## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Yue Yuen Industrial (Holdings) Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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# YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
# 裕元工業(集團)有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00551)**

# CONTINUING CONNECTED TRANSACTIONS
# AND
# NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**

**SOMERLEY CAPITAL LIMITED**

Capitalized terms used in the lower portion of this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 39 of this circular.

A notice convening the SGM to be held at 9:30 a.m. on Tuesday, December 1, 2026 at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-3 in this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to 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 as soon as possible but in any event no later than 9:30 a.m. on Sunday, November 29, 2026, or not less than 48 hours before the time for holding the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting, or any adjournment thereof, should you so wish and in such event, the form of proxy shall be deemed to be revoked.

**No refreshment or corporate souvenir will be provided at the SGM.**

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

November 6, 2026

* *For identification purpose only*

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

| | |
|---|---|
| "associate(s)" | has the meaning ascribed thereto in the Listing Rules |
| "Board" | the board of Directors |
| "Bye-laws" | the bye-laws of the Company, as amended, modified or otherwise supplemented from time to time |
| "Caps" | the maximum aggregate annual caps for each of the Continuing Connected Transactions under the CCT Agreements for the three years ending December 31, 2029 |
| "close associate(s)" | has the meaning ascribed thereto in the Listing Rules |
| "CCT Agreements" | the PCC Connected Services Agreement (2026), PCC Connected Sales Agreement (2026) and PCC Connected Purchases Agreement (2026) |
| "Company" | Yue Yuen Industrial (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange |
| "connected person(s)" | has the meaning ascribed thereto in the Listing Rules |
| "Continuing Connected Transactions" | the transactions carried out and to be carried out under the following agreements: Previous PCC Connected Services Agreement, Previous PCC Connected Sales Agreement, Previous PCC Connected Purchases Agreement and the CCT Agreements |
| "controlling shareholder(s)" | has the meaning ascribed thereto in the Listing Rules |
| "Director(s)" | director(s) of the Company from time to time |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |

| | |
|---|---|
| "Independent Board Committee" | an independent committee of the Board comprising all the independent non-executive Directors constituted to make recommendations to the Independent Shareholders in respect of the CCT Agreements, Continuing Connected Transactions and the Caps |
| "Independent Financial Adviser" | Somerley Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, is the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders in relation to the CCT Agreements, Continuing Connected Transactions and the Caps |
| "Independent Shareholders" | the Shareholders other than PCC and its associates who are required to abstain from voting on the resolutions to approve the CCT Agreements, Continuing Connected Transactions and the Caps at the SGM |
| "Latest Practicable Date" | October 28, 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "NTD" | New Taiwan dollar(s), the lawful currency of Taiwan |
| "normal commercial terms or better" | has the meaning ascribed thereto in the Listing Rules |
| "PCC" | Pou Chen Corporation, a company with its shares listed and traded on the Taiwan Stock Exchange Corporation (stock code: 9904) and a controlling shareholder of the Company, which indirectly owns or controls approximately 51.36% of the issued Shares as at the Latest Practicable Date |
| "PCC Connected Purchases Agreement (2026)" | the agreement dated October 7, 2026 entered into between the Company and PCC for the purchase of raw materials, moulds, shoe-related products, manufacturing equipment and production tools |

| | |
|---|---|
| "PCC Connected Sales Agreement (2026)" | the agreement dated October 7, 2026 entered into between the Company and PCC for the sale of raw materials, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools |
| "PCC Connected Services Agreement (2026)" | the agreement dated October 7, 2026 entered into between the Company and PCC for providing services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group's products, and general administration support |
| "PCC Group" | PCC and its subsidiaries and associates other than members of the Group |
| "Previous PCC Connected Purchases Agreement" | the agreement dated January 9, 2007 entered into between the Company and PCC for the purchase of raw materials, moulds, shoe-related products, manufacturing equipment and production tools, as amended and supplemented by first supplemental agreement dated November 20, 2008, second supplemental agreement dated August 25, 2011, third supplemental agreement dated September 15, 2014, fourth supplemental agreement dated October 21, 2014, fifth supplemental agreement dated October 13, 2017, sixth supplemental agreement dated October 8, 2020 and seventh supplemental agreement dated October 6, 2023 |
| "Previous PCC Connected Sales Agreement" | the agreement dated January 9, 2007 entered into between the Company and PCC for the sale of leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools and provision of consultancy and guidance services to the PCC Group, as amended and supplemented by first supplemental agreement dated November 20, 2008, second supplemental agreement dated August 25, 2011, third supplemental agreement dated September 15, 2014, fourth supplemental agreement dated October 21, 2014, fifth supplemental agreement dated October 13, 2017, sixth supplemental agreement dated October 8, 2020, seventh supplemental agreement dated October 6, 2023 and eighth supplemental agreement dated November 12, 2025 |

| | |
|---|---|
| "Previous PCC Connected Services Agreement" | the agreement dated February 22, 1997 entered into between the Company and PCC for providing services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group's products, and general administration support, as amended and supplemented by first supplemental agreement dated January 9, 2007, second supplemental agreement dated November 20, 2008, third supplemental agreement dated August 25, 2011, fourth supplemental agreement dated September 15, 2014, fifth supplemental agreement dated October 21, 2014, sixth supplemental agreement dated October 13, 2017, seventh supplemental agreement dated October 8, 2020 and eighth supplemental agreement dated October 6, 2023 |
| "Pou Sheng" | Pou Sheng International (Holdings) Limited (stock code: 3813), an exempted company incorporated under the laws of Bermuda with limited liability and whose ordinary shares are listed on the main board of the Stock Exchange |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SGM" | the special general meeting of the Company to be held at 9:30 a.m. on Tuesday, December 1, 2026 at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong or any adjournment hereof, a notice of which is set out on pages SGM-1 to SGM-3 in this circular |
| "Share(s)" | ordinary share(s) of HK$0.25 each in the capital of the Company |
| "Shareholder(s)" | the holder(s) of Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed thereto in the Listing Rules |
| "US$" | United States dollars, the lawful currency of the United States of America |
| "%" | per cent. |

*References to time and dates in this circular are to Hong Kong time and dates.*

# YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
# 裕元工業（集團）有限公司*

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

**Board of Directors:**
*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
Mr. Chau Chi Ming *(Chief Financial Officer)*

*Independent Non-executive Directors:*
Mr. Wong Hak Kun
Mr. Ho Lai Hong
Mr. Lin Shei-Yuan
Dr. Yang Ju-Huei

**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

November 6, 2026

*To the Shareholders*

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

### 1. INTRODUCTION

Reference is made to the Company's announcement dated October 7, 2026. The Company has, on October 7, 2026 (after trading hours), entered into the CCT Agreements with PCC to, among other things, set out the terms of the Continuing Connected Transactions including the Caps for a period of three years ending December 31, 2029 to ensure business continuation and for compliance with the Listing Rules.

* *For identification purpose only*

The purpose of this circular is to provide you with (i) further information about the CCT Agreements, Continuing Connected Transactions and the Caps; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements, Continuing Connected Transactions and the Caps; (iii) the recommendations from the Independent Board Committee in respect of the CCT Agreements, Continuing Connected Transactions and the Caps; and (iv) a notice convening the SGM.

## 2. TRANSACTIONS BETWEEN THE GROUP AND THE PCC GROUP

### (a) PCC Connected Services Agreement (2026)

The signing parties have entered into the PCC Connected Services Agreement (2026) to set out terms on which the parties conduct transactions as contemplated thereunder and the Caps in respect of those transactions. The PCC Connected Services Agreement (2026) is for a term of three years ending December 31, 2029 and replaces and supersedes the Previous PCC Connected Services Agreement. Except for the Caps and duration period, the major terms of the PCC Connected Services Agreement (2026) are substantially similar to the Previous PCC Connected Services Agreement. The PCC Connected Services Agreement (2026) is conditional upon obtaining the approval of the Independent Shareholders at the SGM.

A summary of the major terms of the PCC Connected Services Agreement (2026) is set out below.

***Date***

October 7, 2026

***Signing parties***

The Company and PCC

***Major terms***

The services agreed upon in the PCC Connected Services Agreement (2026) include, *inter alia*, PCC providing services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group's products, and general administration support. The services may be provided by or through any member of the PCC Group, but PCC remains fully liable for the provision of these services. The obligations of the Company under the PCC Connected Services Agreement (2026) may be performed through other members of the Group but PCC's only recourse under the PCC Connected Services Agreement (2026) is to the Company itself. The obligations of the Company under the PCC Connected Services Agreement (2026) is to pay PCC the fees for the services described above, upon provision of those services by PCC.

***Service fees***

The Company will pay the following fees to PCC in respect of:

i. the Group's products developed through the research and development, know-how and technical services provided by the PCC Group and sold by the Group, not more than 0.5% of the net invoiced amounts of such products developed by the PCC Group and sold by the Group;

ii. raw materials, materials, components, machinery and other goods purchased by shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, not more than 1% of the merchandise cost invoiced to the PCC Group; and

iii. raw materials, materials, components, machinery and other goods sourced by the PCC Group on behalf of the Group in Taiwan or overseas whereby purchases are directly handled by the Group, not more than 0.5% of the cost of merchandise invoiced to the Group.

In respect of the Group's products developed through the research and development, know-how and technical services provided by the PCC Group and sold by the Group, the 0.5% service fees as referred to in (i) above fall below the royalty rates (i.e. 1% or 5%, depending on the products involved) payable in respect of know-how and technology related services which the Company has identified from public documents issued by a company listed on the Stock Exchange. Based on the same rate used in historical transactions of this type with the PCC Group, the Company and PCC therefore agreed on the level of service fees as 0.5% which is below the rate as can be identified from public sources. In respect of procurement services as referred to in (ii) and (iii) above, the service fees rate payable by the Company to PCC fall below the service fees of 5% which the Company found based on publicly available market information of three procurement agents. Based on available third party information in respect of similar services involved, the Independent Board Committee (having also considered the advice of the Independent Financial Adviser) is of the view that the service fees payable by the Company under the PCC Connected Services Agreement (2026) are fair and reasonable and that the PCC Connected Services Agreement (2026) is on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

***Reimbursement of costs and expenses***

Under the PCC Connected Services Agreement (2026), the Company is also obliged to reimburse PCC in respect of the following costs and expenses:

i. in respect of the purchase of raw materials, materials, components, machinery and other goods purchased by shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, the Company will reimburse the cost of merchandise paid by the PCC Group to the suppliers; and

ii. in respect of all the reasonable expenses and other related costs directly incurred or charged by the PCC Group in the provision of services of research and development, sourcing of raw materials, materials, components, machinery and other goods, marketing and consultancy, recruitment of staff in relation to the production and sale of the Group's products, and general administration support, the Company shall reimburse the PCC Group.

Reimbursement of the costs and expenses under the PCC Connected Services Agreement (2026) is made on normal commercial terms (i.e. based on the actual costs and expenses incurred) and such costs and expenses are incurred as part of the ordinary and usual course of business of the Group relating to the use of services provided by PCC.

***Payment terms***

The service fees and reimbursement of costs and expenses shall be paid according to the payment terms set out in individual contract/order/invoice (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date. The Company will take reasonable steps (e.g. comparing payment terms with third party suppliers) to ensure that payment terms offered by PCC shall be no less favourable than those offered by independent third party suppliers to the Group.

***Internal control measures***

The Group has implemented and will continue to implement the following procedures over the monitoring of pricing basis of the services received from the PCC Group and reimbursement of costs and expenses:

i. the accounting units of the Group will review the sales and costs breakdowns to assess whether the sales and costs qualify for service fees payable to PCC and if so, the pre-agreed service fee percentage is applied properly to the invoices from the PCC Group; the accounting units of the Group will also review the costs and expenses as submitted by the PCC Group by verifying the nature and amount charged to ensure that only actual costs and expenses directly attributable to the relevant procurement and services are reimbursed;

ii. the accounting units of the Group will perform monthly review of the service fees paid to the PCC Group to ensure that the correct amount of service fees as agreed under the PCC Connected Services Agreement (2026) are paid to the PCC Group; the accounting units of the Group will also review the reimbursement of the costs and expenses incurred by the PCC Group to ensure that any outstanding balance is settled between the Group and the PCC Group; and

iii. the Group will periodically gather market information with regard to similar services for its analysis.

**(b) PCC Connected Sales Agreement (2026)**

The signing parties have entered into the PCC Connected Sales Agreement (2026) to set out the terms on which the parties conduct transactions as contemplated thereunder and the Caps in respect of those transactions. The PCC Connected Sales Agreement (2026) is for a term of three years ending December 31, 2029 and replaces and supersedes the Previous PCC Connected Sales Agreement. Except for the Caps, duration period and removal of provision of consultancy and guidance services, the major terms of the PCC Connected Sales Agreement (2026) are substantially similar to the Previous PCC Connected Sales Agreement. The PCC Connected Sales Agreement (2026) is conditional upon obtaining the approval of the Independent Shareholders at the SGM.

A summary of the major terms of the PCC Connected Sales Agreement (2026) is set out below.

***Date***

October 7, 2026

***Signing parties***

The Company and PCC

***Major terms***

Under the PCC Connected Sales Agreement (2026), the PCC Group may place orders or make requests with the Group. The PCC Group is required to specify the terms of purchase in each order or request. The Group is required to manufacture and/or supply raw materials, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools to the PCC Group as may be ordered/requested by the PCC Group on the terms of each order/request accepted by the Group.

***Pricing basis***

The selling price for manufacture and/or supply of raw materials, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools, shall be on a cost-plus margin and in any event no less favourable to the Group than those made available by the Group to independent third parties. The minimum mark-up rate is determined having regard to the minimum gross profit margin required to cover costs (such as costs of labour, materials and other production overheads) and provide a reasonable commercial return. The maximum mark-up rate is determined after taking into account, where available, factors such as historical margins achieved on comparable sales transactions, prevailing market conditions and pricing levels offered by independent third party suppliers of similar products. The actual mark-up rate applied to each transaction will fall within such range and be determined on a case-by-case basis having regard to the foregoing factors and the commercial terms of the relevant order. In general, the management of the Group reviews and monitors the terms and prices offered to the PCC Group by comparing with the terms and prices offered to independent third parties for comparable products with similar features and quantities, in order to ensure that the terms and prices shall be no less favourable to the Group than those made available by the Group to independent third parties. For manufacture and supply of moulds, the prices shall be set based on standard price lists as agreed with independent third parties for the production of moulds.

***Internal control measures***

The Group has implemented and will continue to implement the following procedures over the monitoring of the pricing basis of the sales to the PCC Group:

i. for manufacture and/or supply of raw materials, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools, the sales and costing units of the Group will evaluate the costs and compare transaction records relating to the sale transactions of products with identical or similar features to independent third parties; the manager-in-charge of the sales units of the Group will approve the sales, including the mark-up rate, to the PCC Group;

ii. for manufacture and supply of moulds, the sales and costing units of the Group will check and approve the prices which are set based on standard price lists as agreed with independent third parties; and

iii. the Group will periodically check the internal approval documents to ensure the prices are properly approved by the sales and costing units of the Group.

***Payment terms***

For products supplied, payment shall be made according to the payment terms set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If the payment term is not specified, payment shall be made within 45 days after the end of relevant month of the invoice date. The Company will take reasonable steps (e.g. comparing payment terms with third party customers) to ensure that payment terms offered to PCC shall be no more favourable than those offered to independent third party customers of the Group.

**(c) PCC Connected Purchases Agreement (2026)**

The signing parties have entered into the PCC Connected Purchases Agreement (2026) to set out the terms on which the parties conduct transactions as contemplated thereunder and the Caps in respect of those transactions. The PCC Connected Purchases Agreement (2026) is for a term of three years ending December 31, 2029 and replaces and supersedes the Previous PCC Connected Purchases Agreement. Except for the Caps and duration period, the major terms of the PCC Connected Purchases Agreement (2026) are substantially similar to the Previous PCC Connected Purchases Agreement. The PCC Connected Purchases Agreement (2026) is conditional upon obtaining the approval of the Independent Shareholders at the SGM.

A summary of the major terms of the PCC Connected Purchases Agreement (2026) is set out below.

***Date***

October 7, 2026

***Signing parties***

The Company and PCC

***Major terms***

Under the PCC Connected Purchases Agreement (2026), the Group may place orders for raw materials, shoe-related products, moulds, manufacturing equipment and production tools with the PCC Group. The Group is required to specify the terms of purchase in each order. The PCC Group is required to supply its own products of raw materials, shoe-related products, moulds, manufacturing equipment or production tools ordered by the Group on the terms of each order accepted by the PCC Group. The Group is free to place an order with any supplier (including independent third parties) that it may choose.

***Pricing basis***

The amount agreed to be charged by the PCC Group shall be calculated as follows:

i. on terms no less favourable to the Group than those available from independent third parties, the management of the Group will determine the terms by comparing with those offered by independent third parties for products with similar features and quantities; and

ii. for purchase of products exclusively from the PCC Group, the management of the Group will compare the price and/or gross profit margin offered by the PCC Group to independent third parties on products with similar features to ensure the terms of purchase are no less favourable to the Group.

***Internal control measures***

The Group has implemented and will continue to implement the following procedures over the monitoring of the pricing basis of the purchase from the PCC Group:

i. the procurement units of the Group will obtain quotations which may be in written or oral form from at least two independent third parties for products in similar quantities and features to determine whether the price and terms offered by the PCC Group are fair and reasonable and comparable to those offered by independent third parties. The procurement units of the Group will then compare the price and payment terms offered by the PCC Group against the quotations offered by independent third parties to ensure the products are charged no less favourable to the Group than those available from independent third parties;

ii. for purchase of products exclusively from the PCC Group, the procurement units of the Group will obtain the sales invoices and/or gross profit margin analysis from the PCC Group for products with similar features offered by the PCC Group to two independent third parties to determine whether the price and terms offered by the PCC Group to the Group are fair and reasonable. The procurement units of the Group will then compare the price and/or gross profit margin offered by the PCC Group to independent third parties to ensure the products are charged no less favourable to the Group than those charged to independent third parties;

iii. the manager-in-charge of the procurement units of the Group will approve the purchase from the PCC Group as proposed by the procurement units after the above comparison and evaluation procedures are made; and

iv. a monthly report on the purchases from the PCC Group will be submitted to the management for monitoring purposes.

***Payment terms***

Payment shall be made according to the payment terms as set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date. The Company will take reasonable steps (e.g. comparing payment terms with third party suppliers) to ensure that payment terms offered by PCC shall be no less favourable than those offered by independent third party suppliers to the Group.

## 3. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Company is an investment holding company. The principal activities of the Group are manufacturing and sales of footwear products, as well as retail and distribution of sportswear and footwear products.

PCC is principally engaged in the (i) manufacturing of shoes; (ii) retail of sporting goods and wholesale business; and (iii) other businesses including real estate development and hotel operation, through its subsidiaries (including the Group).

The Continuing Connected Transactions are advantageous to the Group given the fact that (i) the Group is able to leverage on the PCC Group's abundant experience in the industry, including its extensive business network and its research and development expertise, through the PCC Connected Services Agreement (2026); and (ii) the Group's production efficiency can be enhanced with better utilisation of production capacity through transactions under the PCC Connected Sales Agreement (2026), while manufacturing of certain products of the Group requires materials from the PCC Group through transactions under the PCC Connected Purchases Agreement (2026). Further, the Continuing Connected Transactions have been taking place for a long period of time and are essential for the continued operation and growth of the business of the Group. Without them, the Group would have to conduct these transactions with other business partners. This will involve identifying companies and renegotiating all terms of the transactions. The entering of the CCT Agreements will regulate the conduct of the Continuing Connected Transactions and facilitate the ongoing operations of the Group in a flexible and efficient manner.

Accordingly, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) believe that (i) the CCT Agreements (including the Caps) are on normal commercial terms or better and their terms are fair and reasonable; and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## 4. HISTORICAL TRANSACTION AMOUNT AND PROPOSED CAPS

Set out below is a summary of (a) the existing caps of the Continuing Connected Transactions for the three years ending December 31, 2026; and (b) the historical amounts of the Continuing Connected Transactions between the Company and PCC in each of the two years ended December 31, 2024 and 2025 and the eight months ended August 31, 2026 according to the audited consolidated financial statements of the Group for the years ended December 31, 2024 and 2025 as well as the unaudited consolidated accounts of the Group for the eight months ended August 31, 2026:

| | **Year ended/ending December 31,** | | | | | |
|---|---|---|---|---|---|---|
| | **2024** | | **2025** | | **2026** | |
| | *(US$'000)* | | *(US$'000)* | | *(US$'000)* | |
| | **Existing caps** | **Transaction Amount** | **Existing caps** | **Transaction Amount** | **Existing caps** | **Transaction Amount** (from January 1 to August 31) |
| Previous PCC Connected Services Agreement | 374,228 | 293,951 | 392,940 | 279,944 | 412,587 | 168,508 |
| Previous PCC Connected Sales Agreement | 5,116 | 4,302 | 6,166[#] | 6,083 | 7,149[#] | 3,784 |
| Previous PCC Connected Purchases Agreement | 4,699 | 4,343 | 5,084 | 3,900 | 5,283 | 2,808 |
| Total: | 384,043 | 302,596 | 404,190 | 289,927 | 425,019 | 175,100 |

[#] *as revised on November 12, 2025*

The Caps proposed by the Board for three years ending December 31, 2029 are set out below:

| | **Year ending December 31,** | | |
|---|---|---|---|
| | **2027** | **2028** | **2029** |
| | *(US$'000)* | *(US$'000)* | *(US$'000)* |
| PCC Connected Services Agreement (2026) | 335,044 | 353,412 | 367,686 |
| PCC Connected Sales Agreement (2026) | 7,060 | 7,271 | 7,490 |
| PCC Connected Purchases Agreement (2026) | 5,239 | 5,396 | 5,558 |
| Total: | 347,343 | 366,079 | 380,734 |

**Basis of Determination of the Proposed Caps**

The Directors have assessed the proposed Caps and have considered the basis of determination of the proposed Caps as follows:

i. The above proposed Caps for transactions with the PCC Group in respect of the PCC Connected Services Agreement (2026) are mainly determined with reference to: (i) the annualized amount of the historical transaction amount for the eight months ended August 31, 2026 with the estimated annual growth rate of 3% (with reference to the expected revenue growth rate among the peers in footwear manufacturing industry) for the year ending December 31, 2027; (ii) estimated annual growth rate of 3% for the two years ending December 31, 2029; (iii) the estimated service fee and cost reimbursement in relation to purchase of machinery and materials for production by the PCC Group on behalf of the Group for the expansion of the Group's overseas factories for the three years ending December 31, 2029; (iv) a buffer of 15% for exchange rate fluctuation between NTD and US$ (take into account the historical exchange rate fluctuation between NTD and US$ in 2024 to 2026); and (v) a buffer of 5% for unforeseeable circumstances.

ii. The above proposed Caps for transactions with the PCC Group in respect of PCC Connected Sales Agreement (2026) are mainly determined with reference to: (i) the annualized amount of the historical transaction amount for the eight months ended August 31, 2026 with the estimated annual growth rate of 3% (with reference to the expected revenue growth rate among the peers in footwear manufacturing industry) for the year ending December 31, 2027; (ii) estimated annual growth rate of 3% for the two years ending December 31, 2029; (iii) a buffer of 15% for exchange rate fluctuation between NTD and US$ (take into account the historical exchange rate fluctuation between NTD and US$ in 2024 to 2026); and (iv) a buffer of 5% for unforeseeable circumstances.

iii. The above proposed Caps for transactions with the PCC Group in respect of the PCC Connected Purchases Agreement (2026) are mainly determined with reference to (i) the annualized amount of the historical transaction amount for the eight months ended August 31, 2026 with the estimated annual growth rate of 3% (with reference to the expected revenue growth rate among the peers in footwear manufacturing industry) for the year ending December 31, 2027 and (ii) estimated annual growth rate of 3% for the two years ending December 31, 2029; (iii) a buffer of 15% for exchange rate fluctuation between NTD and US$ (take into account the historical exchange rate fluctuation between NTD and US$ in 2024 to 2026); and (iv) a buffer of 5% for unforeseeable circumstances.

Under Rule 14A.82 of the Listing Rules, the Continuing Connected Transactions have been aggregated and have not been considered on an individual agreement basis for the purposes of ascertaining the disclosure and independent shareholders' approval requirements under the Listing Rules. For the purpose of continuing compliance with the Listing Rules, each of these Continuing Connected Transactions will be subject to their respective annual caps. The consideration under each of the Continuing Connected Transactions has been and will be satisfied from internal resources of the Group.

## 5. GENERAL

An Independent Board Committee has been constituted to make a recommendation to the Independent Shareholders in respect of the resolutions to approve the CCT Agreements, Continuing Connected Transactions and the Caps. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the CCT Agreements (including the Caps) are on normal commercial terms or better and their terms are fair and reasonable; and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

The SGM will be held on Tuesday, December 1, 2026 for the purpose of, among other things, obtaining approval from the Independent Shareholders in respect of the CCT Agreements, Continuing Connected Transactions and the Caps.

As at the Latest Practicable Date, PCC indirectly owns and is entitled to exercise control of 51.36% of the voting rights in respect of the issued Shares and is hence a connected person of the Company as defined under the Listing Rules. In accordance with the Listing Rules, any connected person and any Shareholder and their respective associates with a material interest in the Continuing Connected Transactions will not vote on the resolutions in respect of the Continuing Connected Transactions. PCC and its associates will abstain from voting on the resolutions to approve the relevant CCT Agreements, Continuing Connected Transactions and the Caps at the SGM. The trustee of the Company's share award scheme (adopted by the Board on January 28, 2014 and amended on March 23, 2016 and September 28, 2018, and further amended and restated on November 13, 2023), which held 17,000 Shares as at the Latest Practicable Date, will not exercise the voting rights at the SGM in respect of those Shares held under the trust. Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, no Shareholder will be required to abstain from voting under the Listing Rules in respect of any of the resolution to be proposed at the SGM.

None of the Directors have any material interest in the Continuing Connected Transactions and no Directors were required to abstain from voting on the Board resolutions of approving the Continuing Connected Transactions.

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in the notice of the SGM will be voted by way of poll. The chairman of the SGM will therefore demand that a poll be taken on the resolutions set out in the notice of the SGM, pursuant to bye-law 66 of the Bye-laws. An explanation of the detailed procedures for voting by poll will be provided to Shareholders at the SGM.

Pursuant to bye-law 66(1) of the Bye-laws, at any general meeting on a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder entitled to more than one vote is under no obligation to cast all his votes in the same way pursuant to bye-law 69 of the Bye-laws.

After the conclusion of the SGM, the poll results will be published on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://www.yueyuen.com) in the manner prescribed under Rules 13.39(5) and 13.39(5A) of the Listing Rules.

## 6. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the SGM to be held on Tuesday, December 1, 2026 at 9:30 a.m. (or at any adjournment thereof), the register of members of the Company will be closed from Wednesday, November 25, 2026 to Tuesday, December 1, 2026, both dates inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the SGM, all transfers, 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, November 24, 2026. The record date for the entitlement to attend and vote at the SGM will be on Wednesday, November 25, 2026.

## 7. RECOMMENDATIONS

Taking into account the letters from the Independent Board Committee and Independent Financial Adviser as well as all other factors stated above as a whole, the Directors consider that (i) the CCT Agreements (including the Caps) are on normal commercial terms or better and their terms are fair and reasonable; and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of all resolutions to be proposed at the SGM in respect of the CCT Agreements, Continuing Connected Transactions and the Caps.

## 8. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the appendix to this circular.

Yours faithfully,
For and on behalf of
**Yue Yuen Industrial (Holdings) Limited**
**Lu Chin Chu**
*Chairman*

*The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its opinion and recommendation to the Independent Shareholders in respect of the CCT Agreements, Continuing Connected Transactions and the Caps.*

# YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
# 裕元工業(集團)有限公司*

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

November 6, 2026

*To the Independent Shareholders*

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Yue Yuen Industrial (Holdings) Limited in respect of the resolutions to approve the CCT Agreements, Continuing Connected Transactions and the Caps, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated November 6, 2026 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board" and to the advice of Somerley Capital Limited in its capacity as the Independent Financial Adviser in respect of whether (i) the CCT Agreements (including the Caps) are on normal commercial terms or better and their terms are fair and reasonable; and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole, as set out in the "Letter from Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

* *For identification purpose only*

Having taken into account the reasons and the benefits for entering into the CCT Agreements (including the Caps), the Continuing Connected Transactions contemplated thereunder, the basis of determining the Caps and the advice given by the Independent Financial Adviser, in particular the principal factors and reasons as stated in its letter, we consider that (i) the CCT Agreements (including the Caps) are on normal commercial terms or better and their terms are fair and reasonable; and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the CCT Agreements, Continuing Connected Transactions and the Caps.

Yours faithfully,
For and on behalf of the
**Independent Board Committee**

**Wong Hak Kun** **Ho Lai Hong** **Lin Shei-Yuan** **Yang Ju-Huei**
*Independent Non-executive Directors*

*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**
20th Floor
China Building
29 Queen's Road Central
Hong Kong

November 6, 2026

*To: the independent board committee and the independent shareholders*

Dear Sir/Madam,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and the independent shareholders of Yue Yuen Industrial (Holdings) Limited (the "**Company**") in relation to the renewal of certain continuing connected transactions (the "**Continuing Connected Transactions**"). Details of the Continuing Connected Transactions are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company dated November 6, 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

The Continuing Connected Transactions have been taking place for a long period of time in the ordinary and usual course of business of the Group. As the existing caps in respect of the Continuing Connected Transactions will expire on December 31, 2026, the Company has, on October 7, 2026 (after trading hours), entered into the CCT Agreements with PCC to, among other things, renew the Caps and extend the term for the Continuing Connected Transactions for three years ending December 31, 2029.

With reference to the Board Letter, the Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company and are subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Dr. Yang Ju-Huei, has been established to advise the Independent Shareholders in relation to the Continuing Connected Transactions. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard (the "**Engagement**").

During the past two years immediately preceding the Latest Practicable Date, there have been no other engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and the PCC Group that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with respect to the Engagement. During the past two years immediately preceding the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with the Engagement, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the "**Management**") and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or the PCC Group, nor have we carried out any independent verification of the information supplied.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Continuing Connected Transactions, we have taken into account the principal factors and reasons set out below.

### 1. Background of the Group and the Continuing Connected Transactions

With reference to the Company's 2025 annual report, the Group is engaged in two main businesses focusing on (i) manufacturing and sales of footwear products; and (ii) retail and distribution of sportswear and footwear products. The major products of the Group's manufacturing business include athletic/outdoor shoes, casual shoes, sports sandals, soles and components. Retail sales mainly involve sale of shoes and apparel products.

With reference to the Board Letter, PCC is principally engaged in the (i) manufacturing of shoes; (ii) retail of sporting goods and wholesale business; and (iii) other businesses including real estate development and hotel operation, through its subsidiaries (including the Group).

The Group and the PCC Group have been conducting the Continuing Connected Transactions for a long period of time. The Previous PCC Connected Services Agreement was entered into in 1997, while the Previous PCC Connected Sales Agreement and the Previous PCC Connected Purchases Agreement were entered into in 2007.

A summary of the Continuing Connected Transactions is set out below:

***(i) PCC Connected Services Agreement (2026)***

Under the PCC Connected Services Agreement (2026), the PCC Group agreed to provide members of the Group with services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group's products and general administration support (the "**PCC Connected Services Transactions**").

***(ii) PCC Connected Sales Agreement (2026)***

Under the PCC Connected Sales Agreement (2026), members of the Group agreed to sell raw material, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools to the PCC Group (the "**PCC Connected Sales Transactions**").

***(iii) PCC Connected Purchases Agreement (2026)***

Under the PCC Connected Purchases Agreement (2026), members of the Group agreed to purchase from the PCC Group raw materials, moulds, shoe-related products, manufacturing equipment and production tools (the "**PCC Connected Purchases Transactions**").

**2. Reasons for and benefits of the Continuing Connected Transactions**

In the ordinary and usual course of its business, the Group has been carrying out the Continuing Connected Transactions with the PCC Group, subject to the annual caps and the terms as specified in the respective agreements.

The Management considers that the Continuing Connected Transactions are advantageous to the Group given the fact that (i) the Group is able to leverage on the PCC Group's abundant experience in the industry, including its extensive business network and its research and development expertise, through the PCC Connected Services Agreement (2026); and (ii) the Group's production efficiency can be enhanced with better utilisation of production capacity through transactions under the PCC Connected Sales Agreement (2026), while manufacturing of certain products of the Group requires materials from the PCC Group through transactions under the PCC Connected Purchases Agreement (2026).

Moreover, the Continuing Connected Transactions have been taking place for a long period of time and are essential for the continuous operation and growth of the business of the Group. Without them, the Group would have to conduct these transactions with new business partners and renegotiate all terms and conditions in order to continue such transactions and ensure a smooth operation of the Group's business. One of the purposes of conducting the Continuing Connected Transactions is to facilitate the ongoing operations of the Group in a flexible and efficient manner. In order to regulate the conduct of the Continuing Connected Transactions beyond 2026, the Company has, on October 7, 2026, entered into the CCT Agreements to extend the Continuing Connected Transactions for a term of three years commencing from January 1, 2027 and ending on December 31, 2029.

Having considered the background of the Continuing Connected Transactions and the reasons for and benefits of the Continuing Connected Transactions above, we concur with the Directors that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

## 3. Principal terms of the Continuing Connected Transactions

### *3.1 PCC Connected Services Agreement (2026)*

The signing parties have entered into the PCC Connected Services Agreement (2026) to set out terms on which the parties conduct transactions as contemplated thereunder and the Caps in respect of those transactions. The PCC Connected Services Agreement (2026) is for a term of three years ending December 31, 2029 and replaces and supersedes the Previous PCC Connected Services Agreement. Except for the Caps and duration period, the major terms of the PCC Connected Services Agreement (2026) are substantially similar to the Previous PCC Connected Services Agreement.

Set out below are the principal terms of the PCC Connected Services Agreement (2026), as extracted from the section headed "2. TRANSACTIONS BETWEEN THE GROUP AND THE PCC GROUP" of the Board Letter:

*Signing parties*

The Company and PCC

*Major terms*

The services agreed upon in the PCC Connected Services Agreement (2026) include, *inter alia*, PCC providing services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group's products, and general administration support. The services may be provided by or through any member of the PCC Group, but PCC remains fully liable for the provision of these services. The obligations of the Company under the PCC Connected Services Agreement (2026) may be performed through other members of the Group but PCC's only recourse under the PCC Connected Services Agreement (2026) is to the Company itself. The obligations of the Company under the PCC Connected Services Agreement (2026) is to pay PCC the fees for the services described above, upon provision of those services by PCC.

*Service fees*

The Company will pay the following fees to PCC in respect of:

i. the Group's products developed through the research and development, know-how and technical services provided by the PCC Group and sold by the Group, not more than 0.5% of the net invoiced amounts of such products developed by the PCC Group and sold by the Group (the "**R&D Services Fee**");

ii. raw materials, materials, components, machinery and other goods purchased by shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, not more than 1% of the merchandise cost invoiced to the PCC Group (the "**Procurement Services Fee I**"); and

iii. raw materials, materials, components, machinery and other goods sourced by the PCC Group on behalf of the Group in Taiwan or overseas whereby purchases are directly handled by the Group, not more than 0.5% of the cost of merchandise invoiced to the Group (the "**Procurement Services Fee II**").

In respect of the Group's products developed through the research and development, know-how and technical services provided by the PCC Group and sold by the Group, the 0.5% service fees as referred to in (i) above fall below the royalty rates (i.e. 1% or 5%, depending on the products involved) payable in respect of know-how and technology related services which the Company has identified from public documents issued by a company listed on the Stock Exchange. Based on the same rate used in historical transactions of this type with the PCC Group, the Company and PCC therefore agreed on the level of service fees as 0.5% which is below the rate as can be identified from public sources. In respect of procurement services as referred to in (ii) and (iii) above, the service fees rate payable by the Company to PCC fall below the service fees of 5% which the Company found based on publicly available market information of three procurement agents. Based on available third party information in respect of similar services involved, the Independent Board Committee (having also considered the advice of the Independent Financial Adviser) is of the view that the service fees payable by the Company under the PCC Connected Services Agreement (2026) are fair and reasonable and that the PCC Connected Services Agreement (2026) is on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

*Reimbursement of costs and expenses*

Under the PCC Connected Services Agreement (2026), the Company is also obliged to reimburse PCC in respect of the following costs and expenses:

i. in respect of the purchase of raw materials, materials, components, machinery and other goods purchased by shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, the Company will reimburse the cost of merchandise paid by the PCC Group to the suppliers; and

ii. in respect of all the reasonable expenses and other related costs directly incurred or charged by the PCC Group in the provision of services of research and development, sourcing of raw materials, materials, components, machinery and other goods, marketing and consultancy, recruitment of staff in relation to the production and sale of the Group's products, and general administration support, the Company shall reimburse the PCC Group.

Reimbursement of the costs and expenses under the PCC Connected Services Agreement (2026) is made on normal commercial terms (i.e. based on the actual costs and expenses incurred) and such costs and expenses are incurred as part of the ordinary and usual course of business of the Group relating to the use of services provided by PCC.

*Payment terms*

The service fees and reimbursement of costs and expenses shall be paid according to the payment terms set out in individual contract/order/invoice (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date. The Company will take reasonable steps (e.g. comparing payment terms with third party suppliers) to ensure that payment terms offered by PCC shall be no less favourable than those offered by independent third party suppliers to the Group.

### *3.2 PCC Connected Sales Agreement (2026)*

The signing parties have entered into the PCC Connected Sales Agreement (2026) to set out the terms on which the parties conduct transactions as contemplated thereunder and the Caps in respect of those transactions. The PCC Connected Sales Agreement (2026) is for a term of three years ending December 31, 2029 and replaces and supersedes the Previous PCC Connected Sales Agreement. Except for the Caps, duration period and removal of provision of consultancy and guidance services, the major terms of the PCC Connected Sales Agreement (2026) are substantially similar to the Previous PCC Connected Sales Agreement.

Set out below are the principal terms of the PCC Connected Sales Agreement (2026), as extracted from the section headed "2. TRANSACTIONS BETWEEN THE GROUP AND THE PCC GROUP" of the Board Letter:

*Signing parties*

The Company and PCC

*Major terms*

Under the PCC Connected Sales Agreement (2026), the PCC Group may place orders or make requests with the Group. The PCC Group is required to specify the terms of purchase in each order or request. The Group is required to manufacture and/or supply raw materials, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools to the PCC Group as may be ordered/requested by the PCC Group on the terms of each order/request accepted by the Group.

*Pricing basis and payment terms*

The selling price for manufacture and/or supply of raw materials, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools, shall be on a cost-plus margin and in any event no less favourable to the Group than those made available by the Group to independent third parties. The minimum mark-up rate is determined having regard to the minimum gross profit margin required to cover costs (such as costs of labour, materials and other production overheads) and provide a reasonable commercial return. The maximum mark-up rate is determined after taking into account, where available, factors such as historical margins achieved on comparable sales transactions, prevailing market conditions and pricing levels offered by independent third party suppliers of similar products. The actual mark-up rate applied to each transaction will fall within such range and be determined on a case-by-case basis having regard to the foregoing factors and the commercial terms of the relevant order. In general, the management of the Group reviews and monitors the terms and prices offered to the PCC Group by comparing with the terms and prices offered to independent third parties for comparable products with similar features and quantities, in order to ensure that the terms and prices shall be no less favourable to the Group than those made available by the Group to independent third parties. For manufacture and supply of moulds, the prices shall be set based on standard price lists as agreed with independent third parties for the production of moulds.

For products supplied, payment shall be made according to the payment terms set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If the payment term is not specified, payment shall be made within 45 days after the end of relevant month of the invoice date. The Company will take reasonable steps (e.g. comparing payment terms with third party customers) to ensure that payment terms offered to PCC shall be no more favourable than those offered to independent third party customers of the Group.

### *3.3 PCC Connected Purchases Agreement (2026)*

The signing parties have entered into the PCC Connected Purchases Agreement (2026) to set out the terms on which the parties conduct transactions as contemplated thereunder and the Caps in respect of those transactions. The PCC Connected Purchases Agreement (2026) is for a term of three years ending December 31, 2029 and replaces and supersedes the Previous PCC Connected Purchases Agreement. Except for the Caps and duration period, the major terms of the PCC Connected Purchases Agreement (2026) are substantially similar to the Previous PCC Connected Purchases Agreement.

Set out below are the principal terms of the PCC Connected Purchases Agreement (2026), as extracted from the section headed "2. TRANSACTIONS BETWEEN THE GROUP AND THE PCC GROUP" of the Board Letter:

*Signing parties*

The Company and PCC

*Major terms*

Under the PCC Connected Purchases Agreement (2026), the Group may place orders for raw materials, shoe-related products, moulds, manufacturing equipment and production tools with the PCC Group. The Group is required to specify the terms of purchase in each order. The PCC Group is required to supply its own products of raw materials, shoe-related products, moulds, manufacturing equipment or production tools ordered by the Group on the terms of each order accepted by the PCC Group. The Group is free to place an order with any supplier (including independent third parties) that it may choose.

*Pricing basis and payment terms*

The amount agreed to be charged by the PCC Group shall be calculated as follows:

i. on terms no less favourable to the Group than those available from independent third parties, the management of the Group will determine the terms by comparing with those offered by independent third parties for products with similar features and quantities; and

ii. for purchase of products exclusively from the PCC Group, the management of the Group will compare the price and/or gross profit margin offered by the PCC Group to independent third parties on products with similar features to ensure the terms of purchase are no less favourable to the Group.

Payment shall be made according to the payment terms as set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date. The Company will take reasonable steps (e.g. comparing payment terms with third party suppliers) to ensure that payment terms offered by PCC shall be no less favourable than those offered by independent third party suppliers to the Group.

## 4. Our Assessment of the principal terms of the Continuing Connected Transactions

### *4.1 R&D Services Fee*

As advised by the Management, the Group and relevant footwear brand(s) will have discussions and agree on the specifications and requirements of the products to be manufactured by the Group. The PCC Group will help in the research and development work, provide know-how and technical services in the design and composition of some of the footwear products based on the requirements and specifications raised by relevant brand(s) (the "**R&D Services**"). The R&D Services provided by the PCC Group are highly specific based on the specifications and requirements of the products to be manufactured by the Group, and there were no directly comparable services provided by independent third parties in the market.

For our due diligence purposes, we conducted, on a best-efforts basis, a search of announcements and circulars published by companies listed on the Stock Exchange and principally engaged in the apparel and footwear business (the "**Apparel and Footwear Industry Company(ies)**") during the period from 2024 to 2026, up to the date of the CCT Agreements (the "**Relevant Period**"), for directly comparable connected transactions involving the provision of outsourced research and development services in the footwear and apparel sector. As no directly comparable transactions were identified, we alternatively assessed the reasonableness of the R&D Services Fee by referencing the overall research and development cost structures of the Apparel and Footwear Industry Companies. Based on our review of the latest full year financial report of the Apparel and Footwear Industry Companies, we identified a representative sample of three companies that explicitly disclosed their research and development expenses, namely ANTA Sports Products Limited (stock code: 2020), Li Ning Company Limited (stock code: 2331), and China Lilang Limited (stock code: 1234) (the "**R&D Comparable Companies**"). As the R&D Comparable Companies are all listed in Hong Kong and principally engaged in the apparel and footwear business, we consider the selection criteria to be meaningful and appropriate. Therefore, we are of the view that the R&D Comparable Companies are fair and representative. Based on the published financial data of these companies extracted from the Bloomberg terminal, their research and development expenses as a percentage of their respective revenues over the past three financial years (from 2023 to 2025) ranged from approximately 2.24% to 3.56%, with the annual industry averages for the sample group consistently settling at 2.69%, 2.91%, and 2.82% for the respective years. The R&D Comparable Companies represents an exhaustive list of comparable companies based on the selection criteria stated above.

We have further reviewed the Group's research and development expenditures. According to the Company's published financial information, the Group's research and development expenses accounted for approximately 1.74% and 1.82% of its total revenue for the years ended December 31, 2024 and 2025, respectively. Under the PCC Connected Services Agreement (2026), the R&D Services Fee is capped at 0.5% of the net invoiced amounts of the specific products developed by the PCC Group and sold by the Group. We noted that even under the theoretical maximum scenario where the 0.5% fee is applied to the entirety of the Group's revenue and aggregated with the Group's research and development expense ratio of 1.74% and 1.82% in 2024 and 2025, respectively, the combined theoretical cost structure of 2.24% and 2.32% remains below the aforementioned industry peer averages of 2.69% to 2.91%.

### *4.2 Procurement Services Fee I and Procurement Services Fee II*

For our due diligence purposes, we conducted, on a best-efforts basis, a search of announcements and circulars published by the Apparel and Footwear Industry Companies during the Relevant Period for connected procurement arrangements involving services similar to those provided by the PCC Group. We did not identify any directly comparable transactions which separately disclosed a procurement service fee as a percentage of purchase costs in relation to procurement of apparel and footwear related services. During our search, we noted that one of the Apparel and Footwear Industry Companies, EPS Creative Health Technology Group Limited ("**EPS Health Tech**"), has disclosed information of procurement services as follows:

| | **Parties** | **Nature of transaction** | **Pricing basis** |
|---|---|---|---|
| 1 | EPS Health Tech (stock code: 3860) and EPS Americas Corp ("**EPS USA**") | Provision of customs clearance services and resale of pre-clinical animal testing consumables and medical healthcare products by EPS USA to the EPS Health Tech group | Total acquisition costs plus a percentage mark-up (tax-inclusive) of not more than 3% |

*Source:* The procurement comparable transaction(s) is/are identified from the announcement(s) of the respective company(ies) as published on the website of the Stock Exchange

While EPS Health Tech has been undergoing a business transition towards the healthcare sector, its garment business remains a substantial operating segment. Based on the latest published annual report of EPS Health Tech, revenue generated from its garment business accounted for approximately 60.6% and 37.6% of its total revenue for the years ended March 31, 2025 and 2026, respectively. Therefore, we consider that the procurement service procured by EPS Health Tech to be a meaningful reference for our assessment of the Procurement Services Fee I and Procurement Services Fee II. The selected comparable transaction represents an exhaustive list of comparable transactions based on the selection criteria stated above. Having considered the above, we are of the view that the selected comparable transaction is fair and representative for our analysis. The respective caps of 1% and 0.5% for Procurement Services Fee I and Procurement Services Fee II are both lower than the maximum mark-up of 3% disclosed for the EPS USA arrangement.

### *4.3 Reimbursement of costs and expenses*

As mentioned earlier, the reimbursement of costs and expenses under the PCC Connected Services Agreement (2026) is made on normal commercial terms (i.e. based on the actual costs and expenses incurred). For our due diligence purpose, we have obtained (i) invoices issued by PCC to members of the Group in relation to the reimbursement of costs and expenses and (ii) breakdown of relevant costs and expenses incurred by the PCC Group in relation to the Group during the Relevant Period. For this purpose, we have obtained and received one set of invoices and related breakdown in each of the years ended December 31, 2024 and December 31, 2025, and for the eight months ended August 31, 2026. Based on our review, we noted that the reimbursement amounts as set out in the invoices were in line with the costs and expenses incurred by the PCC Group in relation to the relevant company according to the breakdown obtained.

The aforementioned review of historical transactions was performed with an aim to understand the Group's price determination mechanism. Given that we have selected, on sampling basis, one relevant transaction during each of the financial years covering the existing Continuing Connected Transactions (i.e. a total of three transactions were selected), we are of the view that the aforementioned review, including the sample size and period covered, is appropriate for our assessment of the terms of the reimbursement of costs and expenses under the PCC Connected Services Agreement.

### *4.4 PCC Connected Sales Transactions*

For our due diligence purpose, we have reviewed the transactions in relation to the sale of products by the Group to the PCC Group based on their respective pricing basis during the Relevant Period.

For the manufacture and supply of moulds, as the prices shall be set based on standard price lists as agreed with independent third parties, we have obtained the relevant standard price lists, and the invoices in relation to the sale of moulds by the Group to the PCC Group, for one set of sales for each of the years ended December 31, 2024 and December 31, 2025, and for the eight months ended August 31, 2026. We noted from such documents that the selling prices of the moulds charged by the Group to the PCC Group were in accordance with the standard price lists.

For the sale of other products (including raw materials, production equipment and tools, finished and semi-finished shoe products, and quality control inspection tools), we have received and compared the transactions in relation to the sale of products by the Group to (i) the PCC Group and (ii) independent third parties. For this purpose, we have obtained the relevant information, including the invoices and related gross profit margin information, for one set of sales of products by the Group to the PCC Group and the sales of similar product by the Group to independent third parties, for each of the years ended December 31, 2024 and December 31, 2025, and for the eight months ended August 31, 2026. We noted from such documents that the gross profit margins charged by the Group to the PCC Group were no less favourable than those charged to independent third parties for the products.

The aforementioned review of historical transactions was performed with an aim to understand the Group's price determination mechanism. Given that we have selected, on sampling basis, one relevant transaction during each of the financial years covering the existing Continuing Connected Transactions (i.e. a total of three transactions were selected), we are of the view that the aforementioned review, including the sample size and period covered, is appropriate for our assessment of the terms of the PCC Connected Sales Agreement.

### *4.5 PCC Connected Purchases Transactions*

As advised by the Management, the products purchased by the Group under the PCC Connected Purchases Transactions during the Relevant Period were all exclusive products of the PCC Group (i.e. such products were not available from other independent third parties). For our due diligence purpose, we have received and compared the transactions in relation to the (i) purchase of products exclusively from the PCC Group by the Group and (ii) sales of similar products by the PCC Group to two other independent third parties. For this purpose, we have obtained the relevant information, including the invoices and related gross profit margin information, for one set of purchases of products exclusively from the PCC Group by the Group and the sales of similar products by the PCC Group to two other independent third parties, for each of the years ended December 31, 2024 and December 31, 2025, and for the eight months ended August 31, 2026. We noted from such documents that the percentage gross profit margins charged by the PCC Group to the Group were lower than those charged to independent third parties for similar products.

The aforementioned review of historical transactions was performed with an aim to understand the Group's price determination mechanism. Given that we have selected, on sampling basis, one relevant transaction during each of the financial years covering the existing Continuing Connected Transactions (i.e. a total of three transactions were selected), we are of the view that the aforementioned review, including the sample size and period covered, is appropriate for our assessment of the terms of the PCC Connected Purchases Agreement.

### *4.6 Payment terms of the Continuing Connected Transactions*

Under each of the CCT Agreements, payment will be paid/received generally within 30 to 45 days after the end of relevant month of the invoice date.

As disclosed in the 2025 annual report of the Company, the credit periods for the Group's purchases or sales generally range from 30 days to 90 days. We regard the above payment terms as reflecting normal commercial credit terms commonly adopted by the Group.

Furthermore, as advised by the Management, the Company would take reasonable steps (e.g. comparing with the payment terms of other independent third party suppliers/ customers) to ensure that the payment terms offered by the PCC Group for the PCC Connected Purchases Transactions and the PCC Connected Services Transactions shall be no less favourable than those offered by independent third party suppliers, and the payment terms offered to the PCC Group for the PCC Connected Sales Transactions shall be no more favourable than those offered to independent third party customers. We consider that the aforementioned steps of comparing to payment terms of independent third parties would provide a valid basis for the Group to determine the normal payment terms of the relevant transactions. In view of the above, we are of the view that the payment terms of the CCT Agreements are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

### *4.7 Internal Control Measures*

With reference to the Board Letter, we noted that the Group has implemented and will continue to implement internal control measures to monitor the pricing basis for the transactions contemplated under the CCT Agreements. Such internal control measures include, among others:

a. For the PCC Connected Services Transactions: review of the sales and costs breakdowns, service fee and reimbursement of the costs and expenses by the accounting units of the Group, including verifying the nature and amount charged to ensure only actual costs directly attributable are reimbursed;

b. For the PCC Connected Sales Transactions: evaluation of costs and comparing transaction records relating to identical or similar sale transactions by the sales and costing units of the Group for internal assessment with approval of sales and mark-up rates by the manager-in-charge, and checking and approval of prices which are set based on standard price lists by the sales and costing units of the Group (for manufacture and supply of moulds); and

c. For the PCC Connected Purchases Transactions: obtainment of quotations for products in similar quantities and features from at least two independent third parties by the procurement units of the Group, and for purchase of products exclusively from the PCC Group, obtainment of the sales invoices and/or gross profit margin analysis from the PCC Group for products with similar features sold to two independent third parties by the procurement units of the Group.

### *4.8 Independent review*

With reference to the 2024 and 2025 annual reports of the Company, the independent non-executive Directors have reviewed the Continuing Connected Transactions during each of the two years ended December 31, 2024 and 2025 and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole (the "**INED's Confirmation**").

The Company's auditor has also performed a review of the Continuing Connected Transactions for each of the two years ended December 31, 2024 and 2025. We noted from the 2024 and 2025 annual reports of the Company that the auditor was engaged to report in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, and with reference to Practice Note 740 (Revised), Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules (the "**Auditor's Confirmation**").

### *4.9 Our view*

Taking into account (i) our review of the Continuing Connected Transactions; (ii) the internal control measures to monitor the pricing basis of these transactions; (iii) the INED's Confirmation; and (iv) the Auditor's Confirmation, we are of the view that the terms of the CCT Agreements and the transactions contemplated thereunder are on normal commercial terms or better and their terms are fair and reasonable.

## 5. The Caps

Set out below are (i) the existing annual caps for each of the three years ended/ending December 31, 2024, 2025 and 2026; (ii) the historical transaction amount for each of the two years ended December 31, 2024 and 2025 and the eight months ended August 31, 2026; and (iii) the proposed annual caps for each of the three years ending December 31, 2027, 2028 and 2029 (collectively, the "**PCC Connected Services Caps**, **PCC Connected Sales Caps** and **PCC Connected Purchases Caps**") as extracted from the Board Letter:

| | For the year ended/ending December 31, | | |
|---|---|---|---|
| | **2024** | **2025** | **2026** |
| | *US$'000* | *US$'000* | *US$'000* |
| **PCC Connected Services Caps** | | | |
| Existing annual caps | 374,228 | 392,940 | 412,587 |
| Historical transaction amount | 293,951 | 279,944 | 168,508 *(Note)* |
| **PCC Connected Sales Caps** | | | |
| Existing annual caps | 5,116 | 6,166[#] | 7,149[#] |
| Historical transaction amount | 4,302 | 6,083 | 3,784 *(Note)* |
| **PCC Connected Purchases Caps** | | | |
| Existing annual caps | 4,699 | 5,084 | 5,283 |
| Historical transaction amount | 4,343 | 3,900 | 2,808 *(Note)* |
| **Total** | | | |
| Existing Caps (Total) | 384,043 | 404,190 | 425,019 |
| Historical Transaction Amount (Total) | 302,596 | 289,927 | 175,100 |

*Note:* for the eight months ended August 31, 2026

[#] *as revised on November 12, 2025*

| | For the year ending December 31, | | |
|---|---|---|---|
| | **2027** | **2028** | **2029** |
| | *US$'000* | *US$'000* | *US$'000* |
| PCC Connected Services Caps | 335,044 | 353,412 | 367,686 |
| PCC Connected Sales Caps | 7,060 | 7,271 | 7,490 |
| PCC Connected Purchases Caps | 5,239 | 5,396 | 5,558 |
| Total | 347,343 | 366,079 | 380,734 |

For our due diligence purpose, we have discussed with the Management and reviewed the calculations of the Caps in respect of the Continuing Connected Transactions. We noted that, in determining the Caps under the PCC Connected Services Agreement (2026), the PCC Connected Sales Agreement (2026) and the PCC Connected Purchases Agreement (2026), the Management has taken into account certain common parameters and buffers. Based on our discussion with the Management and the review of the calculation basis of the Caps, each of the PCC Connected Services Caps, the PCC Connected Sales Caps and the PCC Connected Purchases Caps are determined after taking into account different factors summarised as follows:

| | **2027** | **2028** | **2029** |
|---|---|---|---|
| PCC Connected Services Cap | (i) Annualised based on amounts for the eight months ended August 31, 2026 | (i) Expected transaction amount for year ending December 31, 2027 | (i) Expected transaction amount for year ending December 31, 2028 |
| | (ii) Annual growth rate (the "**Annual Growth Rate**") | (ii) The Annual Growth Rate | (ii) The Annual Growth Rate |
| | (iii) Expected amounts in relation to expansion of overseas factories (the "**Overseas Expansion Purchase**") | (iii) The Overseas Expansion Purchase | (iii) The Overseas Expansion Purchase |
| | (iv) Buffer for exchange rate (the "**Exchange Rate Buffer**") | (iv) The Exchange Rate Buffer | (iv) The Exchange Rate Buffer |
| | (v) Buffer for unforeseeable circumstances (the "**General Buffer**") | (v) The General Buffer | (v) The General Buffer |
| PCC Connected Sales Caps | (i) Annualised based on amounts for the eight months ended August 31, 2026 | (i) Expected transaction amount for year ending December 31, 2027 | (i) Expected transaction amount for year ending December 31, 2028 |
| | (ii) The Annual Growth Rate | (ii) The Annual Growth Rate | (ii) The Annual Growth Rate |
| | (iii) The Exchange Rate Buffer | (iii) The Exchange Rate Buffer | (iii) The Exchange Rate Buffer |
| | (iv) The General Buffer | (iv) The General Buffer | (iv) The General Buffer |
| PCC Connected Purchases Caps | (i) Annualised based on amounts for the eight months ended August 31, 2026 | (i) Expected transaction amount for year ending December 31, 2027 | (i) Expected transaction amount for year ending December 31, 2028 |
| | (ii) The Annual Growth Rate | (ii) The Annual Growth Rate | (ii) The Annual Growth Rate |
| | (iii) The Exchange Rate Buffer | (iii) The Exchange Rate Buffer | (iii) The Exchange Rate Buffer |
| | (iv) The General Buffer | (iv) The General Buffer | (iv) The General Buffer |

***The Annual Growth Rate***

In relation to the annual growth rate of 3%, as advised by the Management, the annual growth rate was determined based on the estimated revenue growth of the industry. For our due diligence purpose, we have conducted a search, on a best effort basis, to identify international footwear brand listed companies based on the industry classification function on Bloomberg terminal as of the date of the CCT Agreements, being companies principally engaged in the apparel & textile products, footwear & accessories design, or specialty apparel stores and with a market capitalization of at least US$5,000 million. Based on the information of Bloomberg terminal, we noted that the average year-on-year revenue growth of the aforesaid comparable companies was approximately 2% during the latest financial year, while the average year-on-year growth rate is expected to be approximately 8% during the upcoming financial year. Accordingly, we consider that the annual growth rate of 3% is justifiable.

***The Exchange Rate Buffer***

In relation to the Exchange Rate Buffer of 15%, we understand from the Management that majority of the Continuing Connected Transactions are denominated in NTD, while the relevant Caps are presented in US$. In determining the Caps, the Management has considered the impact of exchange rate fluctuation of NTD against US$ and has applied the Exchange Rate Buffer in the estimation. For our due diligence purpose, we have reviewed the NTD closing spot rate against US$ from 2024 up to the date of the CCT Agreements on Bloomberg terminal. We noted that the maximum spot rate fluctuation during the period from 2024 up to the date of the CCT Agreements was approximately 16%, based on the highest spot rate divided by the lowest spot rate in the relevant year. In view of the aforesaid exchange rate fluctuation of NTD against US$, we consider that the Exchange Rate Buffer is justifiable.

***The General Buffer***

The Company has also applied a buffer of 5% for unforeseeable circumstances. Such buffer was applied for unforeseeable circumstances such as unpredictable increases in demand from the Group, the PCC Group and brand customers, increase in cost of operation of the Group and the PCC Group and increase in cost of materials. Having considered the above, we consider that the buffer of 5% is justifiable.

***The Overseas Expansion Purchase***

As advised by the Management, the Group plans to expand its overseas factories during 2027 to 2029. Based on the Company's assessment of the expansion plan, the Management expects to procure certain machinery required for such expansion through the PCC Group, and such expansion in production capacity is expected to result in an increase in the Group's purchase of production materials through the PCC Group (collectively, the

Overseas Expansion Purchase). The Management has considered the Overseas Expansion Purchase when determining the PCC Connected Services Caps. In determining the Overseas Expansion Purchase for each of the three years ending December 31, 2029, the Management took into account (i) projected capital expenditure for purchases of machinery through the PCC Group required for the expansion plan, which was estimated based on the expansion plans with reference to the operations of other existing overseas factories; (ii) the additional estimated purchase of production materials through the PCC Group required for the expanded production capacity; and (iii) the estimated service fee based on the projected purchase amounts mentioned above. Having considered the above, we consider that the Overseas Expansion Purchase is justifiable.

***Our view***

Taking into account the above, we consider that the PCC Connected Services Caps, the PCC Connected Sales Caps and the PCC Connected Purchases Caps are fair and reasonable.

**6. Review and conditions of the Continuing Connected Transactions**

In compliance with the Listing Rules, the Continuing Connected Transactions are subject to a number of conditions which include, among other things:

(i) the Caps will not be exceeded;

(ii) the independent non-executive Directors must review the Continuing Connected Transactions every year and confirm in the Company's annual report whether the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(iii) the Company must engage its auditor to report on the Continuing Connected Transactions every year and they must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:

  (a) have not been approved by the Board;

  (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

  (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and

  (d) have exceeded the Caps;

(iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditor cannot confirm the matters as required;

(v) the Company must allow, and ensure that the PCC Group allows, the auditor of the Company sufficient access to their records of the transactions for the purpose of reporting on the Continuing Connected Transactions. The Board must state in the annual report whether the auditor of the Company has confirmed the matters set out in Rule 14A.56 of the Listing Rules; and

(vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Continuing Connected Transactions exceeds the relevant Cap(s), or that there is any material amendment to the terms of the Continuing Connected Transactions.

In light of the conditions imposed on the Continuing Connected Transactions, in particular, (1) the limit of the value of the transactions by way of the Caps; (2) the on-going review by the independent non-executive Directors and auditor of the Company regarding the terms of the Continuing Connected Transactions; and (3) the on-going review by the auditor of the Company confirming the relevant annual cap(s) not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

**OPINION AND RECOMMENDATION**

Having taken into account the above principal factors, we consider that (i) the CCT Agreements (including the Caps) are on normal commercial terms or better and their terms are fair and reasonable; and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the CCT Agreements, the Continuing Connected Transactions and the Caps.

Yours faithfully,
for and on behalf of
**SOMERLEY CAPITAL LIMITED**
**Clifford Cheng**
*Director*

*Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over fifteen years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### I. Interests of Directors and chief executives in shares, underlying shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company are taken or deemed to have under such provisions of the SFO); or (b) required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO; or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules were as follows:

#### *(a) Long position in the shares and underlying shares of the Company*

| Name of Directors | Capacity | Number of Shares/underlying shares held (Long position) | | | | | Approximate Percentage of issued Shares *(Note 1)* |
|---|---|---|---|---|---|---|---|
| | | Personal Interests | Family interests | Corporate interests | Other interests | Total | |
| 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 | – | – | – | 839,000 | 0.05% |

*Notes:*

1. The total number of issued Shares as at the Latest Practicable Date is 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 share award scheme of the Company which 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, details of which are set out in the section headed "Share Incentive Schemes – (b) Share Award Scheme of the Company" of the interim report for the six months ended June 30, 2026.

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

| Name of Directors | Capacity | Number of shares/underlying shares of Pou Sheng held (Long position) | | | | | Approximate Percentage of issued shares of Pou Sheng *(Note)* |
|---|---|---|---|---|---|---|---|
| | | 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% |

*Note:* The total number of issued shares of Pou Sheng as at the Latest Practicable Date is 5,278,127,615.

### *(c) Long position in shares and underlying shares of NTD10.00 each of PCC, an associated corporation within the meaning of Part XV of the SFO*

| Name of Directors | Capacity | Number of shares/underlying shares of PCC held (Long position) | | | | | Approximate Percentage of issued shares of PCC *(Note)* |
|---|---|---|---|---|---|---|---|
| | | 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% |

*Note:* The total number of issued shares of PCC as at the Latest Practicable Date is 2,946,787,213.

Save as disclosed above, as far as the Directors are aware and as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company and their respective associates had or was deemed to have any interests or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations which was required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which he/she was taken or deemed to have under such provisions of the SFO); (ii) to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## II. Interests of substantial Shareholders in shares and underlying shares of the Company

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the interests and short positions of substantial Shareholders and other persons, other than Directors or chief executive of the Company as disclosed above, in the Shares and underlying shares of the Company as recorded in the register (the "**Register**") required to be kept by the Company pursuant to section 336 of the SFO were as follows:

***Interests in the Shares***

| Name of Shareholders | Capacity | Number of Shares held *(Note c)* | Approximate Percentage of the issued Shares *(Note a)* |
|---|---|---|---|
| PCC | Interest of controlled corporations *Note (b)* | 824,143,835 | 51.36% |
| Wealthplus Holdings Limited ("**Wealthplus**") | *Note (b)* | 773,156,303 | 48.18% |
| Silchester International Investors LLP | Investment manager | 144,823,000 | 9.03% |

*Notes:*

(a) The total number of issued Shares as at the Latest Practicable Date is 1,604,556,486.

(b) 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, 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. For further details of the positions held by the executive Directors in PCC, Wealthplus and/or Win Fortune, please refer to pages 24 to 27 of the 2025 Annual Report.

(c) All the interests stated above represented long positions.

Save as disclosed above, as far as the Directors and the chief executive of the Company are aware, as at the Latest Practicable Date, the Company has not been notified by any person (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the Register required to be kept by the Company pursuant to section 336 of the SFO or who was, directly or indirectly, interested in 10% or more of the total number of any class of issued shares carrying rights to vote in all circumstances at general meetings of any member of the Group.

### III. Interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective close associates had engaged in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

## 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 4. MATERIAL ADVERSE CHANGE

Reference is made to the interim report of the Company for the six months ended June 30, 2026 (the "**2026 Interim Report**"), which disclosed that the Group recorded a decrease of 57.9% in its profit attributable to owners of the Company (the "**Profit**") of US$72.0 million for the six months ended June 30, 2026 as compared to the Profit of US$171.2 million for the corresponding period in 2025.

Reference is also made to announcement of the Company dated October 26, 2026 (the "**Profit Warning Announcement**") in relation to profit warning in respect of the unaudited consolidated financial statements of the Group for the nine months ended September 30, 2026 ("**2026 9M**"), which disclosed that, based on a preliminary review of the draft unaudited consolidated financial statements of the Group for 2026 9M, the Group is expected to record a decrease of approximately 50% to 55% in its Profit for 2026 9M, as compared to the corresponding period in 2025.

Please refer to the 2026 Interim Report and the Profit Warning Announcement for a more detailed discussion.

Save as disclosed above, the Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 5. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2025, being the date up to which the latest published audited consolidated financial statements of the Group were made up.

(b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

## 6. EXPERT

(a) The following is the qualification of Somerley Capital Limited, the Independent Financial Adviser, which has given its opinion or advice which is contained in this circular:

| Name | Qualification |
|---|---|
| Somerley Capital Limited | a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

(b) As at the Latest Practicable Date, Somerley Capital Limited did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since December 31, 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

## 7. MISCELLANEOUS

In the event of inconsistency, the English text of this circular and the form of proxy shall prevail over the Chinese text.

## 8. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be published on the website of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://www.yueyuen.com) in accordance with the Listing Rules for a period of 14 days from the date of this circular up to and including November 19, 2026 (both days inclusive):

(a) PCC Connected Services Agreements (2026);

(b) PCC Connected Sales Agreement (2026); and

(c) PCC Connected Purchases Agreement (2026).

# YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
# 裕元工業(集團)有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00551)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the "**SGM**") of Yue Yuen Industrial (Holdings) Limited (the "**Company**") will be held at 9:30 a.m. on Tuesday, December 1, 2026 at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, which will be proposed as ordinary resolutions of the Company.

## ORDINARY RESOLUTIONS

(1) "**THAT** the agreement (the "**PCC Connected Services Agreement (2026)**") dated October 7, 2026 entered into between the Company and Pou Chen Corporation ("**PCC**"), under which, *inter alia*, PCC agreed to provide services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the products of the Company and its subsidiaries (the "**Group**"), and general administration support, the proposed annual caps in respect of such transactions for the three years ending December 31, 2027, 2028 and 2029 as set out in the PCC Connected Services Agreement (2026) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified and that the directors of the Company ("**Directors**") be and are hereby authorised to take all actions and execute all documents which they deem necessary, expedient, convenient or appropriate, in order to implement and give effect to the PCC Connected Services Agreement (2026) and the transactions contemplated thereunder";

* *For identification purpose only*

(2) "**THAT** the agreement (the "**PCC Connected Sales Agreement (2026)**") dated October 7, 2026 entered into between the Company and PCC under which the Group agreed to manufacture and/or supply raw materials, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools to PCC and its subsidiaries (the "**PCC Group**") as may be ordered or requested by the PCC Group on the terms of each order/request accepted by the Group, the proposed annual caps in respect of such transactions for the three years ending December 31, 2027, 2028 and 2029 as set out in the PCC Connected Sales Agreement (2026) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified and that the Directors be and are hereby authorised to take all actions and execute all documents which they deem necessary, expedient, convenient or appropriate, in order to implement and give effect to the PCC Connected Sales Agreement (2026) and the transactions contemplated thereunder"; and

(3) "**THAT** the agreement (the "**PCC Connected Purchases Agreement (2026)**") dated October 7, 2026 entered into between the Company and PCC under which the Group agreed to purchase from the PCC Group raw materials, shoe-related products, moulds, manufacturing equipment and production tools, the proposed annual caps in respect of such transactions for the three years ending December 31, 2027, 2028 and 2029 as set out in the PCC Connected Purchases Agreement (2026) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified and that the Directors be and are hereby authorised to take all actions and execute all documents which they deem necessary, expedient, convenient or appropriate, in order to implement and give effect to the PCC Connected Purchases Agreement (2026) and the transactions contemplated thereunder."

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

Hong Kong, November 6, 2026

**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

*Notes:*

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote in his/her stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at 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 together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, no later than 9:30 a.m. on Sunday, November 29, 2026, or not less than 48 hours before the time for holding the adjourned meeting (as the case may be).

(2) The register of members of the Company will be closed from Wednesday, November 25, 2026 to Tuesday, December 1, 2026 both dates inclusive, during which period no transfer of shares will be effected. All transfers, 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, no later than 4:30 p.m. on Tuesday, November 24, 2026 in order to establish the identity of the shareholders who are entitled to attend and vote at the SGM ("**Entitlement to SGM**"). The record date for the Entitlement to SGM will be on Wednesday, November 25, 2026.

(3) Unless otherwise announced by the Company, the SGM will be held as scheduled even when a tropical cyclone warning signal No. 8 or above or "extreme conditions" or a black rainstorm warning signal is in force or to be in force at any time on the date of the SGM.

After considering their own situations, members should decide whether they would attend the SGM under bad weather condition and if they do so, they are advised to exercise care and caution.

(4) No refreshment or corporate souvenir will be provided at the SGM.

(5) References to times and dates in this notice are to Hong Kong time and dates.

(6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.