,313,313
Interest paid	(44,655)	(52,838)
Payment of upfront fee on bank borrowings	(150)	–
Repayment of lease liabilities, including related interests	(102,685)	(116,542)
Share repurchased and cancelled	–	(15,009)
Capital contribution from non-controlling interests of subsidiaries	5,200	6,064
Dividends paid	(266,417)	(227,418)
Dividends paid to non-controlling interests of subsidiaries	(27,372)	(12,664)
Purchase of shares under share award scheme	(3,705)	(1,965)
NET CASH USED IN FINANCING ACTIVITIES	(409,731)	(630,952)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(129,091)	(152,417)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	756,849	923,217
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	6,139	(13,951)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	633,897	756,849



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 HKFRS ACCOUNTING STANDARDS

Amendments to an HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as 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, 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to an HKFRS Accounting Standard 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (continued)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

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

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

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, 2026

³ Effective for annual periods beginning on or after January 1, 2027

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRS Accounting Standards 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 “Accounting Policies, Changes in Accounting Estimates and Errors” (the title of which will be changed to “Basis of Preparation of Financial Statements” upon effective of HKFRS 18) and HKFRS 7 “Financial Instruments: Disclosures”. 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 not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated income statement.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 HKFRS Accounting Standards as 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 component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 HKFRS Accounting Standards). 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 “Share-based Payment” 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 “Leases”) 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 an annual period, the CGU or group of CGUs to which goodwill has been allocated is tested for impairment before the end of that annual 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 provided for, and a liability is 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 "Impairment of Assets" 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 "Revenue from Contracts with Customers". 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

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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)

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.

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, except for a derivative that is a designated and effective 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 past events and current conditions at the reporting date as well as the forecast of future economic conditions.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 foregoing, 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 are held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 on the net defined benefit liability or asset; and
- Remeasurement of the net defined benefit liability or asset in other comprehensive income.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 Accounting Standard 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 Accounting Standard 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, 2025

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 includes a reasonable profit margin. Accordingly, the sales of products with no alternative use are 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, 2025 carrying amount of goodwill being US\$259,856,000 (2024: US\$256,148,000). Details of the recoverable amount calculation are disclosed in Note 19.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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\$1,380 million (2024: US\$1,336 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\$719,889,000 (2024: US\$674,179,000) represented finished goods for the Retailing Business (as defined in Note 5) in which accumulated allowance made as at December 31, 2025 was US\$17,901,000 (2024: US\$18,759,000). The net changes in allowance from inventories arose from the finished goods for Retailing Business (as defined in Note 5) credited to the consolidated income statement for the year then ended was US\$1,787,000 (2024: US\$2,298,000).



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, (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 in the retail stores which are subject to impairment test in the event of performance being 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, 2025, the Group performed impairment assessment on certain CGUs/groups of CGUs with impairment indicators. Impairment losses on right-of-use assets of US\$3,146,000 were recognized against the carrying amounts of the right-of-use assets, and no impairment loss on property, plant and equipment 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

	2025 US\$'000	2024 US\$'000
Revenue		
Manufacturing Business	5,648,284	5,620,753
Retailing Business	2,383,070	2,561,408
	8,031,354	8,182,161

Revenue from major products

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

	2025 US\$'000	2024 US\$'000
Athletic/outdoor shoes	4,435,037	4,403,600
Casual shoes and sports sandals	861,601	765,388
Soles, components and others	351,646	451,765
Retail sales – shoes, apparel, commissions from concessionaire sales and others	2,383,070	2,561,408
	8,031,354	8,182,161

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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:

	2025 US\$'000	2024 US\$'000
US	1,605,310	1,542,031
Europe	1,531,024	1,429,624
PRC	3,133,605	3,580,267
Other countries in Asia	1,208,132	1,174,519
Others	553,283	455,720
	8,031,354	8,182,161



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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:

	2025 US\$'000	2024 US\$'000
PRC	903,122	928,839
Vietnam	554,922	561,014
Indonesia	778,865	706,971
Myanmar	64,255	70,718
Cambodia	62,412	61,119
Bangladesh	33,399	35,443
Others	78,003	69,745
	2,474,978	2,433,849

Information about major customers

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

	2025 US\$'000	2024 US\$'000
Customer A	1,924,390	2,057,802
Customer B	1,387,933	1,385,835

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

6. OTHER INCOME

	2025 US\$'000	2024 US\$'000
Interest income	20,904	29,651
Dividend income from equity instruments at FVTOCI	1,062	398
Net exchange gain	8,217	7,307
Operating lease income	31,893	26,939
Gain on disposal of property, plant and equipment	–	1,402
Gain on disposal of right-of-use assets	–	769
Management and other service income	9,114	9,406
Government subsidies	8,598	11,691
Others	27,224	35,150
	107,012	122,713

7. FINANCE COSTS

	2025 US\$'000	2024 US\$'000
Interest on bank and other borrowings	44,636	52,841
Interest on lease liabilities	8,322	9,854
Amortization of upfront fee of bank borrowings	208	644
	53,166	63,339

8. OTHER GAINS AND LOSSES

	2025 US\$'000	2024 US\$'000
Fair value changes on financial instruments at FVTPL	4,673	(2,000)
Fair value changes on investment properties	(5,250)	(12,367)
Gain on disposal of associates	937	–
Gain on partial disposal of associates	12,851	30,098
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)
	13,211	10,565



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

9. INCOME TAX EXPENSE

	2025 US\$'000	2024 US\$'000
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax ("EIT") (note ii)		
– current year	30,677	39,591
– overprovision in prior years	(3,458)	(2,007)
Overseas taxation (note iii)		
– current year	56,512	70,855
– (over)underprovision in prior years (note iv)	(23,269)	27,855
	60,462	136,294
Income tax – Pillar Two Rules (note v)	4,067	–
Withholding tax on dividend (notes ii and iii)	4,230	4,180
Deferred tax (Note 30)	1,670	6,970
	70,429	147,444

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%.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

9. INCOME TAX EXPENSE (continued)

notes: (continued)

(iv) 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 fully paid as at December 31, 2025 (2024: paid approximately US\$75.7 million and US\$13.0 million respectively). 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. 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.

During the year ended December 31, 2024, 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 to recognize US\$28.2 million additional income tax expenses and administrative penalties of US\$12.3 million (included in other expenses) 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 as tax recoverable and other receivable, respectively.

During the year ended December 31, 2025, the Supreme Court issued a ruling in favor of one of the Indonesian Subsidiaries in relation to the Tax Dispute on corporate income tax, of which US\$29.3 million was received subsequent to the reporting period. As a result of the ruling, the Group recognized a reversal of previously provided income tax expense of US\$20.4 million and administrative penalty of US\$8.9 million (included in other expenses). These amounts have been recognized as tax recoverable and other receivable, respectively, as at December 31, 2025. Including this reversal, the total paid amounts related to the Tax Disputes recognized as tax recoverable and other receivable as at December 31, 2025 are approximately US\$39.8 million and US\$58.0 million, respectively. The appeal process for the remaining Tax Disputes is expected to be completed within one year.

(v) Income tax – Pillar Two Rules

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 certain jurisdictions where the annual effective income tax rates are estimated to be below 15%. Therefore, a top-up tax is accrued in the current year 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\$4,067,000 related to the Pillar Two Rules for the year ended December 31, 2025 (2024: Nil) which is expected to be levied on the group entities in Hong Kong.

Meanwhile, the Group’s certain subsidiaries are operating in certain jurisdictions where the Pillar Two Rules are effective or enacted but not yet effective. The management of the Group considered the Group’s subsidiaries in these jurisdictions are not liable to top-up tax under the Pillar Two Rules, after taking into consideration the adjustments under the Global Anti-Base Erosion Rules based on management’s best estimate and the transitional Country-by-Country Reporting Safe Harbor.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

9. INCOME TAX EXPENSE (continued)

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

	2025 US\$'000	2024 US\$'000
Profit before taxation	465,825	572,097
Tax at domestic rates applicable to profits/losses of taxable entities in the countries concerned (note)	88,198	112,422
Tax effect of share of results of associates and joint ventures	(15,686)	(17,143)
Tax effect of expenses not deductible for tax purpose	17,654	30,391
Tax effect of income not taxable for tax purpose	(5,880)	(4,849)
Tax effect of tax losses not recognized	6,573	(3,405)
Income tax – Pillar Two Rules	4,067	–
Withholding tax on dividend/undistributed earnings of PRC and overseas entities, net	2,230	4,180
(Over) underprovision in prior years, net	(26,727)	25,848
Income tax expense for the year	70,429	147,444

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, 2025

10. PROFIT FOR THE YEAR

	2025 US\$'000	2024 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	1,853,031	1,799,124
– retirement benefit scheme contributions	230,423	223,260
– share-based payments	3,014	3,320
	2,086,468	2,025,704
Auditor's remuneration	1,434	1,432
Amortization of intangible assets	1,962	1,630
Depreciation of property, plant and equipment (note iii)	262,415	266,247
Depreciation of right-of-use assets	99,690	115,074
Loss (gain) on disposal of property, plant and equipment (included in other expenses (other income))	2,399	(1,402)
Loss (gain) on disposal of right-of-use assets (included in other expenses (other income))	37	(769)
Loss on disposal of investment properties (included in other expenses)	–	3,883
Impairment loss on right-of-use assets (included in selling and distribution expenses)	3,146	–
Research and development expenditure (included in other expenses)	145,936	142,233
Net changes in allowance for inventories (included in cost of sales) (note ii)	(6,208)	(11,874)
Net exchange gain (included in other income)	(8,217)	(7,307)
Reversal of impairment loss on trade and other receivables (Note 37(b))	(627)	(5,517)

notes:

- (i) For the years ended December 31, 2025 and 2024, 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\$1,787,000 (2024: US\$2,298,000) was credited to the consolidated income statement for the year ended December 31, 2025 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2025						
<i>Executive directors:</i>						
Lu Chin Chu	-	127	257	-	117	501
Chan Lu Min (note i)	-	37	-	-	158	195
Tsai Pei Chun, Patty	-	100	206	-	-	306
Liu George Hong-Chih	-	123	340	2	186	651
Lin Cheng-Tien	-	92	123	-	55	270
Shih Chih-Hung (note iii)	-	63	-	-	34	97
Chou Wei Te (note ii)	-	38	11	-	35	84
Chau Chi Ming (note iv)	-	88	96	1	-	185
Sub-total	-	668	1,033	3	585	2,289
<i>Independent non-executive directors:</i>						
Wong Hak Kun	39	-	-	-	-	39
Ho Lai Hong	37	-	-	-	-	37
Lin Shei-Yuan	37	-	-	-	-	37
Yang Ju-Huei	37	-	-	-	-	37
Sub-total	150	-	-	-	-	150
Total						2,439

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2024						
<i>Executive directors:</i>						
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
<i>Independent non-executive directors:</i>						
Wong Hak Kun	39	-	-	-	-	39
Ho Lai Hong	37	-	-	-	-	37
Lin Shei-Yuan	37	-	-	-	-	37
Yang Ju-Huei	37	-	-	-	-	37
Sub-total	150	-	-	-	-	150
Total						2,819

notes:

- i. Chan Lu Min retired as an executive director on June 1, 2025.
- ii. Chou Wei Te was appointed as an executive director on June 1, 2025.
- iii. Shih Chih-Hung resigned as an executive director on August 11, 2025.
- iv. Chau Chi Ming was appointed as an executive director on August 11, 2025.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

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.

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, two (2024: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2024: two) employees were as follows:

	2025 US\$'000	2024 US\$'000
Basic salaries and other allowances	413	296
Performance related bonus	569	455
Retirement benefit scheme contributions	93	28
Share-based payments	119	39
	1,194	818

The emoluments of the remaining three (2024: two) employees were within the following bands:

	2025 Number of employees	2024 Number of employees
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	2	2
	3	2

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments (continued)

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.

(c) Emoluments of senior management

Of the seven senior management of the Company for the year ended December 31, 2025 and 2024, none of them was a director of the Company. The emoluments of the seven (2024: seven) individuals of senior management for the year are within the following bands:

	2025 Number of employees	2024 Number of employees
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	3	2
HK\$2,000,001 to HK\$2,500,000	1	2
HK\$3,000,001 to HK\$3,500,000	1	1
	7	7

12. DIVIDENDS

	2025 US\$'000	2024 US\$'000
Dividends recognized as distribution during the year:		
2024 Final dividend of HK\$0.90 per share (2023 Final dividend of HK\$0.70 per share)	183,950	144,458
2025 Interim dividend of HK\$0.40 per share (2024 Interim dividend of HK\$0.40 per share)	82,467	82,960
	266,417	227,418

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, 2025 (2024: HK\$0.90 per share) for shareholders whose names appear on the register of members of the Company on June 8, 2026. The proposed final dividend of approximately HK\$1,443,987,000 shall be paid on June 23, 2026.

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, 2025

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:

	2025 US\$'000	2024 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	381,082	392,415
	2025	2024
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,604,050,845	1,610,400,915
Effect of dilutive potential ordinary shares: – Unvested awarded shares	759,169	1,761,908
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,604,810,014	1,612,162,823

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)).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

14. INVESTMENT PROPERTIES

	Completed investment properties
	US\$'000
FAIR VALUE	
At January 1, 2024	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
Exchange realignment	873
Additions	19
Net decrease in fair value recognized in profit or loss	(5,250)
Transfer from property, plant and equipment (Note 15)	42,135
Transfer from right-of-use assets	11,538
Revaluation gain on transfer from property, plant and equipment and right-of-use assets	38,736
At December 31, 2025	415,253

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

14. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties as at December 31, 2025 and December 31, 2024 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 4.5% to 8.5% and 5.4% to 5.8% (2024: 4.4% to 8.5% and 5.6% 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,	
	2025 US\$'000	2024 US\$'000
Investment properties located in:		
PRC	370,853	276,302
US	44,400	50,900

There were no transfers into or out of Level 3 during the years ended December 31, 2025 and December 31, 2024.

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For the year ended December 31, 2025

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, 2024	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
Exchange realignment	2,887	-	416	-	476	11,743	3,007	144	18,673
Additions	2,152	-	-	71,748	121,458	30,963	87,128	2,496	315,945
Reclassification	118,199	-	-	(123,238)	-	5,039	-	-	-
Transfer to investment properties (Note 14)	(107,908)	-	-	-	-	-	-	-	(107,908)
Disposals	(5,929)	-	-	-	(56,199)	(43,195)	(14,588)	(1,256)	(121,167)
At December 31, 2025	2,250,773	12,840	43,259	39,395	1,630,115	354,561	347,499	34,929	4,713,371
DEPRECIATION AND IMPAIRMENT									
At January 1, 2024	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
Exchange realignment	1,775	-	182	-	396	8,556	2,423	114	13,446
Provided for the year	81,727	-	1,026	-	96,036	42,414	39,614	1,598	262,415
Transfer to investment properties (Note 14)	(65,773)	-	-	-	-	-	-	-	(65,773)
Eliminated on disposals	(1,863)	-	-	-	(52,853)	(40,879)	(13,480)	(1,109)	(110,184)
At December 31, 2025	1,261,161	-	12,537	-	1,314,020	269,070	243,602	28,482	3,128,872
CARRYING VALUE									
At December 31, 2025	989,612	12,840	30,722	39,395	316,095	85,491	103,897	6,447	1,584,499
At December 31, 2024	996,077	12,840	31,514	90,885	293,939	91,032	56,907	5,666	1,578,860



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For the year ended December 31, 2025

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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% – 50%
Motor vehicles	20% – 30%

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, 2025					
Carrying value	248,770	175,773	1,737	103	426,383
As at December 31, 2024					
Carrying value	264,834	204,250	485	124	469,693
For the year ended December 31, 2025					
Depreciation charge	6,712	92,782	93	103	99,690
For the year ended December 31, 2024					
Depreciation charge	7,248	107,703	26	97	115,074

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

16. RIGHT-OF-USE ASSETS (continued)

Right-of-use assets (continued)

	2025 US\$'000	2024 US\$'000
Expense relating to short-term leases	11,278	13,744
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	114	128
Variable lease payments not included in the measurement of lease liabilities	121,355	136,392
Total cash outflow for leases	246,237	273,489
Additions to right-of-use assets, net of early termination and modification	62,334	62,595

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 6 years (2024: 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.

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, 2025, 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 3 years (2024: 1 to 6 years), the total future undiscounted cash flows over the non-cancellable period amounted to US\$1,702,000 (2024: US\$5,592,000).



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17. INTANGIBLE ASSETS

	Brand names US\$'000	Software US\$'000	Licensing agreements US\$'000	Non-compete agreements US\$'000	Total US\$'000
COST					
At January 1, 2024	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
Exchange realignment	3,319	465	265	1,058	5,107
Additions	–	2,509	–	–	2,509
Written off	–	(5)	–	–	(5)
At December 31, 2025	67,016	10,730	5,352	21,381	104,479
AMORTIZATION AND IMPAIRMENT					
At January 1, 2024	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
Exchange realignment	3,319	67	265	758	4,409
Provided for the year	–	1,050	–	912	1,962
Written off	–	(5)	–	–	(5)
At December 31, 2025	67,016	2,064	5,352	15,696	90,128
CARRYING VALUE					
At December 31, 2025	–	8,666	–	5,685	14,351
At December 31, 2024	–	6,809	–	6,297	13,106

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

Brand names	5 years
Software	3 to 10 years
Licensing agreements	10 years
Non-compete agreements	5 to 20 years

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18. GOODWILL

	US\$'000
COST	
At January 1, 2024	258,237
Exchange realignment	(2,089)
At December 31, 2024	256,148
Exchange realignment	3,708
At December 31, 2025	259,856

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	
	2025	2024
	US\$'000	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 ("Unit C")	76,121	72,413
	259,856	256,148

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, 2025 and 2024. The basis of the recoverable amounts of the above groups of CGUs and their principal underlying assumptions are summarized below.



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19. IMPAIRMENT ASSESSMENT ON GOODWILL (continued)

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 17% to 20% (2024: 18% to 20%). The value in use calculation for Unit A and the discount rates used in the value in use calculation 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 (2024: 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

	2025 US\$'000	2024 US\$'000
Cost of interests in associates (note):		
Listed in Hong Kong	54,354	54,354
Listed in Taiwan	88,092	86,198
Unlisted	45,534	46,685
Share of post-acquisition profits and reserves, net of dividends received	269,012	262,426
Less: impairment losses	(24,168)	(24,168)
	432,824	425,495
Fair value of listed investments	438,505	435,973

note: Included in cost of investments is goodwill of US\$71,443,000 (2024: US\$70,777,000).

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20. INTERESTS IN ASSOCIATES (continued)

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
			2025	2024	
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	40.95%	40.62%	Manufacture and sales of synthetic leather

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

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.



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20. INTERESTS IN ASSOCIATES (continued)

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 HKFRS Accounting Standards.

	2025		2024	
	Oftenrich US\$'000	San Fang US\$'000	Oftenrich US\$'000	San Fang US\$'000
<i>Financial information of consolidated income statement and consolidated statement of comprehensive income</i>				
Revenue	377,417	269,774	322,587	251,260
Profit for the year	28,927	36,357	14,073	44,789
Other comprehensive income (expense) for the year	–	7,673	–	(8,947)
Total comprehensive income for the year	28,927	44,030	14,073	35,842
Profit for the year, attributable to the Group	13,017	14,614	6,333	19,585
Other comprehensive income (expense) for the year, attributable to the Group	–	3,122	–	(3,763)
Total comprehensive income for the year, attributable to the Group	13,017	17,736	6,333	15,822
Dividends received from the associate during the year	6,750	14,331	4,500	8,161

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20. INTERESTS IN ASSOCIATES (continued)

	2025		2024	
	Oftenrich US\$'000	San Fang US\$'000	Oftenrich US\$'000	San Fang US\$'000
<i>Financial information of consolidated statement of financial position</i>				
Non-current assets	87,274	364,004	87,551	328,751
Current assets	196,086	176,111	186,375	158,137
Current liabilities	(85,503)	(97,547)	(89,036)	(91,532)
Non-current liabilities	(6,228)	(148,056)	(7,188)	(109,057)
Net assets	191,629	294,512	177,702	286,299
Reconciliation to the carrying amount of interest in the associate:				
Net assets attributable to the equity holders of the associate	191,629	294,512	177,702	286,299
Proportion of the Group's ownership interest in the associate	45%	40.95%	45%	40.62%
Net assets of the Group's interest in the associate	86,233	120,603	79,966	116,295
Goodwill	16,110	32,990	16,110	32,324
Carrying amount of the Group's interest in the associate	102,343	153,593	96,076	148,619
Fair value of listed associate (measured as Level 1)	N/A	167,503	N/A	181,625

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.



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20. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	2025 US\$'000	2024 US\$'000
Profit for the year, attributable to the Group	25,599	28,163
Other comprehensive expense for the year, attributable to the Group	(3,980)	(442)
Total comprehensive income for the year, attributable to the Group	21,619	27,721
Carrying amount of the Group's interests in these associates	176,888	180,800

21. INTERESTS IN JOINT VENTURES

	2025 US\$'000	2024 US\$'000
Cost of unlisted interests in joint ventures (note)	118,379	121,043
Share of post-acquisition profits and other comprehensive income, net of dividends received	42,741	48,262
Less: Impairment loss	(5,000)	(5,000)
	156,120	164,305

note: Included in cost of investments is goodwill of approximately US\$3,725,000 (2024: US\$3,725,000).

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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
			2025	2024	
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 HKFRS Accounting Standards.



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21. INTERESTS IN JOINT VENTURES (continued)

	中奧廣場	
	2025 US\$'000	2024 US\$'000
<i>Financial information of consolidated income statement and consolidated statement of comprehensive income</i>		
Revenue	12,749	10,390
(Loss) profit for the year	(4,173)	3,659
Other comprehensive income (expense) for the year	4,678	(2,856)
Total comprehensive income for the year	505	803
(Loss) profit for the year, attributable to the Group	(1,954)	1,713
Other comprehensive income (expense) for the year, attributable to the Group	2,190	(1,337)
Total comprehensive income for the year, attributable to the Group	236	376
<i>The above (loss) profit for the year include the following:</i>		
Depreciation and amortization	20	373
Interest income	10	28
Interest expense	853	534
Income tax expense	429	614
<i>Financial information of consolidated statement of financial position</i>		
Non-current assets	19,945	21,215
Current assets	125,838	120,174
Current liabilities	(21,493)	(18,731)
Non-current liabilities	(8,410)	(7,193)
Non-controlling interests	(25,563)	(25,654)
Net assets attributable to the equity holders of the joint venture	90,317	89,811

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21. INTERESTS IN JOINT VENTURES (continued)

	中奧廣場 2025 US\$'000	2024 US\$'000
<i>The above amounts of assets and liabilities include the followings:</i>		
Cash and cash equivalents	4,626	4,259
<i>Reconciliation to the carrying amount of interest in the joint venture:</i>		
Net assets attributable to the equity holders of the joint venture	90,317	89,811
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	42,286	42,050
Goodwill	3,725	3,725
Less: Impairment loss	(5,000)	(5,000)
Carrying amount of the Group's interest in the joint venture	41,011	40,775
<i>Aggregate information of joint ventures that are not individually material:</i>		
	2025 US\$'000	2024 US\$'000
Profit for the year attributable to the Group	18,617	22,639
Other comprehensive income (expense) for the year, attributable to the Group	762	(523)
Total comprehensive income for the year, attributable to the Group	19,379	22,116
Carrying amount of the Group's interests in these joint ventures	115,109	123,530



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22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 US\$'000	2024 US\$'000
Equity securities listed overseas	17,652	22,958
Unlisted private equity investment	359	421
	18,011	23,379

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	
	2025 US\$'000	2024 US\$'000	2025 US\$'000	2024 US\$'000	2025 US\$'000	2024 US\$'000
Unlisted overseas funds	64,711	61,099	53,213	37,568	–	–
Forward contracts	–	–	117	94	643	3,126
Daily range accrual note	–	–	19,894	–	–	–
	64,711	61,099	73,224	37,662	643	3,126

24. INVENTORIES

	2025 US\$'000	2024 US\$'000
Raw materials	220,791	243,534
Work in progress	186,029	180,285
Finished goods	972,762	912,150
	1,379,582	1,335,969

As at the end of the reporting period, inventories of US\$719,889,000 (2024: US\$674,179,000) represented finished goods for the Retailing Business in which accumulated allowance made as at December 31, 2025 was US\$17,901,000 (2024: US\$18,759,000). 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\$1,787,000 (2024: US\$2,298,000).

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25. TRADE AND OTHER RECEIVABLES

	2025 US\$'000	2024 US\$'000
Trade receivables	928,695	957,304
Less: allowance for credit losses	(10,355)	(18,805)
	918,340	938,499
Other receivables	140,465	105,467
Amounts due from associates (note)	573	2,197
Amounts due from joint ventures (note)	1,569	2,229
Amounts due from connected and related parties (note)	4,274	6,054
Rental deposits, prepayments and others	173,518	169,468
Deposits paid to trade suppliers	52,792	71,378
Value-added tax recoverable	334,365	260,214
	1,625,896	1,555,506

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

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\$918,340,000 (2024: US\$938,499,000) 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:

	2025 US\$'000	2024 US\$'000
0 to 30 days	613,731	603,752
31 to 90 days	304,443	334,252
Over 90 days	166	495
	918,340	938,499

As at December 31, 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US\$7,964,000 (2024: US\$15,809,000) which are past due as at the reporting date. Out of the past due balances, US\$3,000 (2024: US\$69,000) 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, 2025 and 2024 are set out in Note 37(b).



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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% (2024: 0.01% to 11.80%) per annum. The short-term investments of US\$14,340,000 (2024: Nil) 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 1.08% to 5.50% (2024: 0.80% to 6.00%) per annum and are matured:

	2025 US\$'000	2024 US\$'000
Within one year	100,632	124,167
Within a period of more than one year, but not exceeding two years	116,697	62,140
	217,329	186,307

27. TRADE AND OTHER PAYABLES

	2025 US\$'000	2024 US\$'000
Trade payables	464,149	500,454
Accrued employee benefit expenses	391,004	389,166
Other tax payables	26,894	30,953
Utility and rental payables	6,942	7,517
Other accruals and payables	176,307	179,066
Construction payable	39,420	25,728
Amounts due to associates (note i)	2	20
Amounts due to joint ventures (note i)	240	302
Amounts due to connected and related parties (note i)	19,647	18,796
Deposits from customers	51,231	51,242
	1,175,836	1,203,244

note:

- (i) Except for amounts in aggregate of US\$3,585,000 (2024: US\$3,789,000) due to connected and related parties which carry fixed interest rates ranging from 1.69% to 3.10% (2024: 2.17% to 3.45%) per annum, are unsecured and repayable within one year, the remaining amounts are unsecured, interest-free and repayable on demand.

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27. TRADE AND OTHER PAYABLES (continued)

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:

	2025 US\$'000	2024 US\$'000
0 to 30 days	310,797	352,739
31 to 90 days	137,809	137,000
Over 90 days	15,543	10,715
	464,149	500,454

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, 2024, contract liabilities amounted to US\$45,021,000.

29. BANK BORROWINGS

The Group's bank borrowings are unsecured and carry fixed interest rate at 1.06% to 2.65% 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:

	2025	2024
Short-term bank borrowings:		
Fixed rate	1.06% – 2.65%	2.03% – 3.75%
Variable rate	1.00% – 5.59%	1.74% – 6.32%
Long-term bank borrowings:		
Variable rate	4.39% – 5.27%	5.05% – 6.24%



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29. BANK BORROWINGS (continued)

	2025 US\$'000	2024 US\$'000
Fixed rate bank borrowings	–	5,353
Variable rate bank borrowings	788,690	751,947
	788,690	757,300
The bank borrowings are repayable*:		
Within one year	468,828	357,616
Within a period of more than one year, but not exceeding two years	170,000	229,684
Within a period of more than two years, but not exceeding five years	149,862	170,000
	788,690	757,300

* 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:

	2025 US\$'000	2024 US\$'000
Deferred tax assets	(98,551)	(101,359)
Deferred tax liabilities	78,690	70,439
	(19,861)	(30,920)

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30. DEFERRED TAXATION (continued)

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, 2024	(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)
(Credit) charge to profit or loss (Note 9)	(190)	(854)	(2,000)	(228)	4,249	(720)	(7,493)	8,906	1,670
Charge to other comprehensive income	-	9,684	-	-	-	136	-	-	9,820
Exchange realignment	-	-	70	75	(503)	-	2,093	(2,166)	(431)
At December 31, 2025	(44,994)	56,894	1,398	1,421	(24,828)	(8,628)	42,475	(43,599)	(19,861)

note:

These entities include subsidiaries, associates and joint ventures.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

30. DEFERRED TAXATION (continued)

As at December 31, 2025, the Group had unused tax losses of approximately US\$492.2 million (2024: US\$518.9 million) available for offset against future profits. A deferred tax asset has been recognized in respect of tax losses of US\$130.0 million (2024: US\$142.7 million) as at December 31, 2025. No deferred tax asset has been recognized in respect of the remaining tax losses of US\$362.2 million (2024: US\$376.2 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, 2025, 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\$1,311.2 million (2024: US\$1,234.4 million) and US\$260.3 million (2024: US\$239.7 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

	2025 US\$'000	2024 US\$'000
Lease liabilities payable:		
Within one year	72,001	75,534
Within a period of more than one year but not exceeding two years	45,731	52,080
Within a period of more than two years but not exceeding five years	50,417	65,743
Within a period of more than five years	18,166	19,560
	186,315	212,917
Less: Amount due for settlement with 12 months shown under current liabilities	(72,001)	(75,534)
Amount due for settlement after 12 months shown under non-current liabilities	114,314	137,383

The weighted average incremental borrowing rates applied to lease liabilities are 3.51% (2024: 3.92%) per annum.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

32. SHARE CAPITAL

	No. of shares	Amount HK\$'000
Ordinary shares of HK\$0.25 each		
Authorized:		
At January 1, 2024, December 31, 2024 and December 31, 2025	2,000,000,000	500,000
Issued and fully paid:		
At January 1, 2024,	1,612,183,986	403,046
Share repurchased and cancelled (note)	(7,627,500)	(1,907)
At December 31, 2024 and December 31, 2025	1,604,556,486	401,139
	2025 US\$'000	2024 US\$'000
Shown in the consolidated financial statements as at December 31	51,795	51,795

note:

During the year ended December 31, 2024, 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		Aggregate consideration paid HK\$'000
		Highest price paid	Lowest price paid	
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.



Notes to the Consolidated Financial Statements

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33. INFORMATION ON THE FINANCIAL POSITION OF THE COMPANY

	2025 US\$'000	2024 US\$'000
Non-current assets		
Property, plant and equipment	53	147
Intangible asset	–	–
Investments in subsidiaries	2,174,593	2,174,593
Bank deposits over three months	40,000	–
	2,214,646	2,174,740
Current assets		
Amounts due from subsidiaries	1,139,164	1,055,528
Sundry receivables	2,639	822
Financial assets at FVTPL	20,011	94
Cash and cash equivalents	73,081	24,304
	1,234,895	1,080,748
Current liabilities		
Amounts due to subsidiaries	181,569	48,159
Sundry payables	9,073	4,873
Financial liabilities at FVTPL	643	3,126
Amount due to a substantial shareholder	77	118
Bank borrowings	269,872	143,992
	461,234	200,268
Net current assets	773,661	880,480
Total assets less current liabilities	2,988,307	3,055,220
Non-current liabilities		
Bank borrowings	319,862	399,684
Net assets	2,668,445	2,655,536
Capital and reserves		
Share capital	51,795	51,795
Reserves (Note 34)	2,616,650	2,603,741
	2,668,445	2,655,536

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2024	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
Profit for the year	-	-	-	-	280,976	280,976
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	-	-	-	2,055	-	2,055
Share awards vested	-	-	3,513	(2,937)	(576)	-
Purchase of shares under share award scheme	-	-	(3,705)	-	-	(3,705)
Dividends (Note 12)	-	-	-	-	(266,417)	(266,417)
At December 31, 2025	577,913	38,126	(209)	774	2,000,046	2,616,650

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2025, 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 2,180,000 ordinary shares of the Company for the Yue Yuen Share Award Scheme during the year ended December 31, 2025 (2024: 1,350,000 ordinary shares). A total of 126,000 ordinary shares (2024: 8,000 ordinary shares) of the Company were held by the trustee of the Yue Yuen Share Award Scheme as at December 31, 2025. 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, 2025

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, 2025 and 2024 were as follows:

	Date of grant	Vesting date	Number of awarded shares								
			Outstanding at January 1, 2024	Granted during the year	Lapsed during the year	Vested during the year	Outstanding at December 31, 2024	Granted during the year	Lapsed during the year	Vested during the year	Outstanding at December 31, 2025
Directors of the Company											
Liu George Hong-Chih	06.28.2023	05.31.2025	90,000	-	-	-	90,000	-	-	(90,000)	-
	03.20.2024	06.01.2024	-	159,000	-	(159,000)	-	-	-	-	-
	03.13.2025	06.01.2025	-	-	-	-	-	75,000	-	(75,000)	-
	06.01.2025	05.31.2027	-	-	-	-	-	80,000	-	-	80,000
Chan Lu Min (note i)	03.20.2024	06.01.2024	-	205,000	-	(205,000)	-	-	-	-	-
	03.13.2025	06.01.2025	-	-	-	-	-	94,000	-	(94,000)	-
Lu Chin Chu	03.20.2024	06.01.2024	-	154,000	-	(154,000)	-	-	-	-	-
	03.13.2025	06.01.2025	-	-	-	-	-	70,000	-	(70,000)	-
Lin Cheng-Tien	03.20.2024	06.01.2024	-	74,000	-	(74,000)	-	-	-	-	-
	03.13.2025	06.01.2025	-	-	-	-	-	33,000	-	(33,000)	-
Shih Chih-Hung (note iii)	03.20.2024	06.01.2024	-	41,000	-	(41,000)	-	-	-	-	-
	03.13.2025	06.01.2025	-	-	-	-	-	20,000	-	(20,000)	-
Chou Wei-Te (note ii)	06.01.2025	05.31.2027	-	-	-	-	-	80,000	-	-	80,000
Sub-total			90,000	633,000	-	(633,000)	90,000	452,000	-	(382,000)	160,000
Directors of the Company's subsidiaries/ Employees of the Group and/or its Associated Entities											
	03.31.2023	03.31.2025	85,000	-	-	-	85,000	-	-	(85,000)	-
	06.28.2023	05.31.2025	1,530,000	-	(135,000)	-	1,395,000	-	(90,000)	(1,305,000)	-
	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)	-	-	-	-	-
	03.13.2025	06.01.2025	-	-	-	-	-	320,000	(30,000)	(290,000)	-
	06.01.2025	05.31.2027	-	-	-	-	-	1,680,000	(80,000)	-	1,600,000
Sub-total			1,615,000	722,000	(135,000)	(722,000)	1,480,000	2,000,000	(200,000)	(1,680,000)	1,600,000
Total			1,705,000	1,355,000	(135,000)	(1,355,000)	1,570,000	2,452,000	(200,000)	(2,062,000)	1,760,000

notes:

- i. Chan Lu Min retired as an executive director on June 1, 2025.
- ii. Chou Wei-Te was appointed as an executive director on June 1, 2025.
- iii. Shih Chih-Hung resigned as an executive director on August 11, 2025.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 March 13, 2025 and June 1, 2025 were HK\$13.04 per share and HK\$11.82 per share respectively. (2024: 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).

During the year ended December 31, 2025, the Group recognized a net expense of US\$2,055,000 (2024: US\$2,766,000) 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, 2025 and 2024. A total of 133,214,760 ordinary shares of Pou Sheng were held by the trustee of the Pou Sheng Share Award Scheme as at December 31, 2025 (2024: 142,464,760 ordinary shares).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2025 and 2024:

	Date of grant	Vesting date	Number of awarded shares									
			Outstanding at January 1, 2024	Granted during the year	Lapsed during the year	Vested during the year	Outstanding at December 31, 2024	Granted during the year	Lapsed/cancelled during the year	Reclassified during the year (note v)	Vested during the year	Outstanding at December 31, 2025
Directors/Chief Executive of Pou Sheng												
Chiu, Hui-Yao (note i)	08.18.2025	02.18.2027	-	-	-	-	-	240,000	-	-	-	240,000
	08.18.2025	02.18.2028	-	-	-	-	-	360,000	-	-	-	360,000
	08.18.2025	08.18.2028	-	-	-	-	-	600,000	-	-	-	600,000
Chen Li-Chieh	08.18.2025	02.18.2027	-	-	-	-	-	140,000	-	-	-	140,000
	08.18.2025	02.18.2028	-	-	-	-	-	210,000	-	-	-	210,000
	08.18.2025	08.18.2028	-	-	-	-	-	350,000	-	-	-	350,000
Chang Su-Ching (note ii)	08.19.2024	08.19.2025	-	-	-	-	-	-	-	400,000	(400,000)	-
	08.19.2024	08.19.2026	-	-	-	-	-	-	-	400,000	-	400,000
	08.18.2025	02.18.2027	-	-	-	-	-	200,000	-	-	-	200,000
	08.18.2025	02.18.2028	-	-	-	-	-	300,000	-	-	-	300,000
	08.18.2025	08.18.2028	-	-	-	-	-	500,000	-	-	-	500,000
Yu Huan-Chang (note iii)	11.11.2022	11.11.2024	360,000	-	-	(360,000)	-	-	-	-	-	-
	11.11.2022	11.11.2025	480,000	-	-	-	480,000	-	(480,000)	-	-	-
Wang Jun (note iv)	03.24.2021	03.24.2024	240,000	-	-	(240,000)	-	-	-	-	-	-
	08.19.2024	08.19.2025	-	500,000	-	-	500,000	-	(500,000)	-	-	-
	08.19.2024	08.19.2026	-	500,000	-	-	500,000	-	(500,000)	-	-	-
Sub-total			1,080,000	1,000,000	-	(600,000)	1,480,000	2,900,000	(1,480,000)	800,000	(400,000)	3,300,000
Employees of Pou Sheng												
	03.24.2021	03.24.2024	2,752,000	-	-	(2,752,000)	-	-	-	-	-	-
	08.13.2021	02.13.2024	523,200	-	(7,800)	(515,400)	-	-	-	-	-	-
	08.13.2021	08.13.2024	872,000	-	(28,000)	(844,000)	-	-	-	-	-	-
	08.19.2024	08.19.2025	-	10,500,000	(200,000)	-	10,300,000	-	(1,050,000)	(400,000)	(8,850,000)	-
	08.19.2024	08.19.2026	-	10,500,000	(200,000)	-	10,300,000	-	(1,200,000)	(400,000)	-	8,700,000
	08.18.2025	02.18.2027	-	-	-	-	-	4,386,000	-	-	-	4,386,000
	08.18.2025	02.18.2028	-	-	-	-	-	6,579,000	-	-	-	6,579,000
	08.18.2025	08.18.2028	-	-	-	-	-	10,965,000	-	-	-	10,965,000
Sub-total			4,147,200	21,000,000	(435,800)	(4,111,400)	20,600,000	21,930,000	(2,250,000)	(800,000)	(8,850,000)	30,630,000
Total			5,227,200	22,000,000	(435,800)	(4,711,400)	22,080,000	24,830,000	(3,730,000)	-	(9,250,000)	33,930,000



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Share award scheme of Pou Sheng (continued)

notes:

- i. Chiu, Hui-Yao was appointed as a non-executive director and the chairman of Pou Sheng on April 22, 2025.
- ii. Chang, Su-Ching was appointed as an executive director and the chief executive officer of Pou Sheng on April 22, 2025.
- iii. Yu Huan-Chang resigned from all his positions with Pou Sheng on April 14, 2025.
- iv. Wang Jun resigned from all his positions with Pou Sheng on April 14, 2025.
- v. Since Chang, Su-Ching was appointed as an executive director and the chief executive officer of Pou Sheng on April 22, 2025, and thus 800,000 awarded shares owned by her were reclassified from the category of "Employees of Pou Sheng" to the category of "Directors/Chief Executive of Pou Sheng" as at April 22, 2025.

The closing price of Pou Sheng's shares immediately before the grant of the share awards on August 18, 2025 was HK\$0.498 per share and on August 19, 2024 was HK\$0.620 per share.

During the year ended December 31, 2025, the Group recognized a net expense of US\$959,000 (2024: US\$554,000) 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 US\$'000	2024 US\$'000
Financial assets		
Financial assets at FVTPL	137,935	98,761
Financial assets at amortized cost	1,895,424	1,959,571
Equity instruments at fair value through other comprehensive income	18,011	23,379
Financial liabilities		
Financial liabilities at amortized cost	1,642,360	1,629,308
Financial liabilities at FVTPL	643	3,126
Lease liabilities	186,315	212,917

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

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	
	2025 US\$'000	2024 US\$'000	2025 US\$'000	2024 US\$'000
USD	2,199	1,935	–	–
RMB	222,092	174,036	63,915	70,575
New Taiwan dollars ("NTD")	80,297	37,709	28,271	52,965
Vietnamese Dong ("VND")	34,749	28,909	177,520	118,739
IDR	15,137	11,356	49,585	63,194
Hong Kong dollars ("HKD")	13,096	10,425	2,375	3,588

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% (2024: 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% (2024: 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 to the Consolidated Financial Statements

For the year ended December 31, 2025

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

	notes	2025 US\$'000	2024 US\$'000
Gain (loss) in relation to:			
– USD	(i)	110	97
– RMB	(i)	7,909	5,173
– NTD	(ii)	2,601	(763)
– VND	(i)	(7,139)	(4,491)
– IDR	(i)	(1,722)	(2,592)

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.

(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) 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 and TAIBOR.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

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 (2024: 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 (2024: 100 basis points) higher and all other variables were held constant, the Group's profit before taxation for the year would decrease by US\$7,887,000 (2024: US\$7,519,000). If interest rates were lower by 100 basis points (2024: 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.

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 69% (2024: 70%) of the trade receivables and the largest trade receivable balance was approximately 20% (2024: 25%) 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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 receivables from, 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.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial asset/ 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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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	2025 Gross carrying amount US\$'000	2024 Gross carrying amount US\$'000
Financial assets at amortized cost					
Amounts due from associates	25	Low risk (note 3)	12m ECL	573	2,197
Amounts due from joint ventures	25	Low risk (note 3)	12m ECL	1,569	2,229
Amounts due from connected and related parties	25	Low risk (note 3)	12m ECL	4,274	6,054
Other financial assets at amortized cost		Low risk (note 2)	12m ECL	30,686	5,795
Cash and cash equivalents	26	Low risk (note 2)	12m ECL	633,897	756,849
Bank deposits over three months	26	Low risk (note 2)	12m ECL	217,329	186,307
Other receivables	25	Low risk/watch list Loss (note 4)	12m ECL Credit-impaired	88,756 1,265	61,641 1,267
				90,021	62,908
Trade receivables	25	(note 1) Loss	Lifetime ECL Credit-impaired	918,340 10,355	938,499 18,805
				928,695	957,304



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

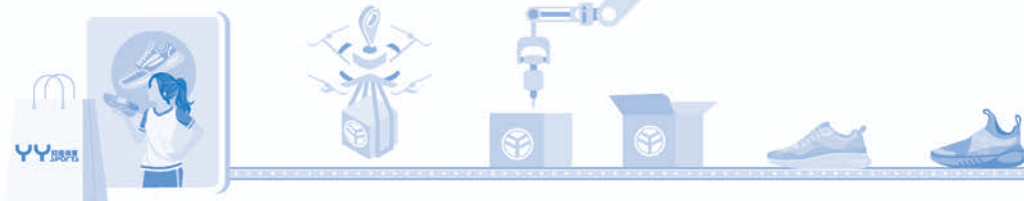
37. FINANCIAL INSTRUMENTS (continued)

(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, 2025, impairment losses of US\$697,000 arising from other receivables (which are credit-impaired) were recognized (2024: US\$53,000 were reversed) 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).



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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		Trade receivables	
	Average loss rate	2025 US\$'000	Average loss rate	2024 US\$'000
Low risk	0.1%	705,435	0.1%	773,365
Watch list	1.0%	88,295	1.0%	30,179
Doubtful	8.0%	7,643	8.0%	2,240
		801,373		805,784

Carrying amount assessed based on provision matrix

Retailing Business

Debtors' aging	Trade receivables	
	2025 US\$'000	2024 US\$'000
Current (not past due)	115,834	130,211
1 – 120 days past due	1,133	2,504
	116,967	132,715

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, 2025

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, 2024	24,836
Reversal of impairment losses recognized	(5,464)
Write-offs	(417)
Exchange realignment	(150)
As at December 31, 2024	18,805
Reversal of impairment losses recognized	(1,324)
Write-offs	(7,350)
Exchange realignment	224
As at December 31, 2025	10,355

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 25%, 22% and 44% (2024: 23%, 22% and 47%), respectively, of the trade receivables at December 31, 2025.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 12.31.2025 US\$'000
As at December 31, 2025								
Non-derivative financial liabilities								
Trade and other payables	-	740,789	93,026	19,855	-	-	853,670	853,670
Bank borrowings								
- variable rate	4.46	249,999	5,879	237,865	332,472	-	826,215	788,690
Lease liabilities	3.51	7,368	15,141	55,254	104,702	30,176	212,641	186,315
Financial guarantee contracts	-	53,200	-	-	-	-	53,200	-
		1,051,356	114,046	312,974	437,174	30,176	1,945,726	1,828,675
Derivatives - net settlement								
Forward contracts	-	160	97	386	-	-	643	643

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

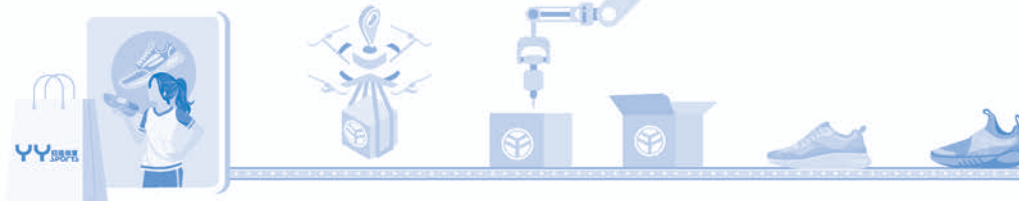
Liquidity risk (continued)

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 12.31.2024 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

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 based on the degree to which the inputs to the fair value measurements are observable.

	2025 US\$'000	2024 US\$'000	Fair value hierarchy
Financial assets at FVTPL			
Forward contracts (note i)	117	94	Level 2
Unlisted overseas funds (note ii)	117,924	98,667	Level 2
Daily range accrual note (note i)	19,894	–	Level 2
Equity instruments at FVTOCI			
Equity securities listed overseas (note iii)	17,652	22,958	Level 1
Financial liabilities at FVTPL			
Forward contracts (note i)	643	3,126	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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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:

	2025 US\$'000	2024 US\$'000
Within one year	23,284	30,261
In the second year	17,128	25,765
In the third year	11,692	19,914
In the fourth year	8,206	14,093
In the fifth year	7,875	8,932
After five years	50,241	34,400
	118,426	133,365

39. CAPITAL COMMITMENTS

	2025 US\$'000	2024 US\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of land	13,109	12,979
– construction of buildings	10,640	42,272
– acquisition of property, plant and equipment	10,301	24,798
– investment in Indian project	255,976	268,815
	290,026	348,864



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

40. FINANCIAL GUARANTEE CONTRACTS

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

	2025 US\$'000	2024 US\$'000
Guarantees given to banks in respect of banking facilities granted to		
(i) joint ventures		
– amount guaranteed	32,500	32,764
– amount utilized	21,603	20,748
(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, 2025 and 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2024	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
Amortization of upfront fee of bank borrowings	–	208	–
Financing cash flows	(44,655)	29,903	(102,685)
New leases/lease modification/lease termination	–	–	58,842
Interest expenses	44,636	–	8,322
Exchange realignment	1	1,279	8,919
At December 31, 2025	8	788,690	186,315



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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, 2025 by KKA Marcel Pryadarshi Soepeno (2024: KKA Setya Gunawan 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, 2025	Valuation at December 31, 2024
Normal pension age	55 – 59	55 – 58
Discount rates	6.70% – 7.10%	7.10% – 7.14%
Expected rates of salary increase	3% – 4%	2% – 4%
Mortality rates	100% Table Mortality Indonesia ("TMI") ⁴	100% TMI ⁴
Disability rate	5% TMI ⁴	5% TMI ⁴
Early resignation rate	N/A – 0.5%	N/A – 0.5%
Resignation rates	2.5% – 10% until age 35 – 40 then decreasing linearly into 0% at age 51 – 55	2.5% – 10% until age 35 – 40 then decreasing linearly into 0% at age 51 – 55



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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:

	2025 US\$'000	2024 US\$'000
Service cost:		
Current service cost	7,524	7,045
Past service cost and losses from settlements, net	953	476
Interest cost	5,023	5,915
Components of defined benefit costs recognized in profit or loss	13,500	13,436
Remeasurement of the net defined benefit liabilities:		
Actuarial losses (gains) arising from experience adjustment	435	(858)
Actuarial losses (gains) arising from changes in financial assumptions	315	(14,004)
Foreign exchange gains	(600)	(1,355)
Components of defined benefit costs (income) recognized in other comprehensive income	150	(16,217)
Total	13,650	(2,781)

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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:

	2025 US\$'000	2024 US\$'000
Balance at January 1	80,262	94,081
Current service cost	7,524	7,045
Interest cost	5,023	5,915
Past service cost and losses from settlements, net	953	476
Remeasurement:		
Actuarial losses (gains) arising from experience adjustments	435	(858)
Actuarial losses (gains) arising from changes in financial assumptions	315	(14,004)
Exchange differences on foreign plans	(2,874)	(4,350)
Benefits paid	(7,956)	(8,043)
Balance at December 31	83,682	80,262

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\$2,707,000 (increase by US\$3,177,000) (2024: decrease by US\$4,670,000 (increase by US\$5,286,000)).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by US\$3,461,000 (decrease by US\$2,970,000) (2024: increase by US\$5,467,000 (decrease by US\$4,900,000)).

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, 2025 ranges from 16.46 to 32.68 years (2024: from 14.70 to 31.75 years).

The Group expects to make a contribution of US\$1,860,000 (2024: US\$2,609,000) to the defined benefit plan during the next financial year.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

42. RETIREMENT BENEFITS PLANS (continued)

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.

The most recent actuarial valuations of the plan assets and present value of the defined benefit obligation were carried out at December 31, 2025 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:

	2025	2024
Discount rate	1.25%	1.50%
Expected rate of salary increase	2.50% – 3.25%	2.50% – 3.25%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

42. RETIREMENT BENEFITS PLANS (continued)

c) Defined benefit plan – Taiwan (continued)

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:

	2025 US\$'000	2024 US\$'000
Present value of defined benefit obligation	19,752	19,263
Fair value of plan assets	(17,700)	(15,810)
Net defined benefit liabilities	2,052	3,453

Amounts recognized in comprehensive income in respect of the defined benefit plan are as follows:

	2025 US\$'000	2024 US\$'000
Service cost:		
Current service cost	22	30
Net interest expense	50	88
Other	328	(1)
Components of defined benefit costs recognized in profit or loss	400	117
Remeasurement of the net defined benefit liabilities:		
Return on plan assets (excluding amounts included in net interest)	(1,091)	(1,220)
Actuarial losses arising from experience adjustments	755	780
Actuarial losses (gains) arising from changes in financial assumptions	372	(14)
Components of defined benefit costs (income) recognized in other comprehensive income	36	(454)
Total	436	(337)

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, 2025

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, 2024	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
Current service cost	22	–	22
Net interest expense	285	(235)	50
Other	328	–	328
Remeasurement:			
Return on plan assets (excluding amounts included in net interest)	–	(1,091)	(1,091)
Actuarial losses arising from experience adjustments	755	–	755
Actuarial losses arising from changes in financial assumptions	372	–	372
Contributions from the employer	–	(1,827)	(1,827)
Benefits (paid) received	(1,430)	1,430	–
Exchange differences on foreign plans	157	(167)	(10)
Balance at December 31, 2025	19,752	(17,700)	2,052



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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\$356,000 (increase by US\$367,000) (2024: decrease by US\$366,000 (increase by US\$378,000)).
- If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligation would increase by US\$356,000 (decrease by US\$347,000) (2024: increase by US\$367,000 (decrease by US\$358,000)).

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, 2025 is 6.9 to 10.8 years (2024: 7.6 to 10.8 years).

The Group expects to make a contribution of US\$2,372,000 (2024: US\$980,000) to the defined benefit plan during the next financial year.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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	2025 US\$'000	2024 US\$'000	
<i>Substantial shareholder of the Company:</i>				
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)	3,900	4,343	
	Merchandise costs reimbursed to the PCC Group under the Services Agreements by the Group (note b)	132,183	148,469	
	Expenses reimbursed to the PCC Group under the Services Agreements by the Group (note b)	132,317	129,516	
	Service fees paid to the PCC Group under the Services Agreements by the Group (note b)	15,444	15,966	
	Repayment of lease liabilities including related interests under the tenancy agreements by the Group	676	649	
	Sales of leather, moulds, production tools, finished and semi-finished shoe products by the Group (note a)	6,083	4,302	
	Interest expenses paid by the Group	44	39	
	Other service income received by the Group	50	31	
	Balance due from/to as at year end and included in:			
	– trade receivables	1,088	888	
– trade payables	28,237	33,203		
– other receivables (note d)	4,199	6,018		
– other payables (note d)	19,108	18,347		
– lease liabilities	677	1,245		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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	2025 US\$'000	2024 US\$'000
<i>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:</i>			
Godalming Industries Limited ("Godalming")	Rental charges on land and buildings paid by the Group (note c)	36	286
	Management service income received by the Group	85	-
	Balance due from/to as at year end and included in:		
	- other receivables (note d)	75	36
	- other payables (note d)	137	67
<i>Connected party at subsidiary level</i>			
Non-controlling interest of a subsidiary	Sales of sportswear products by the Group	4,600	4,017
	Commission from concessionaire sales by the Group	110	158
	Other operating income received by the Group	46	47
	Interest expense paid by the Group	13	14
	Balance due from/to as at year end and included in:		
- trade receivables	401	298	
- other payables (note d)	402	382	

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, 2025

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(II) OTHER RELATED PARTIES

Name of related party	Nature of transactions/balances	2025 US\$'000	2024 US\$'000
Joint ventures	Purchase of raw materials by the Group	161,094	143,432
	Sales of shoe-related products by the Group	5,360	13,402
	Management and other service income received by the Group	1,466	1,801
	Rental income received by the Group	2,237	2,017
	Management and other service fee paid by the Group	17,045	18,518
	Balance due from/to as at year end and included in:		
	– trade receivables	311	1,185
	– trade payables	32,773	32,281
	– other receivables (note d)	1,569	2,229
	– other payables (note d)	240	302
Associates	Purchase of raw materials by the Group	112,490	105,457
	Sales of shoe-related products by the Group	2,618	3,435
	Management and other service income received by the Group	692	738
	Rental income received by the Group	1,362	1,543
	Balance due from/to as at year end and included in:		
	– trade receivables	250	557
	– trade payables	22,611	21,255
	– other receivables (note d)	573	2,197
– other payables (note d)	2	20	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(III) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2025 US\$'000	2024 US\$'000
Short term benefits	2,436	2,817
Post-employment benefits	3	2
	2,439	2,819

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 provide 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 purchases did not exceed the limit approved by the shareholders of the Company on December 5, 2023. The extent of these connected sales did not exceed the limit approved by the shareholders of the Company on December 5, 2023 and revised by the board of directors on November 12, 2025. 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, 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

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For the year ended December 31, 2025

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, 2024	499,379	(30,269)	650	469,760
Profit for the year	32,238	-	-	32,238
Fair value change 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
Profit for the year	14,314	-	-	14,314
Fair value change on an equity instrument at FVTOCI	(37)	-	-	(37)
Remeasurement of defined benefit obligations, net of tax	(4)	-	-	(4)
Exchange difference arising on the translation of foreign operations	24,709	-	-	24,709
Share of other comprehensive income of a joint venture	329	-	-	329
Total comprehensive income for the year	39,311	-	-	39,311
Recognition of equity-settled share-based payments, net of amounts lapsed relating to share awards not yet vested	-	-	959	959
Capital contribution from non-controlling interest of a subsidiary	5,200	-	-	5,200
Share award vested under share award scheme of a listed subsidiary	(1,071)	1,776	(705)	-
Dividends paid to non-controlling interests of subsidiaries	(27,372)	-	-	(27,372)
At December 31, 2025	521,053	(27,586)	794	494,261



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For the year ended December 31, 2025

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	
		2025	2024	2025	2024	2025	2024
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Pou Sheng Group	PRC	37.45%	37.45%	10,980	25,548	454,868	429,593
Individually immaterial subsidiaries with non-controlling interests				3,334	6,690	39,393	46,570
Total				14,314	32,238	494,261	476,163

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.

	2025 US\$'000	2024 US\$'000
<i>Financial information of consolidated income statement and consolidated statement of comprehensive income</i>		
Revenue	2,383,070	2,561,408
Gross profit	797,824	875,683
Profit before taxation	47,308	95,524
Profit for the year	31,898	69,098
Profit for the year attributable to owners of Pou Sheng	29,318	68,219
Profit for the year attributable to owners of Pou Sheng		
– owners of the Company	18,338	42,671
– non-controlling interests of Pou Sheng	10,980	25,548
	29,318	68,219

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

44. NON-CONTROLLING INTERESTS (continued)

	2025 US\$'000	2024 US\$'000
Other comprehensive income (expense), attributable to		
– owners of the Company	38,217	(21,477)
– non-controlling interests of Pou Sheng	23,952	(12,616)
	62,169	(34,093)
Total comprehensive income, attributable to		
– owners of the Company	56,555	21,194
– non-controlling interests of Pou Sheng	34,932	12,932
	91,487	34,126
Dividends paid to non-controlling interests of Pou Sheng	10,616	12,664
<i>Financial information of consolidated statement of financial position</i>		
Non-current assets	487,223	494,870
Current assets	1,242,378	1,282,252
Current liabilities	(356,329)	(443,495)
Non-current liabilities	(96,679)	(124,477)
Non-controlling interests	(16,470)	(13,127)
	1,260,123	1,196,023
Equity attributable to owners of Pou Sheng, attributable to		
– owners of the Company	805,255	766,430
– non-controlling interests of Pou Sheng	454,868	429,593
	1,260,123	1,196,023
<i>Financial information of consolidated statement of cash flows</i>		
Net cash from operating activities	76,643	164,421
Net cash used in investing activities	(51,780)	(74,171)
Net cash used in financing activities	(133,345)	(147,156)
Effect of foreign exchange rate changes	6,905	(6,085)
Net cash outflow	(101,577)	(62,991)



Notes to the Consolidated Financial Statements

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45. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at December 31, 2025 and 2024 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
			2025	2024	
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**	RMB189,970,250	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 Goods Trading Company Limited	PRC***	RMB1,000,000	62.55%+	62.55%+	Retailing of sportswear
High Glory Footwear India Private Limited	India	INR2,880,000,000	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%	80%	Trading of footwear



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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		Principal activities
			2025	2024	
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\$57,000,000	100%	100%	Investment holding
Pouyuen Vietnam Company Limited	Vietnam	US\$146,406,000	100%	100%	Manufacture and sales of footwear



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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		Principal activities
			2025	2024	
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\$74,500,000	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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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,

	2021 US\$'000	2022 US\$'000	2023 US\$'000	2024 US\$'000	2025 US\$'000
RESULTS					
Revenue	8,533,337	8,970,228	7,890,168	8,182,161	8,031,354
Profit before taxation	175,431	413,251	390,198	572,097	465,825
Income tax expense	(33,485)	(120,050)	(80,992)	(147,444)	(70,429)
Profit for the year	141,946	293,201	309,206	424,653	395,396
Attributable to:					
Owners of the Company	115,072	296,347	274,710	392,415	381,082
Non-controlling interests	26,874	(3,146)	34,496	32,238	14,314
	141,946	293,201	309,206	424,653	395,396

As at December 31,

	2021 US\$'000	2022 US\$'000	2023 US\$'000	2024 US\$'000	2025 US\$'000
ASSETS AND LIABILITIES					
Total assets	8,638,084	7,935,421	7,358,232	7,375,354	7,528,733
Total liabilities	(4,033,633)	(3,293,096)	(2,648,204)	(2,461,000)	(2,417,776)
Net Assets	4,604,451	4,642,325	4,710,028	4,914,354	5,110,957
Equity attributable to:					
Owners of the Company	4,098,458	4,189,711	4,240,268	4,438,191	4,616,696
Non-controlling interests	505,993	452,614	469,760	476,163	494,261
Total Equity	4,604,451	4,642,325	4,710,028	4,914,354	5,110,957



YUE

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