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

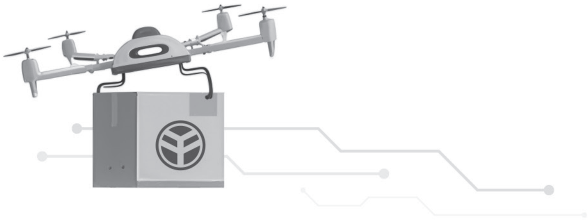
2026 INTERIM REPORT 中期報告

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

(Incorporated in Bermuda with limited liability)
Stock Code: 00551

CONTENTS

* *For identification purpose only*



CORPORATE INFORMATION

(As of August 12, 2026)

EXECUTIVE DIRECTORS

Lu Chin Chu *(Chairman)*
Tsai Pei Chun, Patty *(Managing Director)* [5]
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

Richmond House
12 Par-la-Ville Road
Hamilton HM 08
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
Richmond House
12 Par-la-Ville Road
Hamilton HM 08
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

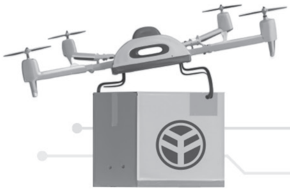
STOCK CODE: 00551

FINANCIAL AND OPERATING HIGHLIGHTS

(US$ million, except where otherwise stated)

	For the six months ended June 30,				
	2026	2025	2024	2023	2022
Financial Performance					
Average selling price (US$)^	**20.95**	20.61	19.98	21.67	20.16
Total shoe volume (million pairs)^	**118.6**	126.7	120.7	109.8	144.1
Revenue	**3,972.3**	4,060.1	4,015.4	4,155.0	4,709.8
Gross profit	**823.6**	918.6	975.1	977.7	1,095.7
Operating profit	**112.0**	207.0	259.3	154.4	211.2
Profit attributable to owners of the Company	**72.0**	171.2	184.4	83.6	175.0
Basic earnings per share (US cents)	**4.49**	10.67	11.44	5.19	10.87
Net asset value per share (US$)	**2.83**	2.77	2.64	2.53	2.59
Dividend per share – interim (HK$)	**0.40**	0.40	0.40	0.20	0.40
Key Financial Ratios					
Profitability					
Gross profit margin (%)	**20.7**	22.6	24.3	23.5	23.3
Operating profit margin (%)	**2.8**	5.1	6.5	3.7	4.5
Profit attributable to owners of the Company margin (%)	**1.8**	4.2	4.6	2.0	3.7
Return on equity# (%)	**6.2**	8.5	8.8	5.0	2.9
Costs & Expenses to Revenue					
Staff costs (%)	**27.0**	25.8	24.7	25.7	24.8
Product development expenses (%)	**1.8**	1.7	1.7	2.0	2.1
Depreciation & amortization (%)	**4.7**	4.4	5.0	5.2	5.5
Solvency					
Gearing ratio* (%)	**20.6**	19.6	18.1	26.5	41.1
Net gearing ratio* (%)	**4.4**	1.7	Net cash	5.3	24.3
Current ratio (x)	**2.0**	2.1	2.2	2.3	1.9
Other Information					
Number of employees	**293,000**	292,300	277,000	276,800	322,500
Headcount for manufacturing business	**275,700**	273,100	256,300	253,100	293,900
Headcount for retail business	**17,300**	19,200	20,700	23,700	28,600
Capital expenditure	**129.3**	146.0	93.8	84.5	111.4

^ *Manufacturing business*
\# *Calculated on last 12 months*
* *Debt excludes lease liabilities*



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. **德勤**

TO THE BOARD OF DIRECTORS OF
YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
裕元工業(集團)有限公司
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Yue Yuen Industrial (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 25, which comprise the condensed consolidated statement of financial position as of June 30, 2026 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

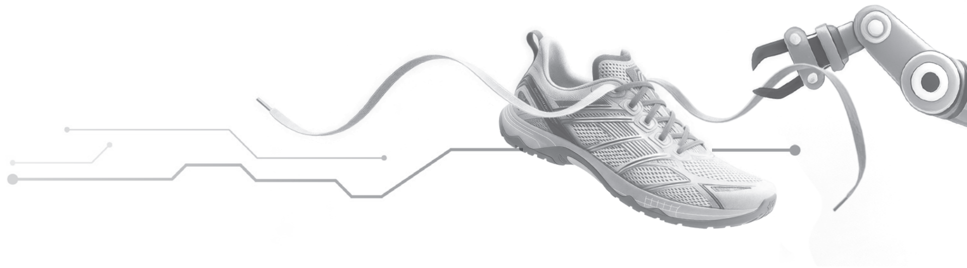
Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 12, 2026



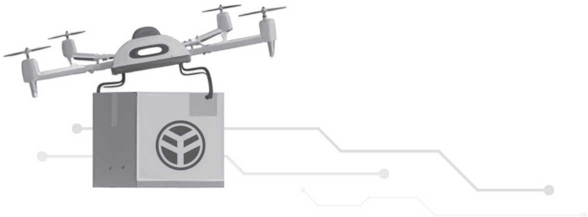
INTERIM RESULTS

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

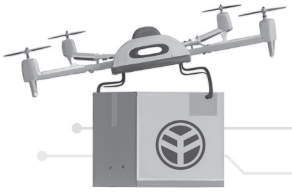
For the six months ended June 30, 2026

	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

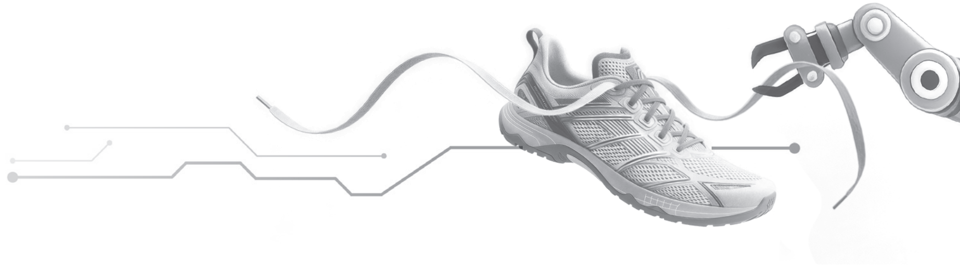
	NOTES	**At June 30, 2026 (unaudited) US$'000**	At December 31, 2025 (audited) US$'000
Non-current assets			
Investment properties		**427,894**	415,253
Property, plant and equipment	9	**1,556,380**	1,584,499
Right-of-use assets	10	**429,647**	426,383
Deposits paid for acquisition of property, plant and 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	11	**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

	NOTES	**At June 30, 2026 (unaudited) US$'000**	At December 31, 2025 (audited) US$'000
Current liabilities			
Trade and other payables	12	**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	13	**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	13	**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	14	**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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2026

	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 (audited)	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
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	–	–	21,163	–	21,163	11,535	32,698
Fair value changes on equity instruments at fair value through other comprehensive income	–	–	(2,772)	–	–	–	–	–	–	–	–	–	(2,772)	(37)	(2,809)
Share of other comprehensive (expense) income of associates and joint ventures	–	–	(2,911)	–	–	–	–	–	–	–	3,642	–	731	157	888
Reserves release upon partial disposal of associates	–	–	–	–	–	–	–	–	–	–	168	–	168	–	168
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	171,190	171,190	11,115	182,305
Total comprehensive (expense) income for the period	–	–	(5,683)	–	–	–	–	–	–	–	24,973	171,190	190,480	22,770	213,250
Purchase of shares under share award scheme	–	–	–	–	–	–	–	(3,705)	–	–	–	–	(3,705)	–	(3,705)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	–	–	–	–	–	–	–	–	1,397	–	–	–	1,397	487	1,884
Share awards vested	–	–	–	–	–	–	–	3,513	(2,937)	–	–	(576)	–	–	–
Release upon deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	(757)	–	757	–	–	–
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	5,200	5,200
Dividends (Note 7)	–	–	–	–	–	–	–	–	–	–	–	(183,950)	(183,950)	–	(183,950)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,176)	(12,176)
Transfer upon partial disposal of associates	–	–	(106)	–	–	–	–	–	–	–	–	106	–	–	–
Transfer to statutory reserve fund	–	–	–	–	–	–	–	–	–	10,894	–	(10,894)	–	–	–
At June 30, 2025 (unaudited)	51,795	577,913	21,161	(16,688)	9,321	4,551	132,936	(209)	116	217,001	(17,131)	3,461,647	4,442,413	492,444	4,934,857
At January 1, 2026 (audited)	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
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	–	–	21,386	–	21,386	12,945	34,331
Fair value changes on equity instruments at fair value through other comprehensive income	–	–	(1,430)	–	–	–	–	–	–	–	–	–	(1,430)	28	(1,402)
Share of other comprehensive income of associates and joint ventures	–	–	2,995	–	–	–	768	–	–	–	2,616	–	6,379	168	6,547
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	71,998	71,998	14,531	86,529
Total comprehensive income for the period	–	–	1,565	–	–	–	768	–	–	–	24,002	71,998	98,333	27,672	126,005
Purchase of shares under share award scheme	–	–	–	–	–	–	–	(805)	–	–	–	–	(805)	–	(805)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	–	–	–	–	–	–	–	–	1,695	–	–	–	1,695	520	2,215
Share awards vested	–	–	–	–	–	–	–	981	(1,065)	–	–	84	–	–	–
Release upon deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	(327)	–	327	–	–	–
Repurchase of shares of a listed subsidiary	–	–	–	–	1,325	–	–	–	–	–	–	–	1,325	(1,966)	(641)
Dividends (Note 7)	–	–	–	–	–	–	–	–	–	–	–	(184,208)	(184,208)	–	(184,208)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,061)	(5,061)
Transfer upon partial disposal of an equity instrument at fair value through other comprehensive income	–	–	(422)	–	–	–	–	–	–	–	–	422	–	–	–
Transfer to statutory reserve fund	–	–	–	–	–	–	–	–	–	9,265	–	(9,265)	–	–	–
At June 30, 2026 (unaudited)	**51,795**	**577,913**	**19,866**	**(16,688)**	**10,646**	**4,551**	**162,756**	**(33)**	**1,404**	**228,240**	**26,336**	**3,466,250**	**4,533,036**	**515,426**	**5,048,462**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2026

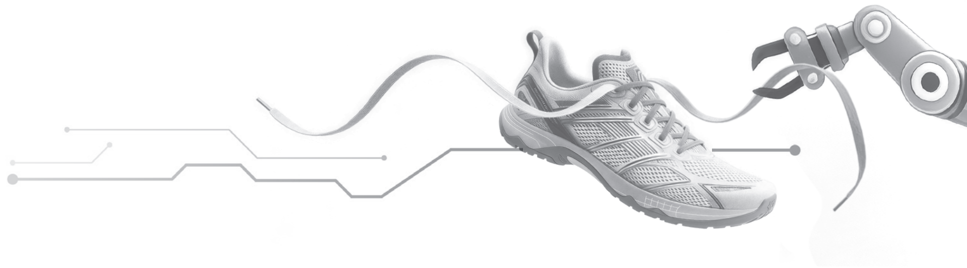
notes:

(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.

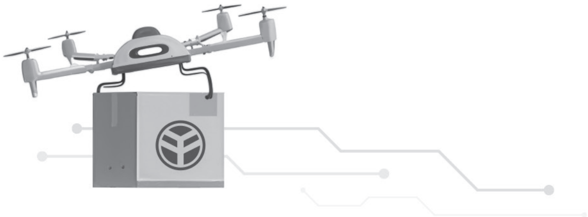
According to the laws and regulations of Republic of China ("Taiwan"), the subsidiaries of the Company incorporated in Taiwan are required to set aside 10% of their statutory net income each year to statutory reserve fund, until the reserve balance has reached the paid-in share capital amount of those 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.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2026

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	US$'000
Net cash from operating activities	**169,502**	110,407
Net cash used in investing activities		
Payment for acquisition of property, plant and equipment	**(123,287)**	(144,699)
Payment for right-of-use assets	**(6,651)**	(761)
Payment for acquisition of investment properties	**–**	(2)
Payment for acquisition of intangible assets	**(1,095)**	(1,147)
Proceeds from disposal of property, plant and equipment	**973**	5,290
Proceeds from disposal of investment properties	**254**	–
Refund of rental deposits	**1,719**	340
Acquisition of additional interests in an associate	**(214)**	–
Dividends received from an associate and joint ventures	**5,504**	14,860
Proceeds from disposal/partial disposal of associates	**–**	8,512
Acquisition of financial instruments at fair value through profit or loss ("FVTPL")	**(127,953)**	(9,905)
Acquisition of other financial instruments at amortized cost	**(21,202)**	(1,564)
Settlement of financial instruments at FVTPL	**59,811**	(3,541)
Proceed from disposal of an equity instrument at fair value through other comprehensive income ("FVTOCI")	**1,649**	–
Dividend received from an equity instrument at FVTOCI	**37**	123
Interest received	**12,163**	10,888
Placement of bank deposits over three months	**(77,567)**	(106,092)
Release of bank deposits over three months	**87,036**	87,575
	(188,823)	(140,123)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended June 30, 2026

	For the six months ended June 30, 2026 (unaudited) US$'000	2025 (unaudited) US$'000
Net cash used in financing activities		
Repayment of bank borrowings	**(1,482,178)**	(1,498,850)
Bank borrowings raised	**1,733,739**	1,705,140
Interest paid	**(21,691)**	(22,409)
Payment of upfront fee on bank borrowings	**(360)**	–
Repayment of lease liabilities, including related interest	**(48,728)**	(53,098)
Dividends paid	**(184,208)**	(183,950)
Dividends paid to non-controlling interests of subsidiaries	**(5,061)**	(12,176)
Purchase of shares under share award scheme	**(805)**	(3,705)
Repurchase of shares of a listed subsidiary	**(641)**	–
Capital contribution from non-controlling interests of subsidiaries	**–**	5,200
	(9,933)	(63,848)
Net decrease in cash and cash equivalents	**(29,254)**	(93,564)
Cash and cash equivalents at beginning of the period	**633,897**	756,849
Effect of foreign exchange rate changes	**(455)**	9,283
Cash and cash equivalents at end of the period	**604,188**	672,568

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.

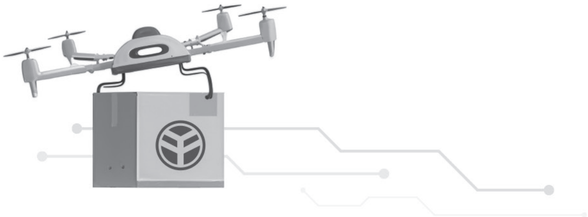
Other than changes in accounting policies resulting from application of amendments to HKFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2026 are the same as those presented in the Group's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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Revenue from major products

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

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	US$'000
Athletic/outdoor shoes	**2,065,132**	2,176,208
Casual shoes and sports sandals	**419,976**	434,623
Soles, components and others	**181,031**	187,150
Retail sales – shoes, apparel, commissions from concessionaire sales and others	**1,306,143**	1,262,167
	3,972,282	4,060,148

3. REVENUE AND SEGMENTAL INFORMATION (continued)

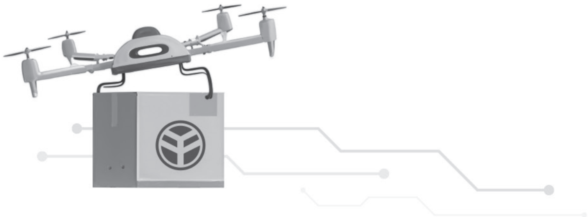
Geographical information

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:

	For the six months ended June 30,	
	2026	2025
	(unaudited)	(unaudited)
	US$'000	US$'000
US	**795,364**	790,065
Europe	**701,786**	769,870
PRC	**1,620,556**	1,626,130
Other countries in Asia	**599,009**	602,353
Others	**255,567**	271,730
	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 FVTPL	**(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:		
PRC 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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INCOME TAX EXPENSE (continued)

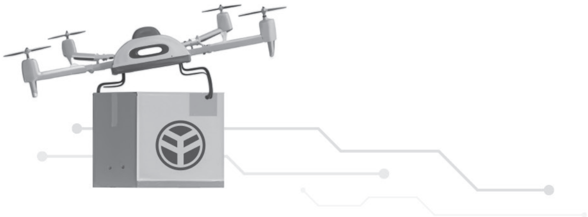
Tax disputes relating to subsidiaries of the Company in Indonesia ("Tax Disputes")

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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)
Finance costs		
Interest expenses for bank and other borrowings	**21,689**	22,409
Interest expenses for lease liabilities	**3,654**	4,026
Amortization of upfront fee on bank borrowings	**133**	87
	25,476	26,522

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

8. EARNINGS PER SHARE (continued)

	For the six months ended June 30, 2026 (unaudited)	2025 (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 (see Note 17(I)).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of US$2,535,000 (six months ended June 30, 2025: US$6,003,000) for cash proceeds of US$973,000 (six months ended June 30, 2025: US$5,290,000), resulting in a loss on disposal of US$1,562,000 (six months ended June 30, 2025: loss on disposal of US$713,000).

During the current interim period, the Group acquired property, plant and equipment of US$116,779,000 (six months ended June 30, 2025: US$142,479,000).

10. RIGHT-OF-USE ASSETS

During the current interim period, the Group recognized right-of-use assets, net of early termination and modification, amounting to US$50,842,000 (six months ended June 30, 2025: US$27,401,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. 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.

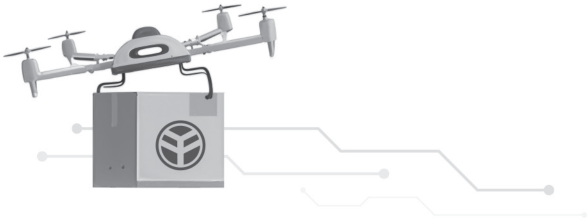
The following is an aged analysis of trade receivables, net of allowance for credit losses, of US$961,308,000 (December 31, 2025: US$918,340,000) presented based on invoice date, which approximated to the respective revenue recognition dates:

	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

12. 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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. MOVEMENTS IN BANK BORROWINGS

During the current interim period, the Group obtained and repaid bank borrowings which mainly consisted of short-term revolving loans, of approximately US$1,733,739,000 (six months ended June 30, 2025: US$1,705,140,000) and US$1,482,178,000 (six months ended June 30, 2025: US$1,498,850,000) respectively. The proceeds of new bank borrowings were used to refinance bank borrowings and to finance the daily operation of the Group. Among these bank borrowings, the variable-rate borrowings carry a credit spread over Hong Kong Interbank Offered Rate, Secured Overnight Financing Rate, Taipei Interbank Offered Rate, as appropriate.

14. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Authorized:		
Ordinary shares of HK$0.25 each:		
At January 1, 2025, June 30, 2025, January 1, 2026 and June 30, 2026	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.25 each:		
At January 1, 2025, June 30, 2025, January 1, 2026 and June 30, 2026	1,604,556,486	401,139

	At June 30, 2026 (unaudited) US$'000	At December 31, 2025 (audited) US$'000
Shown in the condensed consolidated financial statements	**51,795**	51,795

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Set out below is the information about how the fair values of the Group's financial assets and liabilities that are measured at fair value are determined, including the valuation techniques and inputs used:

	Fair value as at		
	June 30, 2026 (unaudited) US$'000	December 31, 2025 (audited) US$'000	**Fair value hierarchy**
Financial assets at FVTPL			
Forward contracts (note i)	**7**	117	Level 2
Unlisted overseas funds (note ii)	**106,499**	117,924	Level 2
Daily range accrual notes (note i)	**–**	19,894	Level 2
Callable range accrual notes (note i)	**79,006**	–	Level 2
Cross currency swap (note i)	**2,043**	–	Level 2
Equity instruments at FVTOCI			
Equity securities listed overseas (note iii)	**14,524**	17,652	Level 1
Financial liabilities at FVTPL			
Forward contracts (note i)	**1,060**	643	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/interest rates (from observable forward exchange rates/yield curves at the end of the reporting period) and contracted forward rates/interest 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 the financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. FINANCIAL GUARANTEE CONTRACTS AND COMMITMENTS

At the end of the reporting period, the Group had the following financial guarantee contracts and commitments:

(I) FINANCIAL GUARANTEE CONTRACTS

	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

(II) CAPITAL COMMITMENTS

	At June 30, 2026 (unaudited) US$'000	At December 31, 2025 (audited) US$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of land	**9,383**	13,109
– construction of buildings	**31,166**	10,640
– acquisition of property, plant and equipment	**7,591**	10,301
– investment in Indian project	**222,870**	255,976
	271,010	290,026

17. SHARE AWARD SCHEMES

(I) 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. Movements in the number of awarded shares outstanding are as follows:

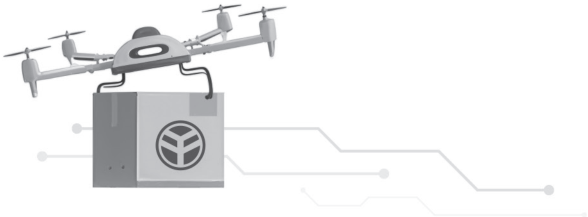
	Number of awarded shares	
	2026	2025
As at January 1	**1,760,000**	1,570,000
Granted	**509,000**	2,452,000
Vested	**(509,000)**	(2,062,000)
Lapsed	**(40,000)**	(120,000)
As at June 30	**1,720,000**	1,840,000

A total of 17,000 ordinary shares of the Company were held by the trustee of the Yue Yuen Share Award Scheme at June 30, 2026 (December 31, 2025: 126,000 ordinary shares).

(II) SHARE AWARD SCHEME OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED ("POU SHENG")

Pou Sheng has its share award scheme adopted pursuant to a board resolution passed by Pou Sheng's directors on May 9, 2014 and amended on November 11, 2016 as well as amended and restated on November 13, 2023. Movements in the number of awarded shares outstanding are as follows:

	Number of awarded shares	
	2026	2025
As at January 1	**33,930,000**	22,080,000
Lapsed	**–**	(2,880,000)
As at June 30	**33,930,000**	19,200,000



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 report of Pou Sheng.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

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.

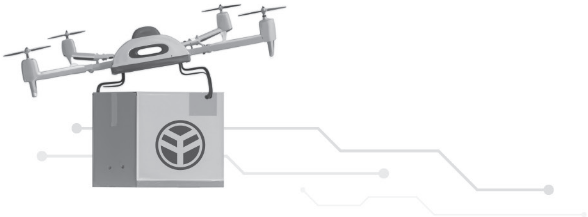
The Group has earned significant recognition from distinguished external parties for its sustainability and corporate governance. In the 2025 Corporate Sustainability Assessment ("CSA") conducted by S&P Global, Yue Yuen achieved an ESG Score of 45 and a CSA score of 40, placing it ahead of 77% of Textiles, 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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESULTS OF OPERATIONS (continued)

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.*

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESULTS OF OPERATIONS (continued)

Revenue Analysis (continued)

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

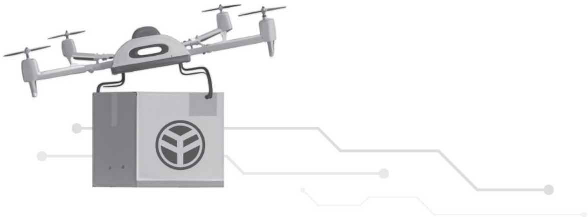
During the Period, the Group's manufacturing business shipped a total of 118.6 million pairs of shoes, a decrease of 6.4% compared to the 126.7 million pairs shipped in the corresponding period of last year. The average selling price per pair was US$20.95, an increase of 1.6% as compared to US$20.61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



RESULTS OF OPERATIONS (continued)

Cost and Expenses Review (continued)

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).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESULTS OF OPERATIONS (continued)

Finance Costs and Tax Expense (continued)

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 report.

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

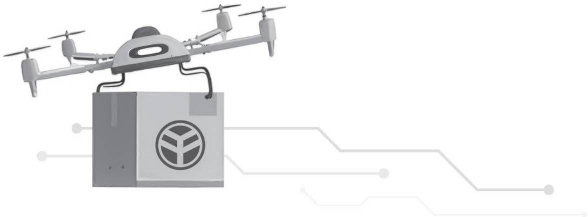
Cash Flow

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).*



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND OTHERS (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND OTHERS (continued)

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 16 to the condensed consolidated financial statements in this report.

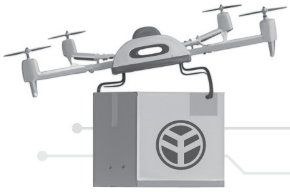
Foreign Exchange Exposure

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 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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

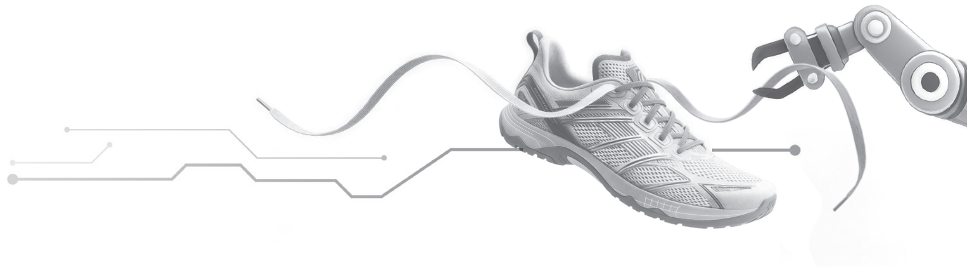
The Group fosters leadership and professional talent through a systematic, diversified and comprehensive training and development mechanism, strengthening a competitive advantage in human capital and laying a solid foundation for its sustainable development.

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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

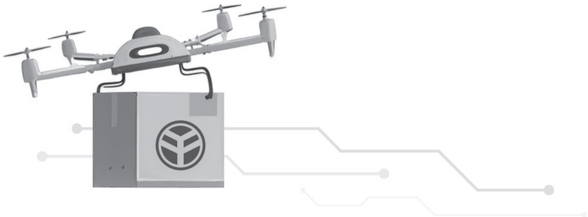
The Group remains committed to its mid- to long-term capacity allocation strategy, particularly the ongoing diversification of its manufacturing base into Indonesia and India, where labor supply and infrastructure are supportive of sustainable growth. The Group will flexibly adjust the commencement timing 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.



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.40 per share of the Company ("Shares") (2025: HK$0.40 per Share) for 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.

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 proposed 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at June 30, 2026, the interests and 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 (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Interests in the ordinary shares and underlying shares of HK$0.25 each of the Company

		Number of Shares/underlying Shares held *(Long position)*					Approximate percentage of issued Shares
Name of Directors	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	*(Note 1)*
Lu Chin Chu	Beneficial owner	672,000	–	–	–	672,000	0.04%
Chou Wei-Te	Beneficial owner	80,000 *(Note 2)*	–	–	–	80,000	0.00%
Lin Cheng-Tien	Beneficial owner	368,000	–	–	–	368,000	0.02%
Liu George Hong-Chih	Beneficial owner	839,000 *(Note 2)*	–	–	–	839,000	0.05%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

(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

		Number of shares/underlying shares of Pou Sheng held *(Long position)*					Approximate percentage of issued shares of Pou Sheng *(Note 3)*
Name of Directors	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	
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 Pou Chen Corporation ("PCC"), an associated corporation of the Company within the meaning of Part XV of the SFO

		Number of shares/underlying shares of PCC held *(Long position)*					Approximate percentage of issued shares of PCC *(Note 4)*
Name of Directors	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	
Lu Chin Chu	Beneficial owner	1,070,470	73,300	–	–	1,143,770	0.04%
Tsai Pei Chun, Patty	Beneficial owner	4,177,779	–	–	–	4,177,779	0.14%
Lin Cheng-Tien	Beneficial owner	297,760	–	–	–	297,760	0.01%

Notes:

As at June 30, 2026,

1. The total number of issued Shares was 1,604,556,486.
2. Each of Mr. Chou Wei-Te and Mr. Liu George Hong-Chih was interested in 80,000 Shares 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 was 5,315,514,615.
4. The total number of issued shares of PCC was 2,946,787,213.

Other than the interests disclosed above, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at June 30, 2026.

SHARE INCENTIVE SCHEMES

(a) Share Option Scheme of the Company

To enable the Company to grant options to participants as incentive or reward for their contribution to the growth of the Group and to provide the Group with a flexible means to reward, remunerate, compensate and/or provide benefits to the participants, the Company adopted a share option scheme on May 31, 2019 (the "Yue Yuen Share Option Scheme"), which has a life of 10 years until May 30, 2029. As at January 1, 2026, June 30, 2026 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 Shares, representing approximately 10.06% of the issued Shares as at the date of this report. No option has been granted under the Yue Yuen Share Option Scheme since its adoption. Details of the Yue Yuen Share Option Scheme are set out in the 2025 annual report of the Company (the "Annual Report").

(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 of eligible participants, 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 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 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 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. None of the participants had been awarded with Shares exceeding 0.1% of the total issued Shares in any 12-month period.

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.

SHARE INCENTIVE SCHEMES (continued)

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

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, 2026, June 30, 2026 and August 12, 2026 (i.e. the date of this report), the total number of Shares available for being further awarded under the Yue Yuen Share Award Scheme was 28,394,129 Shares, 27,925,129 Shares and 27,925,129 Shares, respectively, representing approximately 1.77%, 1.74% and 1.74% of the issued Shares as at January 1, 2026, June 30, 2026 and the date of this 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.

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

			Number of awarded Shares				
	Date of grant *(Note 1)*	Vesting period *(Note 2)*	Balance as at January 1, 2026	Granted during the Period	Lapsed during the Period	Vested during the Period	Balance as at June 30, 2026
Directors							
Lu Chin Chu	13.03.2026	13.03.2026-01.06.2026	–	69,000	–	(69,000)	–
Chou Wei-Te	01.06.2025	01.06.2025-31.05.2027	80,000	–	–	–	80,000
Lin Cheng Tien	13.03.2026	13.03.2026-01.06.2026	–	34,000	–	(34,000)	–
Liu George Hong-Chih	01.06.2025	01.06.2025-31.05.2027	80,000	–	–	–	80,000
	13.03.2026	13.03.2026-01.06.2026	–	79,000	–	(79,000)	–
Sub-total			160,000	182,000	–	(182,000)	160,000
Directors of the Company's subsidiaries/Employees of the Group and/or Associated Entities in aggregate							
	01.06.2025	01.06.2025-31.05.2027	1,600,000	–	(40,000)	–	1,560,000
	13.03.2026	13.03.2026-01.06.2026	–	327,000	–	(327,000)	–
Sub-total			1,600,000	327,000	(40,000)	(327,000)	1,560,000
Total			1,760,000	509,000	(40,000)	(509,000)	1,720,000

SHARE INCENTIVE SCHEMES (continued)

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

Notes:

1. During the Period,

   (i) no awarded Share was cancelled;

   (ii) the closing price of the Shares immediately before the date of grant on March 13, 2026 was HK$16.52 per Share; and

   (iii) 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 of the 2025 Annual Report. The fair value of the awarded Shares at the date of grant on March 13, 2026 was US$1,065,000, which is calculated based on the closing price of Shares on the date of grant of HK$16.38.

2. During the Period, the weighted average closing price of the Shares immediately before the date on which the awarded Shares was vested (being June 1, 2026) was HK$14.67 per Share.

During the Period, the Group recognized a net expense of US$1,695,000 as equity-settled share-based payments in relation to the Yue Yuen Share Award Scheme.

As at the date of this report, a total of 17,000 Shares were held by the Trustee, representing approximately 0.0011% of the issued Shares.

(c) Share Award Scheme of Pou Sheng

Pou Sheng (being a subsidiary of the Company) adopted its share award scheme in order to recognize the contributions of certain persons, including directors and employees of Pou Sheng and its subsidiaries (collectively "Pou Sheng Group") and provide incentives to retain them for continual operation and development of the Pou Sheng Group. For details, please refer to the interim report of Pou Sheng for the Period.

Pou Sheng is not a principal subsidiary of the Company within the meaning of Chapter 17 of the Listing Rules and thus the Company is not subject to the disclosure obligation thereunder regarding the share award scheme of Pou Sheng.

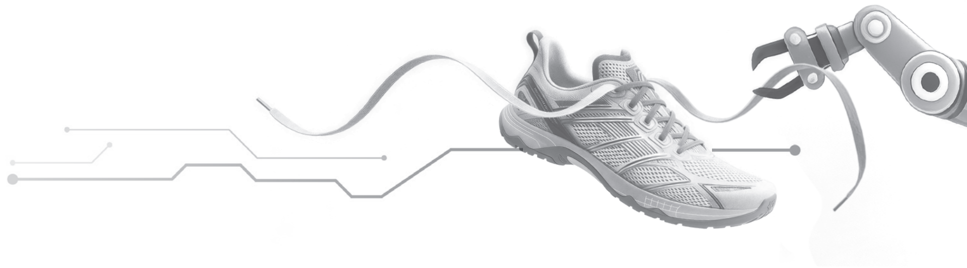
ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Share Incentive Schemes" above, at no time during the Period 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.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of the Directors since the date of publication of the Company's 2025 Annual Report are set out below:

Mr. Wong Hak Kun ceased to be an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (a company listed on the Stock Exchange and the Shanghai Stock Exchange) and Haier Smart Home Co., Ltd. (a company listed on the Stock Exchange, the Shanghai Stock Exchange and the Frankfurt Stock Exchange) on June 12, 2026 and June 24, 2026 respectively.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as the Directors and chief executives of the Company are aware, as at June 30, 2026, the interests and short positions of substantial shareholders and other persons, other than the interests disclosed in "Directors and Chief Executives' Interests in Securities", in the shares and underlying shares of the Company as recorded in the register (the "Register") required to be kept under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of the issued Shares*
PCC	Interest of controlled corporations (*Note 1*)	824,143,835	51.36%
Wealthplus Holdings Limited ("Wealthplus")	Beneficial Owner (*Note 1*)	773,156,303	48.18%
Silchester International Investors LLP	Investment manager	113,394,500	7.07%

* *The total number of issued Shares as at June 30, 2026 was 1,604,556,486.*

Notes:

1. Of the 824,143,835 Shares beneficially owned by PCC, 773,156,303 Shares were held by Wealthplus and 50,987,532 Shares were held by Win Fortune Investments Limited ("Win Fortune"). Both Wealthplus and Win Fortune are wholly-owned subsidiaries of PCC. Mr. Lu Chin Chu 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 the Wealthplus. Mr. Lu Chin Chu and Mr. Chou Wei-Te are directors of Win Fortune.

2. All the interests stated above represented long positions.

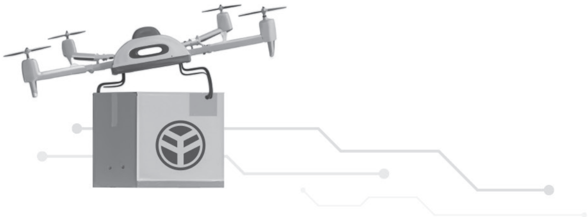
Other than the interests disclosed above, as at June 30, 2026, the Directors or chief executive of the Company were not aware of any other person or corporation (other than the Directors and chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any shares or underlying shares of the Company as recorded in the Register.

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 Listing Rules) except that the trustee of the Yue Yuen Share Award Scheme purchased on the Stock Exchange a total of 400,000 Shares at a total consideration of approximately HK$6,312,328.34 (equivalent to approximately US$805,000) pursuant to the rules of the Yue Yuen 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).

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.

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 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 with all Directors, all Directors confirmed that they had 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.

IMPORTANT EVENT AFTER THE PERIOD

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

SUPPLEMENTAL INFORMATION

Reference is made to pages 43 to 44 of the annual report of the Company for the year ended December 31, 2025 regarding connected transactions and related party transactions. The Company confirms that it has complied with the applicable requirements under Chapter 14A of the Listing Rules.

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.

DIRECTORS

As at the date of this report, the Directors 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.

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

Hong Kong, August 12, 2026

Website: www.yueyuen.com

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

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