YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕 元 工 業（集 團）有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2026

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended June 30, 2026	2025	Percentage decrease
Revenue *(US$'000)*	**3,972,282**	4,060,148	**(2.2)%**
Recurring profit attributable to owners of the Company *(US$'000)*	**76,041**	162,822	**(53.3)%**
Non-recurring (loss) profit attributable to owners of the Company *(US$'000)*	**(4,043)**	8,368	**N/A**
Profit attributable to owners of the Company *(US$'000)*	**71,998**	171,190	**(57.9)%**
Basic earnings per share *(US cents)*	**4.49**	10.67	**(57.9)%**
Dividend per share – interim dividend *(HK$)*	**0.40**	0.40	**–**

* *For identification purpose only*

INTERIM RESULTS

The directors (the "Directors") of Yue Yuen Industrial (Holdings) Limited (the "Company" or "Yue Yuen") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2026 with comparative figures for the corresponding period in 2025 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2026

		For the six months ended June 30,	
		2026	2025
		(unaudited)	(unaudited)
	NOTES	***US$'000***	*US$'000*
Revenue	*3*	**3,972,282**	4,060,148
Cost of sales		**(3,148,716)**	(3,141,576)
Gross profit		**823,566**	918,572
Other income		**45,564**	48,689
Selling and distribution expenses		**(400,910)**	(399,030)
Administrative expenses		**(274,743)**	(283,032)
Other expenses		**(81,465)**	(78,222)
Finance costs		**(25,476)**	(26,522)
Share of results of associates		**21,258**	23,818
Share of results of joint ventures		**4,023**	8,684
Other gains and losses	*4*	**(3,967)**	8,368
Profit before taxation		**107,850**	221,325
Income tax expense	*5*	**(21,321)**	(39,020)
Profit for the period	*6*	**86,529**	182,305
Attributable to:			
Owners of the Company		**71,998**	171,190
Non-controlling interests		**14,531**	11,115
		86,529	182,305
		US cents	*US cents*
Earnings per share	*8*		
– Basic		**4.49**	10.67
– Diluted		**4.48**	10.66

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2026

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit for the period	**86,529**	182,305
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income	**(1,402)**	(2,809)
Share of other comprehensive income (expense) of associates	**3,763**	(2,911)
	2,361	(5,720)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on the translation of foreign operations	**34,331**	32,698
Share of other comprehensive income of associates and joint ventures	**2,784**	3,799
Reserve release upon partial disposal of associates	**–**	168
	37,115	36,665
Other comprehensive income for the period	**39,476**	30,945
Total comprehensive income for the period	**126,005**	213,250
Total comprehensive income for the period attributable to:		
Owners of the Company	**98,333**	190,480
Non-controlling interests	**27,672**	22,770
	126,005	213,250

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2026

	NOTE	**At June 30, 2026 (unaudited)** *US$'000*	At December 31, 2025 (audited) *US$'000*
Non-current assets			
Investment properties		**427,894**	415,253
Property, plant and equipment		**1,556,380**	1,584,499
Right-of-use assets		**429,647**	426,383
Deposits paid for acquisition of property, plant and equipment/right-of-use assets		**43,457**	34,492
Intangible assets		**14,692**	14,351
Goodwill		**261,840**	259,856
Interests in associates		**447,448**	432,824
Interests in joint ventures		**145,866**	156,120
Equity instruments at fair value through other comprehensive income		**13,697**	15,675
Financial assets at fair value through profit or loss		**143,746**	64,711
Bank deposits over three months		**151,170**	116,697
Other financial assets at amortized cost		**51,789**	30,686
Rental deposits		**12,564**	13,510
Deferred tax assets		**117,109**	98,551
		3,817,299	3,663,608
Current assets			
Inventories		**1,330,172**	1,379,582
Trade and other receivables	*9*	**1,690,400**	1,625,896
Equity instrument at fair value through other comprehensive income		**1,255**	2,336
Financial assets at fair value through profit or loss		**43,809**	73,224
Taxation recoverable		**29,446**	49,558
Bank deposits over three months		**60,555**	100,632
Cash and cash equivalents		**604,188**	633,897
		3,759,825	3,865,125

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At June 30, 2026

	NOTE	At June 30, 2026 (unaudited) US$'000	At December 31, 2025 (audited) US$'000
Current liabilities			
Trade and other payables	10	**1,019,311**	1,175,836
Contract liabilities		**49,312**	40,498
Financial liabilities at fair value through profit or loss		**1,060**	643
Taxation payable		**58,743**	61,370
Bank borrowings		**690,601**	468,828
Lease liabilities		**71,501**	72,001
		1,890,528	1,819,176
Net current assets		**1,869,297**	2,045,949
Total assets less current liabilities		**5,686,596**	5,709,557
Non-current liabilities			
Bank borrowings		**349,566**	319,862
Deferred tax liabilities		**81,539**	78,690
Lease liabilities		**123,363**	114,314
Retirement benefit obligations		**83,666**	85,734
		638,134	598,600
Net assets		**5,048,462**	5,110,957
Capital and reserves			
Share capital		**51,795**	51,795
Reserves		**4,481,241**	4,564,901
Equity attributable to owners of the Company		**4,533,036**	4,616,696
Non-controlling interests		**515,426**	494,261
Total equity		**5,048,462**	5,110,957

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to HKFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2026 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2025.

Application of amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2026 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11

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

3. REVENUE AND SEGMENTAL INFORMATION

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

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

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Revenue		
Manufacturing Business	**2,666,139**	2,797,981
Retailing Business	**1,306,143**	1,262,167
	3,972,282	4,060,148

4. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Gain on disposal/partial disposal of associates	**–**	3,365
Fair value changes on financial instruments at fair value through profit or loss	**(1,031)**	5,003
Impairment loss on interest in a joint venture	**(2,936)**	–
	(3,967)	8,368

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
The People's Republic of China		
Enterprise Income Tax		
– current period	**15,440**	20,331
– overprovision in prior periods	**(2,359)**	(3,420)
Overseas taxation		
– current period	**22,721**	29,215
– overprovision in prior periods	**(42)**	(2,876)
	35,760	43,250
Income tax – Pillar Two Rules	**875**	2,860
Withholding tax on dividend	**–**	2,067
Deferred tax credit	**(15,314)**	(9,157)
	21,321	39,020

note:

The Group is subject to the global minimum top-up tax under 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 interim period using the tax rate based on the estimated adjusted covered taxes and net Globe Anti-Base Erosion ("GloBE") income for the year. The Group has recognized a current tax expense of US$875,000 related to the Pillar Two Rules for the six months ended June 30, 2026 (six months ended June 30, 2025: US$2,860,000) 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. 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 GloBE 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.

5. INCOME TAX EXPENSE (CONTINUED)

note: (continued)

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

The Indonesian Tax Bureau had made transfer pricing adjustments to the net profits for the tax period of year 2017 on two subsidiaries of the Company in Indonesia (the "Indonesian Subsidiary(ies)"), respectively, and claimed for 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.

During the year ended December 31, 2024, the Indonesian Subsidiaries had paid the Disputed Taxes approximately US$75.7 million and US$13.0 million, respectively. The Company is of the view that the Indonesian Subsidiaries had fully paid the income tax for the tax period of year 2017 in accordance with applicable legal requirements. Having considered that sufficient grounds had been provided to the Indonesian Tax Bureau to defend against the above Tax Disputes, one of the Indonesian Subsidiaries lodged appeal to the Supreme Court of the Republic of Indonesia (the "Supreme Court") on July 29, 2024 and the other Indonesian Subsidiary lodged appeal to the Supreme Court on February 17, 2025, respectively.

The Group, had considered the actual appeal process, effects of any potential changes in facts or circumstances, and the uncertainty about the final outcome of the appeals, and 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 during 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 Disputed Taxes for the aforesaid Indonesian Subsidiaries have been fully paid, and 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 subsequently refunded during the current 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 (including in other expenses) during the year ended December 31, 2025. Including this reversal, the total paid amounts related to the Tax Disputes recognized as tax recoverable and other receivable as at June 30, 2026 are approximately US$19.4 million and US$49.1 million (December 31, 2025: 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.

6. PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit for the period has been arrived at after charging (crediting):		
Total staff costs *(note)*	**1,073,744**	1,047,055
Net exchange loss (gain) (included in other expenses (other income))	**2,510**	(1,242)
Amortization of intangible assets	**1,130**	946
Depreciation of right-of-use assets	**49,797**	51,322
Depreciation of property, plant and equipment *(note)*	**134,554**	125,869
Net changes in allowance for inventories (included in cost of sales)	**(987)**	2,253
Loss on disposal of property, plant and equipment (included in other expenses)	**1,562**	713
Gain on disposal of investment properties (included in other income)	**(176)**	–
Research and development expenditures (included in other expenses)	**70,226**	70,833
Reversal of impairment losses recognized on trade and other receivables	**(389)**	(289)

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

7. DIVIDENDS

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Dividends recognized as distribution during the period:		
2025 final dividend of HK$0.90 per share (2025: 2024 final dividend of HK$0.90 per share)	**184,208**	183,950

The board of directors of the Company (the "Board") has resolved to declare an interim dividend of HK$0.40 (2025: HK$0.40) per share for the six months ended June 30, 2026. The interim dividend of approximately HK$641,816,000 shall be paid on October 9, 2026.

8. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**71,998**	171,190

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,604,295,955**	1,603,664,911
Effect of dilutive potential ordinary shares:		
Unvested awarded shares	**1,390,842**	1,530,923
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,605,686,797**	1,605,195,834

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

9. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables, net of allowance for credit losses, of US$961,308,000 (December 31, 2025: US$918,340,000) presented based on invoice date, which approximated to the respective revenue recognition dates:

	At June 30, 2026 (unaudited) ***US$'000***	At December 31, 2025 (audited) *US$'000*
0 to 30 days	**557,335**	613,731
31 to 90 days	**403,331**	304,443
Over 90 days	**642**	166
	961,308	918,340

10. TRADE AND OTHER PAYABLES

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

	At June 30, 2026 (unaudited) ***US$'000***	At December 31, 2025 (audited) *US$'000*
0 to 30 days	**267,929**	310,797
31 to 90 days	**129,660**	137,809
Over 90 days	**13,467**	15,543
	411,056	464,149

11. FINANCIAL GUARANTEE CONTRACTS

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

	At June 30, 2026 (unaudited) ***US$'000***	At December 31, 2025 (audited) *US$'000*
Guarantees given to banks in respect of banking facilities granted to:		
(i) a joint venture		
– amount guaranteed	**27,500**	32,500
– amount utilized	**19,003**	21,603
(ii) an associate		
– amount guaranteed	**20,700**	20,700
– amount utilized	**149**	149

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

In the six months ended June 30, 2026 (the "Period"), the global economic landscape remained highly complex and dynamic. Escalating geopolitical tensions further disrupted the stability of shipping and raw material supplies, testing the resilience and operational efficiency of global supply chains and slowing down footwear exports from major manufacturing countries in Southeast Asia. According to official statistics, the value of Vietnamese footwear exports in the first half of 2026 increased by just 0.5% year-on-year to US$12.0 billion, while the value of Indonesian footwear exports increased by 4.9% year-on-year to US$3,951 million. Meanwhile, the value of Chinese footwear exports declined by 8.6% year-on-year to US$19.8 billion.

Against the backdrop of macroeconomic uncertainties, tariff policy and inflation risks, end-market demand for inventory stocking remained conservative, prompting brand customers to adopt a more cautious approach to order placement. This resulted in heightened volatility in order demand during the Period, suppressing the Group's manufacturing business revenue.

Meanwhile, the Group's manufacturing business continued to face gross margin constraints from rising costs and decreasing production efficiency. In line with the Group's long-term capacity allocation strategy and the continued ramp-up of newly established facilities, manufacturing headcount increased year-on-year, which together with rising wages across various regions and lower-than-targeted reduction of overtime and other non-value-added costs collectively drove up overall labor and overhead costs.

Furthermore, the Group's operations faced production scheduling challenges that arose from overlapping long holidays across its three main production locations in the first quarter of 2026. Monthly order volatility intensified in the second quarter, further complicating allocation decisions, while heightened geopolitical and supply chain uncertainties added to the disruption. Despite proactively managing its order schedules to mitigate the associated impact, production leveling across the Group's manufacturing facilities remained highly uneven during the Period, affecting the overall production efficiency.

During the Period, the Group's retail subsidiary, Pou Sheng, continued to operate within a dynamic sportswear market in mainland China. Although the Group saw a narrower decline in offline foot traffic, consumers remained cautious in their purchasing decisions. In response to these market conditions, Pou Sheng continued to strengthen its cross-channel capabilities by maintaining a high degree of agility and flexibility in decision-making, implementing rigorous inventory management, optimizing its inventory mix and strictly controlling discounts to improve sales quality, while also benefiting from synergies achieved through its recent organizational restructuring. For a more detailed explanation of the financials and operational performance of the Group's retail business, please refer to the 2026 interim results announcement 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 Group's and Pou Chen's efforts in setting targets and taking action to promote sustainability and corporate governance.

During the Period, the Group achieved a record 20 top-three podium positions in the "2026 Asia (ex-Japan) Executive Team" rankings published by Extel, as voted by investment professionals. Notably, the Group gained increased recognition in the Small and Mid-Cap categories. The Group was again named a "Most Honored Company" in Asia (ex-Mainland China) for the fifth consecutive year, and a "Most Honored Company" in the Country rankings for the second consecutive year. The Group's investor relations efforts were also recognized at the 12th Investor Relations Awards 2026 conducted by the Hong Kong Investor Relations Association, winning the 'Best IR Team' award in the mid-cap category.

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 the Universal Standards of the Global Reporting Initiative ("GRI"), the industry-based standards of the Sustainability Accounting Standards Board ("SASB"), and the International Financial Reporting Standards S2 Climate-related Disclosures ("IFRS S2").

Results of Operations

During the Period under review, the Group recorded revenue of US$3,972.3 million, representing a decrease of 2.2% as compared with the corresponding period of last year. The profit attributable to owners of the Company was US$72.0 million, a decrease of 57.9% compared to US$171.2 million recorded for the corresponding period of last year. The profit attributable to owners of the manufacturing business decreased by 67.9% to US$49.8 million, while the profit attributable to owners of Pou Sheng increased by 29.9% to RMB243.7 million. The basic earnings per share were 4.49 US cents, compared to 10.67 US cents for the corresponding period of last year.

Revenue Analysis

During the Period under review, revenue attributed to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) decreased by 4.8% to US$2,485.1 million, compared with the corresponding period of last year. The 6.4% decrease in shoe shipments was offset by a 1.6% increase in the average selling price during the Period.

The Group's athletic/outdoor shoes category accounted for 83.1% of footwear manufacturing revenue in the Period under review. Casual shoes and sports sandals accounted for 16.9% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 52.0% of total revenue, followed by casual shoes and sports sandals, which accounted for 10.6% of total revenue.

The Group's total revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) was US$2,666.1 million in the Period under review, representing a decrease of 4.7% as compared to the corresponding period of last year.

For the retail business, revenue attributed to Pou Sheng increased by 3.5% to US$1,306.2 million in the Period under review, compared to US$1,262.2 million in the corresponding period of last year. In RMB terms (Pou Sheng's reporting currency), revenue decreased by 2.1% to RMB8,964.6 million, compared to RMB9,159.4 million in the corresponding period of last year. The narrowing of the revenue decline was mainly attributed to Pou Sheng's continuous enhancement of its sales efficiency and the establishment of fully integrated, one-stop operations. As of June 30, 2026, Pou Sheng had 3,110 directly operated retail stores across the Greater China region, representing a net closure of 200 stores as compared with the 2025 year-end. Pou Sheng's retail refinement strategy centers around taking a holistic approach to new brands and sales channels development and selectively rightsizing or upgrading its existing stores, allowing it to focus on improving store-level efficiency.

Total Revenue by Category

	For the six months ended June 30,				
	2026		2025		*change*
	US$ million	**%**	*US$ million*	%	%
Athletic/Outdoor Shoes	**2,065.1**	**52.0**	2,176.2	53.6	(5.1)
Casual Shoes & Sports Sandals	**420.0**	**10.6**	434.6	10.7	(3.4)
Soles, Components & Others	**181.0**	**4.5**	187.1	4.6	(3.3)
Pou Sheng*	**1,306.2**	**32.9**	1,262.2	31.1	3.5
Total Revenue	**3,972.3**	**100.0**	4,060.1	100.0	(2.2)

* *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. Given current short-term macroeconomic uncertainties, some customers are prioritizing balancing agile capacity allocation with on-time delivery and swift responsiveness. Furthermore, in regions with well-developed local raw material supply chains, demand for shorter lead times and small-batch, high-variety orders have increased substantially.

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

Production Review

During the Period, the Group's manufacturing business shipped a total of 118.6 million pairs of shoes, a decrease of 6.4% compared to the 126.7 million pairs shipped in the corresponding period of last year. The average selling price per pair was US$20.95, an increase of 1.6% as compared to US$20.61 in the corresponding period of last year.

In terms of production allocation, Indonesia, Vietnam and mainland China continued to be the Group's main production locations by shoe volume during the Period, representing 52%, 33% 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 during the Period under review, total main material costs were US$932.3 million (first half of 2025: US$995.2 million). Direct labor costs and production overheads were US$1,353.6 million (first half of 2025: US$1,307.2 million). The total cost of goods sold by the Group's manufacturing business was US$2,285.9 million (first half of 2025: US$2,302.4 million). For the Group's retail business, Pou Sheng, cost of sales was US$862.8 million in the Period under review (first half of 2025: US$839.2 million).

For the Period under review, the Group's gross profit decreased by 10.3% to US$823.6 million, with the overall gross profit margin decreasing by 1.9 percentage points to 20.7%. Among which, the gross profit of the manufacturing business decreased by 23.3% to US$380.3 million, with the gross profit margin of the manufacturing business decreasing by 3.4 percentage points to 14.3% as compared to the corresponding period of last year. This decrease was mainly attributed to operating deleveraging caused by a contraction in sales scale, and production inefficiency during the period arising from uneven production leveling across the Group's manufacturing facilities due to volatile short-term order demand, coupled with increased labor and overhead costs, driving up the unit costs of footwear manufacturing.

Cost of Goods Sold Analysis – Manufacturing Business

	For the six months ended June 30,				
	2026		2025		*change*
	US$ million	***%***	*US$ million*	*%*	*%*
Main Material Costs	**932.3**	**40.8**	995.2	43.2	(6.3)
Direct Labor Costs & Production Overheads	**1,353.6**	**59.2**	1,307.2	56.8	3.5
Total Cost of Goods Sold	**2,285.9**	**100.0**	2,302.4	100.0	(0.7)

For Pou Sheng, its gross profit margin was 33.9% during the Period, an increase of 0.4 percentage points, supported by effective inventory aging optimization and stringent discount management.

The Group's selling and distribution expenses for the Period increased by 0.5% to US$400.9 million (first half of 2025: US$399.0 million), equivalent to approximately 10.1% (first half of 2025: 9.8%) of revenue.

Administrative expenses for the Period decreased by 2.9% to US$274.7 million (first half of 2025: US$283.0 million), equivalent to approximately 6.9% (first half of 2025: 7.0%) of revenue.

Total selling and distribution expenses and administrative expenses for the Period decreased by 0.9% to US$675.6 million, equivalent to approximately 17.0% (first half of 2025: 16.8%) of revenue.

Other income for the Period decreased by 6.4% to US$45.6 million (first half of 2025: US$48.7 million), equivalent to approximately 1.1% (first half of 2025: 1.2%) of revenue. Other expenses increased by 4.2% to US$81.5 million (first half of 2025: US$78.2 million), equivalent to approximately 2.1% (first half of 2025: 1.9%) of revenue.

Product Development

During the Period under review, the Group spent US$70.2 million (first half of 2025: US$70.8 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

During the Period under review, interest paid on bank borrowings (excluding finance costs on lease liabilities) amounted to US$21.7 million (first half of 2025: US$22.4 million), while finance costs on lease liabilities amounted to US$3.7 million (first half of 2025: US$4.0 million).

Income tax expense for the Period amounted to US$21.3 million, representing an effective tax rate of 19.7% (first half of 2025: 17.6%) on profit before taxation of US$107.9 million.

In regard 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. Following the recovery of a portion of Disputed Taxes refunds, as at June 30, 2026, US$19.4 million and US$49.1 million were recognized as tax recoverable and other receivable related to Tax Disputes, respectively, in the condensed consolidated statement of financial positions. The details of the Tax Disputes can be seen in Note 5 to the condensed consolidated financial statements in this announcement.

Recurring Profit Attributable to Owners of the Company

During the Period under review, the non-recurring loss attributable to owners of the Company was US$4.0 million, including a loss due to fair value changes on financial instruments at fair value through profit or loss ("FVTPL") of US$1.1 million and an impairment loss on interest in a joint venture of US$2.9 million. The non-recurring profit recognized in the corresponding period of last year was US$8.4 million, including a one-off gain on the disposal/partial disposal of associates totaling US$3.4 million, and a gain of US$5.0 million due to fair value changes on financial instruments at FVTPL.

Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company for the Period under review was US$76.0 million, representing a decrease of 53.3% compared with US$162.8 million for the corresponding period of last year.

Liquidity, Financial Resources, Capital Structure and Others

Cash Flow

During the Period under review, the Group recorded net cash generated from operating activities (net of tax) of US$169.5 million (first half of 2025: US$110.4 million). Free cash inflow amounted to US$40.2 million (first half of 2025: outflow of US$35.6 million). Net cash used in investing activities amounted to US$188.8 million (first half of 2025: US$140.1 million), while net cash used in financing activities was US$9.9 million (first half of 2025: US$63.8 million). The Group recognized overall net cash outflow of US$29.7 million during the Period (first half of 2025: net outflow of US$84.3 million).

Financial Position and Liquidity

The Group's financial position remained solid. As at June 30, 2026, the Group had bank balances and cash of US$815.9 million* (December 31, 2025: US$851.2 million) and total bank borrowings of US$1,040.2 million (December 31, 2025: US$788.7 million). The Group's gearing ratio (total bank borrowings to total equity) was 20.6% (December 31, 2025: 15.4%). As at June 30, 2026, the Group had net borrowing of US$224.3 million (December 31, 2025: net cash of US$62.5 million). As at June 30, 2026, the Group had current assets of US$3,759.8 million (December 31, 2025: US$3,865.1 million) and current liabilities of US$1,890.5 million (December 31, 2025: US$1,819.2 million). The current ratio was 2.0 as at June 30, 2026 (December 31, 2025: 2.1).

* *Ending bank balances and cash as at June 30, 2026 included bank deposits with original maturity over three months which amounted to US$211.7 million (December 31, 2025: US$217.3 million).*

Funding and Capital Structure

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

The Group used debt financing mostly by means of bank loans. In terms of the maturity profile of loans, most of the bank loans for the Group's manufacturing business were long-term committed facilities that partly meet the funding needs of its capital expenditures and long-term investments. Short-term revolving loan facilities were also utilized regularly for daily working capital purposes. At present, the Group maintains an abundant level of bank facilities to meet its working capital needs. As of June 30, 2026, no assets of the Group were pledged to secure banking facilities, while around 67.2% 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

During the Period under review, the Group's overall capital expenditure reached US$129.3 million (first half of 2025: US$146.0 million). The capital expenditure for its manufacturing business was US$115.3 million (first half of 2025: US$129.6 million), which was directed towards the strategic expansion and optimization of its manufacturing capacity, along with focused investments in digital transformation to achieve manufacturing excellence.

During the Period under review, capital expenditure for Pou Sheng decreased to US$14.0 million (first half of 2025: US$16.4 million). Pou Sheng maintained its retail refinement strategy, which adopts a selective approach to opening and upgrading experience-driven retail stores, further advancing its long-term digital transformation strategy and optimizing its SAP ERP system.

Significant Investments, Capital Assets Acquisition and Future Development Plans

During the Period under review, the Group did not undertake any significant investments, material acquisitions or disposals, and there was no significant acquisition of capital assets. Apart from investments for operation purposes made in the ordinary and usual course of business, the Group continued to establish a new manufacturing base in India to further implement the Group's long-term strategy of diversifying capacity allocation. This investment project is funded by the internal resources of the Group and/or bank borrowings, if necessary. During the Period, construction work for the project progressed in an orderly manner as planned. The timeline for completion and production ramp-up will depend on various factors, including but not limited to government approvals, operational conditions and order demand. All major developments will be disclosed in a timely manner in accordance with regulations. For details regarding the investment plan in India, please refer to the Company's discloseable transaction announcement dated April 17, 2023.

The Group currently has no plans for any significant investments or acquisition of capital assets. The Group will continue to prudently evaluate market prospects and potential opportunities to invest for its sustainable growth. The Group will consider undertaking significant investments or acquisitions of capital assets as and when appropriate should suitable opportunities arise in the future.

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 during the Period under review.

Contingent Liabilities

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

Foreign Exchange Exposure

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

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

Share of Results of Associates and Joint Ventures

During the Period under review, the share of results of associates and joint ventures was a combined profit of US$25.3 million, compared to a combined profit of US$32.5 million in the corresponding period of last year.

Interim Dividend

The Board has resolved to declare an interim dividend of HK$0.40 per share (2025: HK$0.40 per share) to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, September 16, 2026. The interim dividend shall be paid on Friday, October 9, 2026.

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 from time to time.

Employees

As at June 30, 2026, the Group had approximately 293,000 employees employed across all regions in which it operates, an increase of 0.2% as compared to approximately 292,300 employees employed as at June 30, 2025. The Group's manufacturing business employed approximately 275,700 employees, an increase of 1.0%, while Pou Sheng employed around 17,300 employees, a decrease of 9.9%.

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 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

With the global economy facing numerous headwinds, the Group will continue to solidify its role as a strategic supplier and strengthen its multi-location, high-end footwear development capabilities, while deepening its long-standing partnerships with leading international brands to capitalize on emerging opportunities and secure a higher-quality order mix. In the second half of 2026, the Group expects the operational environment to remain unsettled, with inflation pressures and uncertainties around the macroeconomic trajectory likely to weigh further on consumer momentum. Affected by multiple unknown factors, overall sentiment may continue to fluctuate, with the visibility of near-term order demand yet to improve.

The Group will continue to closely monitor developments in the global economic and political environment. This includes prudently addressing potential disruptions arising from the escalation of regional conflicts. The Group will continue to leverage such developments as an opportunity to further diversify its sourcing and strengthen its mid-to-long-term local procurement strategy, while enhancing cost and expense control measures, thereby mitigating the impact of these uncertainties on its operational stability.

The Group remains committed to its mid- to long-term capacity allocation strategy, particularly the ongoing diversification of its manufacturing base into Indonesia and India, where labor supply and infrastructure are supportive of sustainable growth. The Group will flexibly adjust the commencement timing and ramp-up pace of its newly built production lines in response to evolving demand from brand customers. Guided by its fast-response operating principles, the Group will focus on aligning order demand with its production scheduling and labor resources to enhance stable and balanced capacity utilization, reinforcing operational efficiency.

The Group will also further strengthen its operational resilience through its highly flexible and agile manufacturing excellence strategies, while leveraging its core competitive edges and superior adaptability. These efforts, coupled with strict cost and expense controls and its long-term digital transformation strategy, will continue to safeguard the profitability of the Group's manufacturing business, while maintaining a healthy cash flow and a solid financial position. It will also harness its strategy of balancing sustainable value and volume growth, capitalizing on opportunities in the 'athleisure' market and proactively responding to 'K-shaped economy' trends, while fully leveraging its integrated product development capabilities – which combines automation technology with R&D strength – to build a product mix with stronger niche advantages.

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.

As it continues to adapt to the changing and dynamic retail landscape in mainland China, the Group's retail subsidiary, Pou Sheng, is focused on improving sales quality while advancing operational excellence and its digital transformation strategy. It will adopt a holistic approach to resource allocation to capture opportunities, mitigate challenges and strengthen its competitive advantages as it progresses toward becoming an efficient, fully 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 a 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities including sale of treasury shares (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")) except that the trustee of the share award scheme of the Company (the "Share Award Scheme") purchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 400,000 shares of the Company (the "Shares") at a total consideration of HK$6,312,328.34 (equivalent to approximately US$805,000) pursuant to the rules of the Share Award Scheme and the terms of the trust deed in relation thereto. As at June 30, 2026 and up to the date hereof, the Company does not hold any treasury shares (whether in the Central Clearing and Settlement System or otherwise).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices by focusing on transparency, accountability and responsibility to the Shareholders. During the Period, the Company has applied the principles of and has complied with all the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Company has implemented procedures and adopted the "Guidelines for Securities Transactions by Relevant Employees" for the Company's employees who are likely to be in possession of unpublished inside information (the "Relevant Employees"). Such guidelines are on terms no less exacting than those set out in the Model Code, and the Relevant Employees have been requested to comply with such guidelines. No incident of non-compliance by any Relevant Employee was noted for the Period.

REVIEW OF ACCOUNTS

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Company has reviewed and discussed financial reporting matters and the unaudited condensed consolidated interim financial statements of the Group for the Period (including the accounting principles and practices adopted by the Group) in conjunction with the management, and also reviewed the effectiveness of the risk management and internal control systems of the Group for the Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, September 16, 2026 to Friday, September 18, 2026, both days inclusive, during which period no transfer of Shares will be effected. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, September 15, 2026. The record date for the entitlement to the interim dividend will be Wednesday, September 16, 2026.

IMPORTANT EVENT AFTER THE PERIOD

Save as disclosed in this announcement, there was no important event affecting the Group since June 30, 2026 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

ACKNOWLEDGEMENT

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

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

Hong Kong, August 12, 2026

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

Executive Directors:

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

Independent Non-executive Directors:

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

Website: www.yueyuen.com