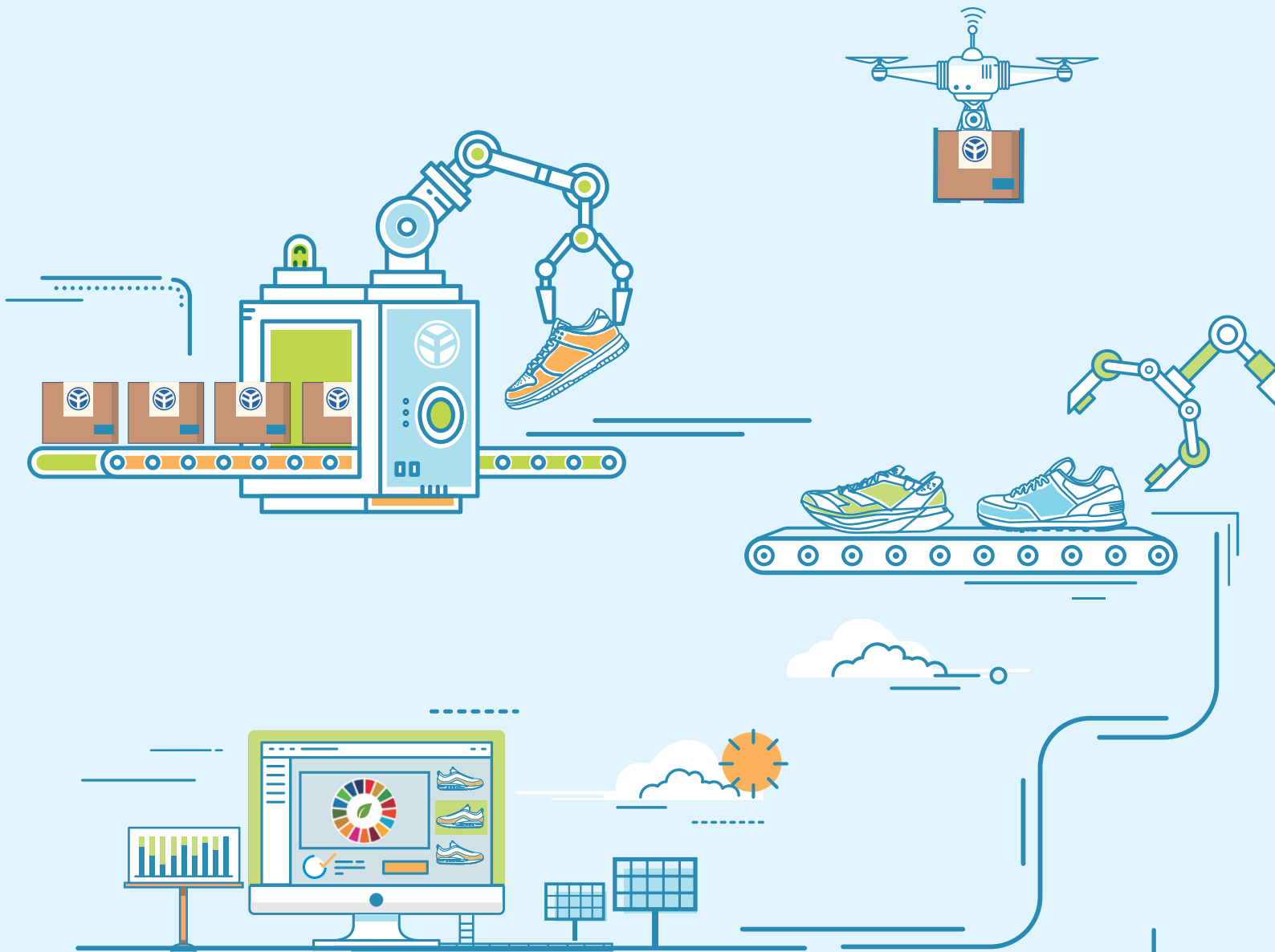




裕元工業(集團)有限公司 Yue Yuen Industrial (Holdings) Limited

Incorporated in Bermuda with limited liability
於百慕達註冊成立之有限公司

Stock Code 股份代號 : 551



2024 中期報告

INTERIM REPORT



裕元工業(集團)有限公司*

Yue Yuen Industrial (Holdings) Limited

(Incorporated in Bermuda with limited liability)

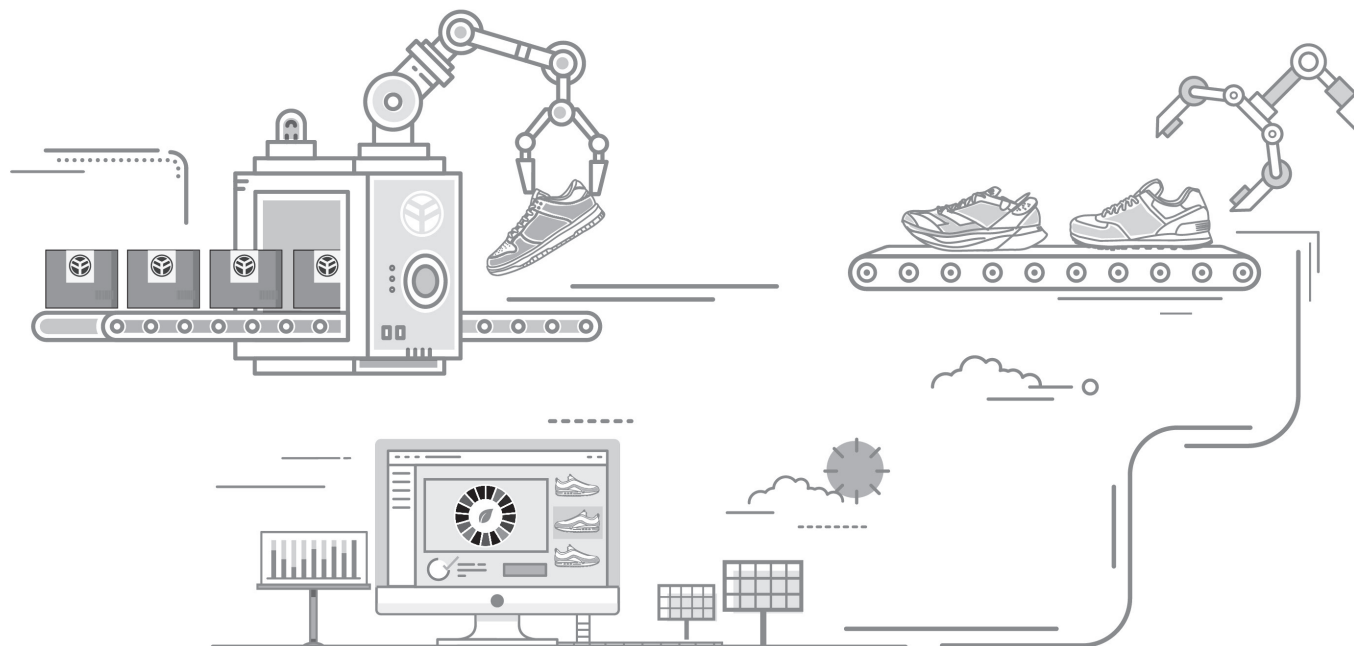
Stock Code: 00551

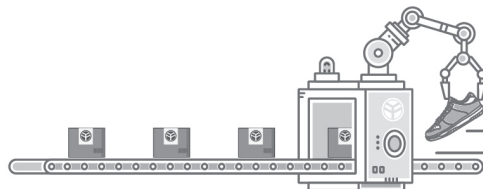
2024 Interim Report

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* For identification purpose only





CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lu Chin Chu (*Chairman*)
Tsai Pei Chun, Patty (*Managing Director*)⁵
Chan Lu Min
Lin Cheng-Tien
Liu George Hong-Chih
Shih Chih-Hung (*Chief Financial Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Hak Kun ^{1, 2, 3, 4}
Ho Lai Hong ^{1, 3, 5, 6}
Lin Shei-Yuan ^{1, 3, 5}
Yang Ju-Huei ^{1, 3}

Notes:

1. Member of audit committee
2. Chairman of audit committee
3. Member of remuneration committee
4. Chairman of remuneration committee
5. Member of nomination committee
6. Chairman of nomination committee

COMPANY SECRETARY

Ng Yin Ling, Jennifer

AUTHORISED REPRESENTATIVES

Shih Chih-Hung
Ng Yin Ling, Jennifer

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Deloitte Touche Tohmatsu
(*Registered Public Interest Entity Auditor*)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

(Listed in alphabetical order)

- Australia and New Zealand Banking Group Limited
- Bank of Nova Scotia
- Bank of Singapore Limited
- Bank SinoPac
- BNP Paribas
- Cathay United Bank Company, Limited
- CTBC Bank Co., Ltd.
- Citibank, N.A.
- Credit Agricole Corporate & Investment Bank
- DBS Bank Ltd.
- Hang Seng Bank, Limited
- Mizuho Bank, Ltd.
- MUFG Bank, Ltd.
- OCBC Bank (Hong Kong) Limited
- Standard Chartered Bank (Hong Kong) Limited
- Sumitomo Mitsui Banking Corporation
- Taipei Fubon Commercial Bank Co., Ltd.
- Taishin International Bank Co., Ltd.
- Taiwan Shin Kong Commercial Bank Co., Ltd.
- UBS AG
- United Overseas Bank Ltd.

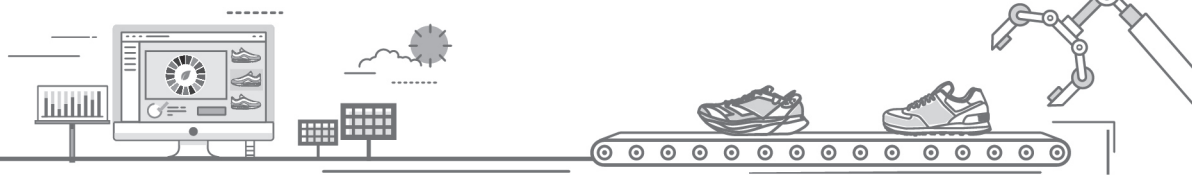
SOLICITORS

Reed Smith Richards Butler LLP

WEBSITE

www.yueyuen.com

STOCK CODE: 00551



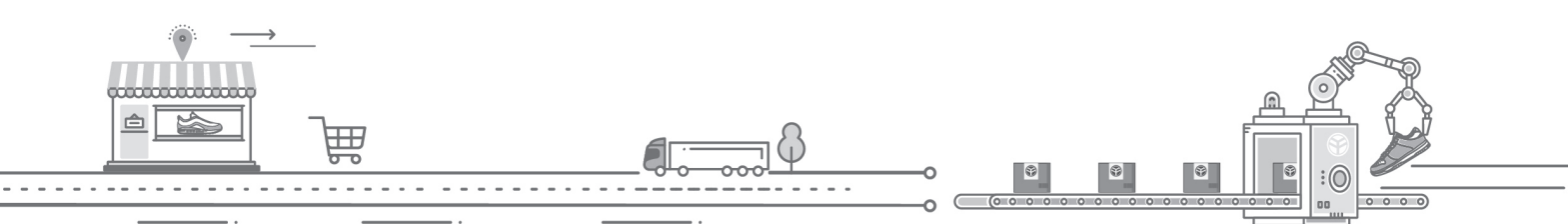
FINANCIAL AND OPERATING HIGHLIGHTS

(US\$ million, except where otherwise stated)

		For the six months ended June 30,			
	2024	2023	2022	2021	2020
Financial Performance					
Total shoe volume (million pairs)	120.7	109.8	144.1	136.4	129.9
Revenue	4,015.4	4,155.0	4,709.8	4,807.1	4,085.6
Gross profit	975.1	977.7	1,095.7	1,238.4	833.1
Operating profit (loss)	259.3	154.4	211.2	268.6	(94.5)
Profit (loss) attributable to owners of the Company	184.4	83.6	175.0	170.3	(136.8)
Recurring profit (loss) attributable to owners of the Company	178.9	79.9	165.0	173.5	(123.6)
Basic earnings (loss) per share (US cents)	11.44	5.19	10.87	10.57	(8.49)
Net asset value per share (US\$)	2.64	2.53	2.59	2.54	2.34
Dividend per share – interim (HK\$)	0.40	0.20	0.40	–	–
Key Financial Ratios					
Profitability					
Gross profit margin (%)	24.3	23.5	23.3	25.8	20.4
Operating profit (loss) margin (%)	6.5	3.7	4.5	5.6	(2.3)
Profit (loss) attributable to owners of the Company margin (%)	4.6	2.0	3.7	3.5	(3.3)
Return on equity [#] (%)	8.7	4.1	8.4	8.3	(7.3)
Costs & Expenses to Revenue					
Staff costs (%)	24.7	25.7	24.8	23.2	28.6
Product development expenses (%)	1.7	2.0	2.1	2.0	2.3
Depreciation & amortization (%)	5.0	5.2	5.5	5.9	6.5
Solvency					
Gearing ratio* (%)	18.1	26.5	41.1	41.4	55.1
Net gearing ratio* (%)	Net cash	5.3	24.3	21.3	28.9
Current ratio (x)	2.2	2.3	1.9	2.0	1.8
Other Information					
Number of employees	277,000	276,800	322,500	303,800	318,800
Headcount for manufacturing business	256,300	253,100	293,900	272,600	284,600
Headcount for retail business	20,700	23,700	28,600	31,200	34,200
Capital expenditure	93.8	84.5	111.4	113.9	131.0

[#] Calculated on annualized basis

* Debt excludes lease liabilities



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Yue Yuen Industrial (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 24, which comprise the condensed consolidated statement of financial position as of June 30, 2024 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

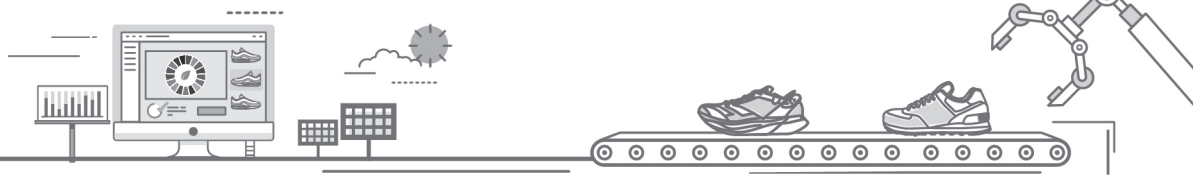
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 12, 2024



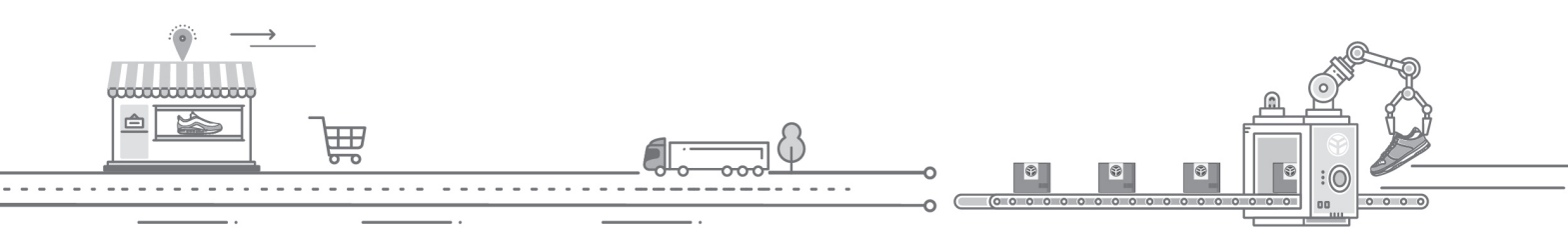
INTERIM RESULTS

The directors (the “Directors”) of Yue Yuen Industrial (Holdings) Limited (the “Company” or “Yue Yuen”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended June 30, 2024 with comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2024

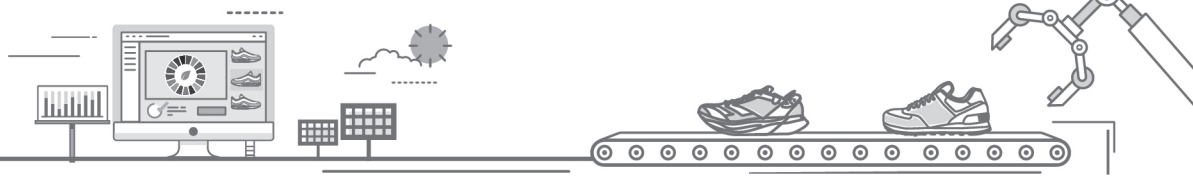
	NOTES	For the six months ended June 30, 2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Revenue	3	4,015,407	4,154,968
Cost of sales		(3,040,320)	(3,177,258)
Gross profit		975,087	977,710
Other income		63,373	66,537
Selling and distribution expenses		(424,158)	(473,375)
Administrative expenses		(275,307)	(286,325)
Other expenses		(79,676)	(130,162)
Finance costs		(32,602)	(43,944)
Share of results of associates		21,237	22,285
Share of results of joint ventures		11,732	6,841
Other gains and losses	4	5,514	3,660
Profit before taxation		265,200	143,227
Income tax expense	5	(61,229)	(38,216)
Profit for the period	6	203,971	105,011
Attributable to:			
Owners of the Company		184,401	83,601
Non-controlling interests		19,570	21,410
		203,971	105,011
		US cents	US cents
Earnings per share	8		
– Basic		11.44	5.19
– Diluted		11.43	5.19



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

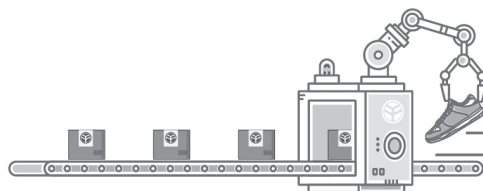
	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Profit for the period	203,971	105,011
Other comprehensive income (expense)		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes on equity instruments at fair value through other comprehensive income	899	(689)
Share of other comprehensive income (expense) of associates	249	(11,895)
	1,148	(12,584)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on the translation of foreign operations	(29,775)	(58,576)
Share of other comprehensive expense of associates and joint ventures	(6,261)	(4,521)
Reserve release upon partial disposal of associates	1,463	–
	(34,573)	(63,097)
Other comprehensive expense for the period	(33,425)	(75,681)
Total comprehensive income for the period	170,546	29,330
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	161,887	30,282
Non-controlling interests	8,659	(952)
	170,546	29,330



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2024

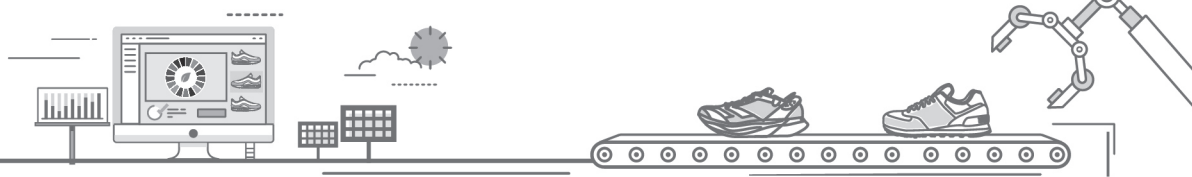
		At June 30, 2024 (unaudited) US\$'000	At December 31, 2023 (audited) US\$'000
	NOTES		
Non-current assets			
Investment properties		245,917	257,368
Property, plant and equipment	9	1,617,193	1,675,886
Right-of-use assets	10	489,206	528,501
Deposits paid for acquisition of property, plant and equipment/right-of-use assets		37,464	20,069
Intangible assets		12,193	12,090
Goodwill		256,514	258,237
Interests in associates		422,681	433,293
Interests in joint ventures		161,533	175,763
Equity instruments at fair value through other comprehensive income		19,193	18,217
Financial assets at fair value through profit or loss		31,394	25,703
Bank deposits over three months		77,817	37,579
Other financial assets at amortized cost		5,858	–
Rental deposits		15,653	17,551
Deferred tax assets		118,138	114,117
		3,510,754	3,574,374
Current assets			
Inventories		1,256,245	1,247,003
Trade and other receivables	11	1,543,393	1,393,872
Equity instrument at fair value through other comprehensive income		3,898	4,022
Financial assets at fair value through profit or loss		38,435	20,941
Taxation recoverable		7,787	13,525
Bank deposits over three months		145,689	181,278
Cash and cash equivalents		699,313	923,217
		3,694,760	3,783,858



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At June 30, 2024

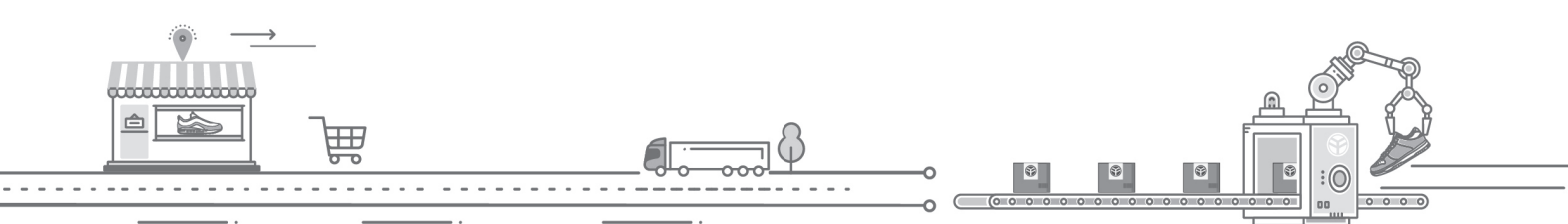
	NOTES	At June 30, 2024 (unaudited) US\$'000	At December 31, 2023 (audited) US\$'000
Current liabilities			
Trade and other payables	12	1,074,699	1,136,831
Contract liabilities		68,291	45,021
Financial liabilities at fair value through profit or loss		4,631	668
Taxation payable		75,974	69,799
Bank borrowings	13	357,391	643,159
Lease liabilities		76,888	89,196
		1,657,874	1,984,674
Net current assets		2,036,886	1,799,184
Total assets less current liabilities		5,547,640	5,373,558
Non-current liabilities			
Bank borrowings	13	499,589	329,501
Deferred tax liabilities		56,579	54,604
Lease liabilities		149,928	177,804
Retirement benefit obligations		108,263	101,621
		814,359	663,530
Net assets		4,733,281	4,710,028
Capital and reserves			
Share capital	14	52,040	52,040
Reserves		4,206,403	4,188,228
Equity attributable to owners of the Company		4,258,443	4,240,268
Non-controlling interests		474,838	469,760
Total equity		4,733,281	4,710,028



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2024

	Equity attributable to owners of the Company													Total equity US\$'000	
	Share capital US\$'000	Share premium US\$'000	Investments revaluation reserve US\$'000	Special reserve US\$'000 (note a)	Other reserve US\$'000 (note b)	Other revaluation reserve US\$'000	Property revaluation reserve US\$'000	Shares held under share award scheme US\$'000	Share award reserve US\$'000	Statutory reserve fund US\$'000 (note c)	Translation reserve US\$'000	Retained profits US\$'000	Total US\$'000		Non-controlling interests US\$'000
At January 1, 2023 (audited)	52,040	592,677	40,062	(16,688)	8,859	4,551	75,750	(3,899)	2,981	193,622	8,397	3,231,359	4,189,711	452,614	4,642,325
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(36,522)	-	(36,522)	(22,054)	(58,576)
Fair value changes on equity instruments at fair value through other comprehensive income	-	-	(689)	-	-	-	-	-	-	-	-	-	(689)	-	(689)
Share of other comprehensive expense of associates and joint ventures	-	-	(11,895)	-	-	-	-	-	-	-	(4,213)	-	(16,108)	(308)	(16,416)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	83,601	83,601	21,410	105,011
Total comprehensive (expense) income for the period	-	-	(12,584)	-	-	-	-	-	-	-	(40,735)	83,601	30,282	(952)	29,330
Purchase of shares under share award scheme	-	-	-	-	-	-	-	(704)	-	-	-	-	(704)	-	(704)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	2,544	-	-	-	2,544	210	2,754
Share awards vested	-	-	-	-	-	-	-	4,585	(5,418)	-	-	833	-	-	-
Dividends (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(144,167)	(144,167)	-	(144,167)
Transfer upon disposal of an equity instrument at fair value through other comprehensive income	-	-	(4)	-	-	-	-	-	-	-	-	4	-	-	-
Transfer to statutory reserve fund	-	-	-	-	-	-	-	-	-	5,579	-	(5,579)	-	-	-
At June 30, 2023 (unaudited)	52,040	592,677	27,474	(16,688)	8,859	4,551	75,750	(18)	107	199,201	(32,338)	3,166,051	4,077,666	451,872	4,529,538
At January 1, 2024 (audited)	52,040	592,677	27,303	(16,688)	8,859	4,551	78,883	(18)	669	204,369	(15,938)	3,303,561	4,240,268	469,760	4,710,028
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(18,946)	-	(18,946)	(10,829)	(29,775)
Fair value changes on equity instruments at fair value through other comprehensive income	-	-	834	-	-	-	-	-	-	-	-	-	834	65	899
Share of other comprehensive income (expense) of associates and joint ventures	-	-	249	-	-	-	-	-	-	-	(6,114)	-	(5,865)	(147)	(6,012)
Reserves release upon partial disposal of associates	-	-	-	-	-	-	-	-	-	-	1,463	-	1,463	-	1,463
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	184,401	184,401	19,570	203,971
Total comprehensive income (expense) for the period	-	-	1,083	-	-	-	-	-	-	-	(23,597)	184,401	161,887	8,659	170,546
Purchase of shares under share award scheme	-	-	-	-	-	-	-	(1,965)	-	-	-	-	(1,965)	-	(1,965)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	2,249	-	-	-	2,249	76	2,325
Share awards vested	-	-	-	-	-	-	-	1,873	(1,685)	-	-	(188)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	462	-	-	-	-	-	-	-	462	(5,952)	(5,490)
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(534)	(534)
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	5,764	5,764
Dividends (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(144,458)	(144,458)	-	(144,458)
Dividends paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,935)	(2,935)
Transfer upon partial disposal of associates	-	-	(1,911)	-	-	-	-	-	-	-	-	1,911	-	-	-
Transfer to statutory reserve fund	-	-	-	-	-	-	-	-	-	359	-	(359)	-	-	-
At June 30, 2024 (unaudited)	52,040	592,677	26,475	(16,688)	9,321	4,551	78,883	(110)	1,233	204,728	(39,535)	3,344,868	4,258,443	474,838	4,733,281



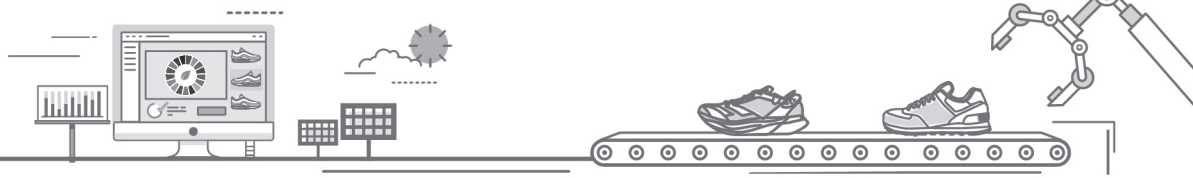
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2024

notes:

- (a) The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the nominal amount of the shares of subsidiaries acquired pursuant to a corporate reorganization in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1992.
- (b) The Group accounted for the acquisition of additional interests in subsidiaries and partial disposal of interests in subsidiaries without losing control as equity transactions and the difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received, after re-attribution of relevant reserves, was recognized in "other reserve".
- (c) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Company established in the PRC are required to transfer at least 10% of their net profits after taxation, as determined under the PRC accounting regulations, to a statutory reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The statutory reserve fund can be used to offset the accumulated losses, if any, or to increase the capital of those subsidiaries.

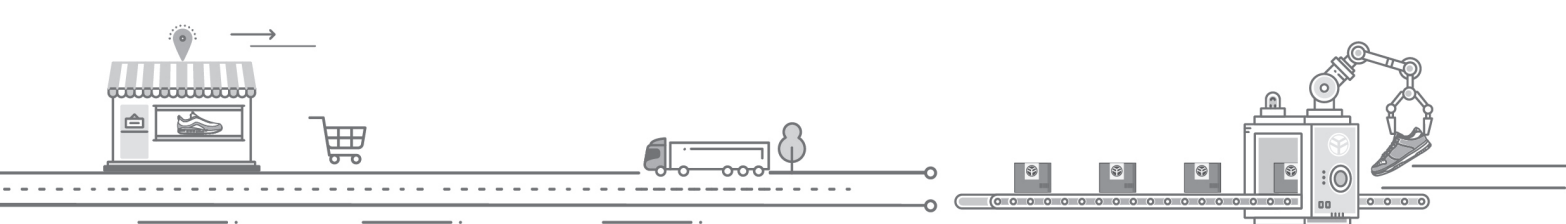
According to the laws and regulations of Republic of China ("Taiwan"), the subsidiaries of the Company incorporated in Taiwan are required to set aside 10% of their statutory net income each year to statutory reserve fund, until the reserve balance has reached the paid-in share capital amount of those subsidiaries. The statutory reserve fund may be used to offset the accumulated losses of those subsidiaries. If those subsidiaries have no accumulated losses and the reserve has exceeded 25% of those subsidiaries' paid-in share capital, the excess may be transferred to the capital of those subsidiaries or distributed in cash.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

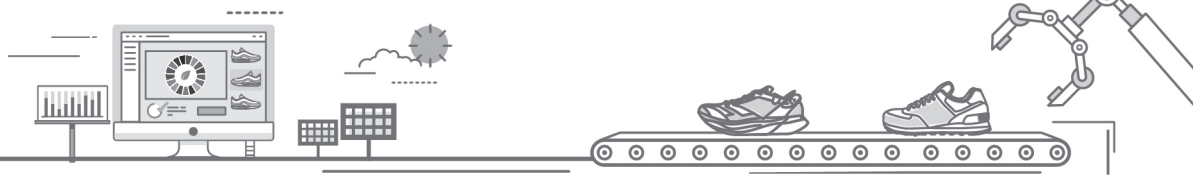
	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Net cash from operating activities	173,650	363,589
Net cash (used in) from investing activities		
Payment for acquisition of property, plant and equipment	(88,112)	(76,757)
Payment for right-of-use assets	(5,034)	(6,002)
Payment for acquisition of intangible assets	(1,070)	(1,918)
Proceeds from disposal of property, plant and equipment	2,385	80,691
Refund of rental deposits	666	1,978
Acquisition of additional interests in a subsidiary	(5,490)	–
Dividends received from an associate and joint ventures	13,972	7,420
Proceeds from partial disposal of associates	41,406	–
Acquisition of financial instruments at fair value through profit or loss ("FVTPL")	(6,474)	(7,081)
Acquisition of other financial instruments at amortized cost	(5,858)	–
Settlement of financial instruments at FVTPL	(4,919)	61,847
Proceed from disposal of an equity instrument at fair value through other comprehensive income ("FVTOCI")	25	148
Interest received	17,739	14,819
Placement of bank deposits over three months	(145,731)	(41,698)
Release of bank deposits over three months	135,126	10,644
	(51,369)	44,091



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended June 30, 2024

	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Net cash used in financing activities		
Repayment of bank borrowings	(1,344,169)	(755,438)
Bank borrowings raised	1,237,402	520,227
Interest paid	(26,946)	(36,861)
Repayment of lease liabilities, including related interest	(60,370)	(70,663)
Dividends paid	(144,458)	(144,167)
Dividends paid to non-controlling interests of a subsidiary	(2,935)	–
Purchase of shares under share award scheme	(1,965)	(704)
Capital contribution from non-controlling interests of subsidiaries	5,764	–
	(337,677)	(487,606)
Net decrease in cash and cash equivalents	(215,396)	(79,926)
Cash and cash equivalents at beginning of the period	923,217	994,781
Effect of foreign exchange rate changes	(8,508)	(7,611)
Cash and cash equivalents at end of the period	699,313	907,244



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

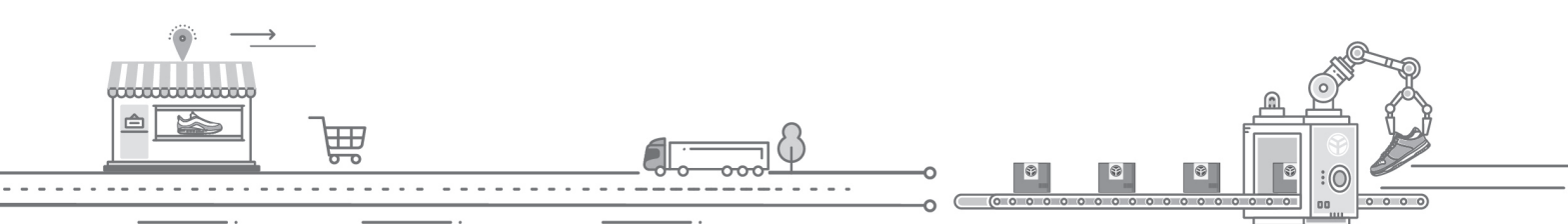
Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2023.

2.1 Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. REVENUE AND SEGMENTAL INFORMATION

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

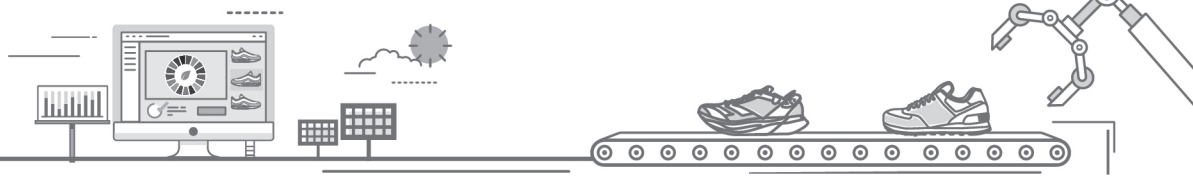
The information regarding revenue derived from the principal businesses described above is reported below:

	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Revenue		
Manufacturing Business	2,634,404	2,573,895
Retailing Business	1,381,003	1,581,073
	4,015,407	4,154,968

Revenue from major products

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

	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Athletic/outdoor shoes	2,074,578	2,063,432
Casual shoes and sports sandals	336,471	315,562
Soles, components and others	223,355	194,901
Retail sales – shoes, apparel, commissions from concessionaire sales and others	1,381,003	1,581,073
	4,015,407	4,154,968



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. REVENUE AND SEGMENTAL INFORMATION (continued)

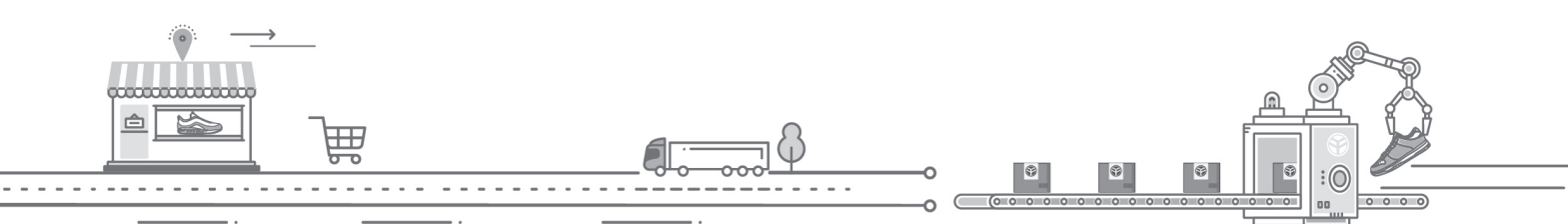
Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("US"), Europe and the PRC. The Group's revenue by the geographical location of the customers, determined based on the destination of goods delivered, irrespective of the origin of the goods, is detailed below:

	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
US	701,193	707,210
Europe	682,164	696,045
PRC	1,865,426	1,975,733
Other countries in Asia	569,386	537,588
Others	197,238	238,392
	4,015,407	4,154,968

4. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Gain on partial disposal of associates	23,999	–
Fair value changes on financial instruments at FVTPL	(11,922)	3,670
Impairment losses on interest in a joint venture	(5,000)	–
Impairment losses on interest in an associate	(1,563)	–
Loss on deregistration of subsidiaries	–	(10)
	5,514	3,660



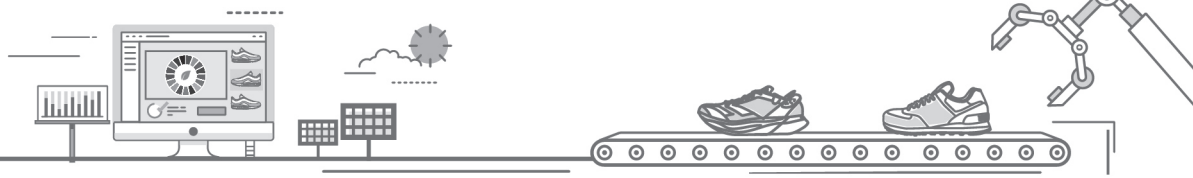
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax		
– current period	23,619	16,362
– overprovision in prior periods	(1,597)	(2,201)
Overseas taxation		
– current period	37,462	27,798
– overprovision in prior periods	(88)	(832)
	59,396	41,127
Withholding tax on dividend	3,837	379
Deferred tax credit	(2,004)	(3,290)
	61,229	38,216

The Group's certain subsidiaries are operating in Vietnam where the Pillar Two Rules is effective. However, as the estimated effective tax rate of the Group's subsidiaries in Vietnam is higher than 15 per cent, after taking into account the adjustments under the Global Anti-base Erosion Rules based on management's best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

As at June 30, 2024, a subsidiary of the Company has paid approximately US\$12 million, being the first instalment amount equivalent to approximately 15 per cent of the tax in dispute in relation to transfer pricing adjustments, including interest and penalties, claimed by the Indonesian Tax Bureau ("ITB") relating to corporate income tax and related withholding tax ("Additional Taxes") imposed onto the subsidiary's profit for the tax period 2017. The amount paid was recorded as other receivable in the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2024. The management of the subsidiary in question is of the view that adequate corporate income tax was charged for the tax period 2017 in accordance with the relevant laws and regulations. Therefore, no Additional Taxes should be charged by the ITB, and that the above amount paid is expected to be recovered when the issue is resolved. The Group's subsidiary in question has sought legal advice and the Directors are of the view that there are strong grounds to defend the claim and the subsidiary in question will therefore vigorously defend its position against the ITB and Indonesia's Tax Court. The subsidiary has lodged an appeal with the Indonesia's Supreme Court on July 29, 2024 against the Additional Taxes. No ruling has been made by the Indonesia's Supreme Court as of the date of this report.

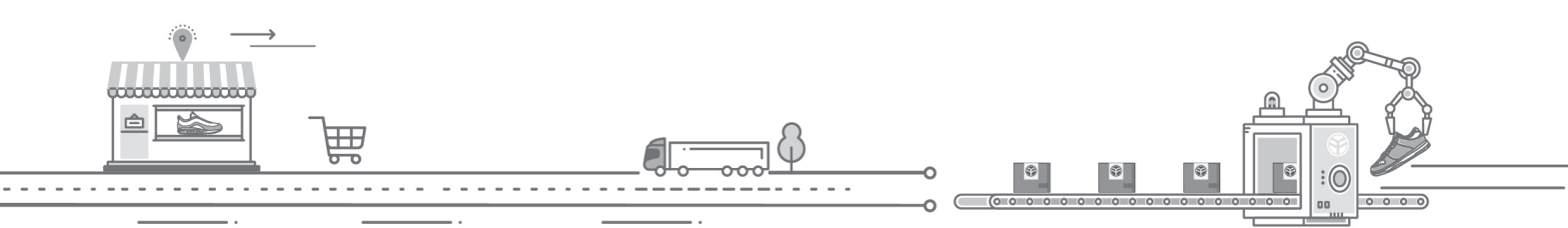


NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2024 (unaudited) US\$'000	2023 (unaudited) US\$'000
Profit for the period has been arrived at after charging (crediting):		
Total staff costs (note)	993,374	1,066,381
Net exchange (gain) loss (included in other income/expenses)	(6,157)	14,387
Amortization of intangible assets (included in selling and distribution expenses and administrative expenses)	679	680
Depreciation of right-of-use assets	58,875	69,971
Depreciation of property, plant and equipment (note)	139,724	146,386
Net changes in allowance for inventories (included in cost of sales)	(3,180)	(3,589)
Gain on disposal of property, plant and equipment (included in other income)	(393)	(2,855)
(Gain) loss on disposal of right-of-use assets (included in other income/expenses)	(1)	19
Research and development expenditures (included in other expenses)	68,750	83,400
Impairment losses recognized on trade and other receivables	1,218	1,715
Finance costs		
Interest expenses for bank and other borrowings	26,948	36,665
Interest expenses for lease liabilities	5,098	6,571
Amortization of upfront fee on bank borrowings	556	708
	32,602	43,944

note: Total staff costs and depreciation of property, plant and equipment disclosed above included amounts capitalized in inventories. In addition, the staff costs for six months ended June 30, 2023 included severance costs of approximately US\$20,521,000 (included in other expenses) arising from factory adjustments in the manufacturing side.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. DIVIDENDS

For the six months ended June 30,	
2024	2023
(unaudited)	(unaudited)
US\$'000	US\$'000

Dividends recognized as distribution during the period:

2023 final dividend of HK\$0.70 per share (2023: 2022 final dividend of HK\$0.70 per share)	144,458	144,167
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The board of directors of the Company (the "Board") has resolved to declare an interim dividend of HK\$0.40 (2023: HK\$0.20) per share for the six months ended June 30, 2024. The interim dividend of approximately HK\$644,851,000 shall be paid on October 4, 2024.

8. EARNINGS PER SHARE

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

For the six months ended June 30,	
2024	2023
(unaudited)	(unaudited)
US\$'000	US\$'000

Earnings:

Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	184,401	83,601
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. EARNINGS PER SHARE (continued)

	For the six months ended June 30,	
	2024 (unaudited)	2023 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,611,693,788	1,610,344,699
Effect of dilutive potential ordinary shares:		
Unvested awarded shares	1,620,702	1,809,746
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,613,314,490	1,612,154,445

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme (see Note 17(l)).

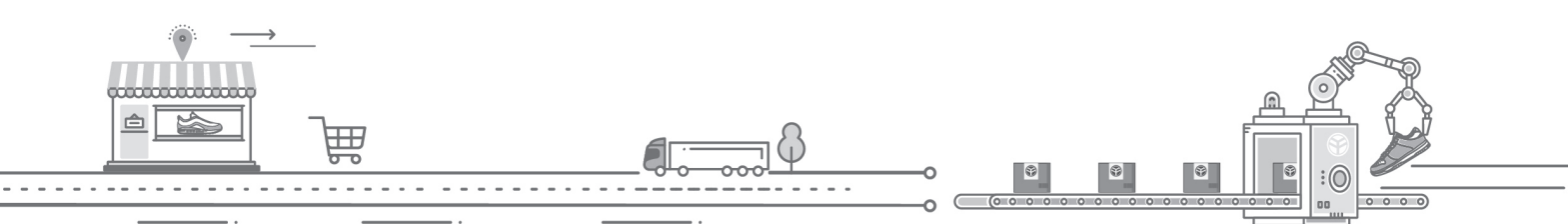
9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of US\$1,992,000 (six months ended June 30, 2023: US\$77,836,000) for cash proceeds of US\$2,385,000 (six months ended June 30, 2023: US\$80,691,000), resulting in a gain on disposal of US\$393,000 (six months ended June 30, 2023: US\$2,855,000).

During the current interim period, the Group acquired property, plant and equipment of US\$78,387,000 (six months ended June 30, 2023: US\$76,526,000).

10. RIGHT-OF-USE ASSETS

During the current interim period, the Group recognized right-of-use assets, net of early termination and modification, amounting to US\$21,331,000 (six months ended June 30, 2023: US\$36,671,000).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER RECEIVABLES

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

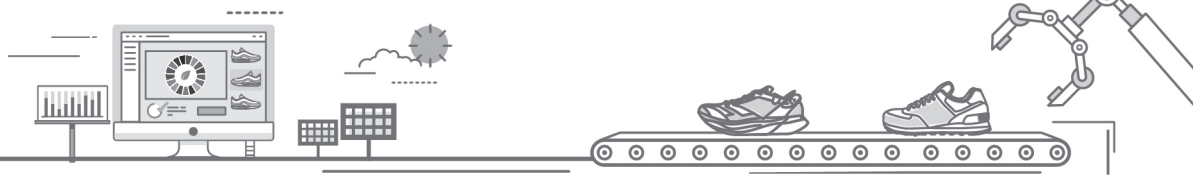
The following is an aged analysis of trade receivables, net of allowance for credit losses, of US\$986,755,000 (December 31, 2023: US\$885,145,000) presented based on invoice date, which approximated to the respective revenue recognition dates:

	At June 30, 2024 (unaudited) US\$'000	At December 31, 2023 (audited) US\$'000
0 to 30 days	605,001	531,826
31 to 90 days	381,124	349,371
Over 90 days	630	3,948
	986,755	885,145

12. TRADE AND OTHER PAYABLES

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

	At June 30, 2024 (unaudited) US\$'000	At December 31, 2023 (audited) US\$'000
0 to 30 days	361,334	370,533
31 to 90 days	135,348	99,855
Over 90 days	6,220	5,117
	502,902	475,505



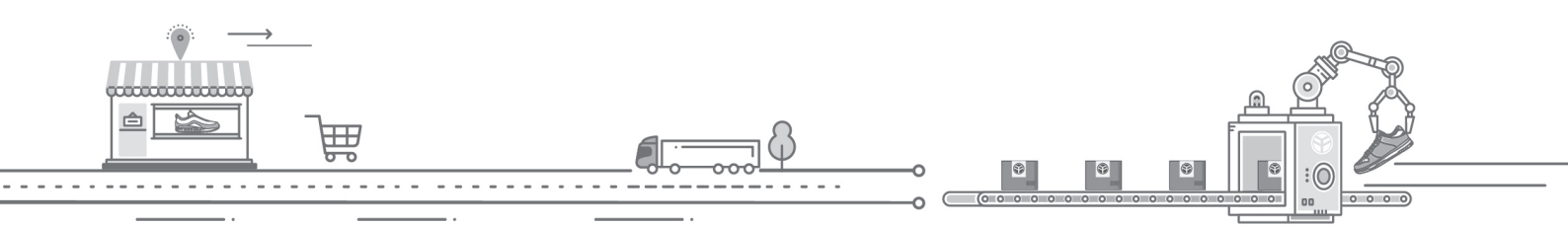
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. MOVEMENTS IN BANK BORROWINGS

During the current interim period, the Group obtained and repaid bank borrowings which mainly consisted of short-term revolving loans, of approximately US\$1,237,402,000 (six months ended June 30, 2023: US\$520,227,000) and US\$1,344,169,000 (six months ended June 30, 2023: US\$755,438,000) respectively. The proceeds of new bank borrowings were used to refinance bank borrowings and to finance the daily operation of the Group. Among these bank borrowings, the variable-rate borrowings carry a credit spread over Hong Kong Interbank Offered Rate, Secured Overnight Financing Rate, Taipei Interbank Offered Rate or loan prime rate published by National Interbank Funding Center, as appropriate.

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorized:		
Ordinary shares of HK\$0.25 each:		
At January 1, 2023, June 30, 2023, January 1, 2024 and June 30, 2024	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.25 each:		
At January 1, 2023, June 30, 2023, January 1, 2024 and June 30, 2024	1,612,183,986	403,046
	At June 30, 2024 (unaudited) US\$'000	At December 31, 2023 (audited) US\$'000
Shown in the condensed consolidated financial statements	52,040	52,040



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

	Fair value as at		Fair value hierarchy
	June 30, 2024 (unaudited) US\$'000	December 31, 2023 (audited) US\$'000	
Financial assets at FVTPL			
Forward contracts (note i)	125	47	Level 2
Unlisted overseas funds (note ii)	69,257	45,771	Level 2
Cross currency swap	447	826	Level 2
Equity instruments at FVTOCI			
Equity securities listed overseas (note iii)	22,669	21,969	Level 1
Financial liabilities at FVTPL			
Forward contracts (note i)	4,631	668	Level 2

notes:

- (i) These financial assets and liabilities are measured at fair value with reference to discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- (ii) The fair values of unlisted overseas funds are determined with reference to prices provided by the respective issuing financial institutions.
- (iii) Listed equity securities are traded on active market and their fair values are determined with reference to quoted bid prices in active market.

Except as described above, the Directors consider the carrying amounts of the financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. FINANCIAL GUARANTEE CONTRACTS AND COMMITMENTS

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

(I) FINANCIAL GUARANTEE CONTRACTS

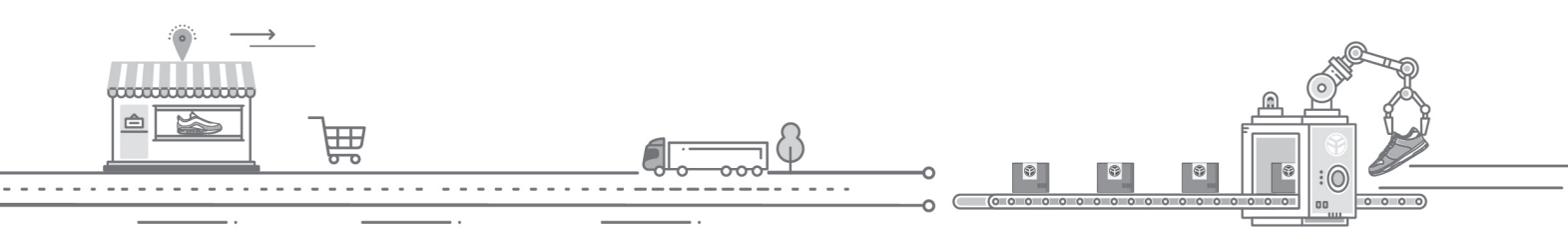
	At June 30, 2024 (unaudited) US\$'000	At December 31, 2023 (audited) US\$'000
Guarantees given to banks in respect of banking facilities granted to:		
(i) a joint venture		
– amount guaranteed	32,500	27,500
– amount utilized	12,200	10,150
(ii) an associate		
– amount guaranteed	20,700	20,700
– amount utilized	149	149

(II) CAPITAL COMMITMENTS

	At June 30, 2024 (unaudited) US\$'000	At December 31, 2023 (audited) US\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of land	18,399	18,621
– construction of buildings	59,762	72,591
– acquisition of property, plant and equipment	29,256	28,460
– acquisition of intangible assets	–	1,474
– investment in Indian project (note)	271,070	275,605
	378,487	396,751

note:

The Group entered into a memorandum of understanding with the Tamil Nadu Government in India on April 17, 2023, pursuant to which an indirect wholly-owned subsidiary of the Company will invest approximately 23 billion Rupees (equivalent to approximately US\$276 million) in phases in the investment project to establish the Group's manufacturing base in a special economic zone in India. The investment project will be funded by the internal resources of the Group and/or bank borrowings, if necessary. For details, please refer to the announcement of the Company dated April 17, 2023.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. SHARE AWARD SCHEMES

(I) SHARE AWARD SCHEME OF THE COMPANY

A share award scheme (the "Yue Yuen Share Award Scheme") was adopted on January 28, 2014 and amended on March 23, 2016 and September 28, 2018 as well as amended and restated on November 13, 2023 by the Board. Movement in the number of awarded shares outstanding is as follows:

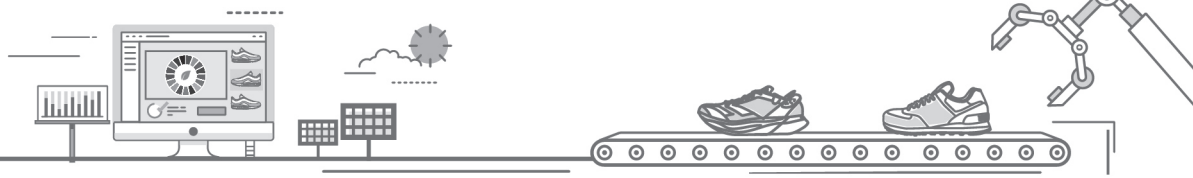
	Number of awarded shares	
	2024	2023
As at January 1	1,705,000	1,470,000
Granted	1,355,000	2,935,000
Vested	(1,307,000)	(2,609,000)
Lapsed	–	(46,000)
As at June 30	1,753,000	1,750,000

A total of 56,000 ordinary shares of the Company were held by the trustee of the Yue Yuen Share Award Scheme at June 30, 2024 (December 31, 2023: 13,000 ordinary shares).

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

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

	Number of awarded shares	
	2024	2023
As at January 1	5,227,200	8,163,000
Vested	(3,507,400)	(377,400)
Lapsed	(20,800)	(126,400)
As at June 30	1,699,000	7,659,200



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

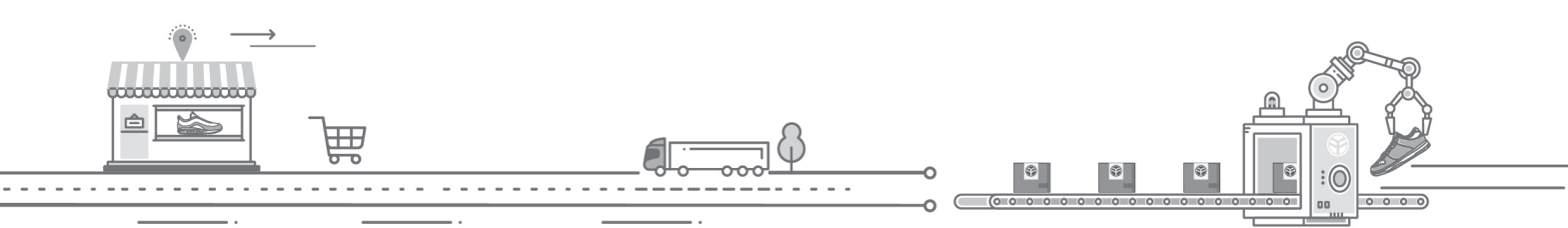
Yue Yuen is the world's largest manufacturer of athletic, athleisure, casual and outdoor footwear with a diversified portfolio of brand customers and production sites. It has long-standing relations and a reputation for serving leading international brands, including Nike, adidas, Asics, New Balance,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

In 2023, the global macro-economy faced many challenges including a volatile environment and a lack of consumer confidence. The value of footwear exports from major shoe-producing countries declined by more than 10.0% in 2023. Further, according to the "World Footwear Yearbook 2024" report released by the Portuguese Footwear, Components and Leather Goods Manufacturers' Association ("APICCAPS"), the volume of total global footwear exports fell by 9.1% year-on-year in 2023, with the number of pairs of shoes consumed per capita in the United States dropping significantly from 8.0 pairs in 2022 to 5.8 pairs.

Following the completion of the destocking cycle in the previous year, in the six months ended June 30, 2024 (the "Period"), global demand for footwear showed recovery momentum, with the value of footwear exports from major shoe-producing countries in Southeast Asia returning to a rising trend. According to Vietnam Customs, the value of Vietnamese footwear exports in the first half of 2024 increased by 8.8% year-on-year to US\$10.7 billion. According to the Central Bureau of Statistics of Indonesia, the value of Indonesian footwear exports in the first half of 2024 increased by 0.7% year-on-year to US\$3.2 billion. According to China Customs, the value of Chinese footwear exports in the first half of 2024 declined by 5.4% year-on-year to US\$23.4 billion, while the volume of Chinese footwear exports increased by 3.5% year-on-year to 4,520 million pairs.

As order visibility improved, driven by the gradual recovery of the global footwear industry, the Group's manufacturing business saw strong demand for its footwear capacity. During the Period, manufacturing business experienced a decent recovery in its overall capacity utilization rate and footwear shipment volumes, supported by its flexible production scheduling and orderly overtime arrangement. However, production leveling across its manufacturing facilities was uneven, with some factories experiencing higher utilization rates due to more overtime alongside the ramp-up of new production capacity. At the same time, the Group's sustained focus on cost-reduction and efficiency-improvement initiatives, coupled with stringent expense controls and a low base effect, collectively supported solid growth in profitability.

Meanwhile, the Group's retail subsidiary Pou Sheng experienced soft sales momentum during the Period due to weak store traffic within its brick and mortar ("B&M") channels across various cities in mainland China. The negative trend was compounded by a high base effect resulting from the 'revenge spending' phenomenon that followed the reopening of physical sales channels in the first quarter of last year. Despite the weaker store traffic, Pou Sheng continuously improved sales conversion rates within its retail stores as it progressed its retail refinement strategy while optimizing store-level productivity and efficiency. Further, Pou Sheng's omni-channel sales during the Period remained relatively resilient as it continued to push ahead with its digital transformation strategy and maintain a high degree of agility and flexibility in its decision-making processes. For a more detailed explanation of the financials and strategy of the Group's retail business, please refer to the 2024 interim report of Pou Sheng.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

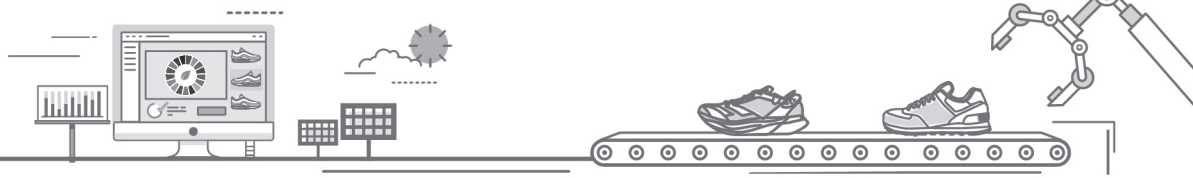
BUSINESS REVIEW (continued)

As a responsible leader in the footwear industry, Yue Yuen is a member of the World Federation of the Sporting Goods Industry (“WFSGI”) and supports the principles of the WFSGI Code of Conduct, while also advocating for the United Nations Global Compact (“UNGC”) and key Sustainable Development Goals (“SDGs”). The Group remains committed to sustainability, ethical conduct and its corporate values. Whenever making important business decisions, the Group considers the interests of all stakeholders. The Group monitors and manages its business using comprehensive guidelines for employee relations, workplace safety, and the efficient use of raw materials, energy and other environmental metrics, promoting a culture of ethical conduct and integrity.

The Group’s sustainability efforts continue to be recognized by distinguished external parties. In the Corporate Sustainability Assessment (“CSA”) conducted by S&P Global, Yue Yuen achieved an S&P Global Environmental, Social and Governance (“ESG”) Score of 41 (out of 100) for 2023, and its CSA score placed it ahead of 83% of companies in the Textiles, Apparel & Luxury Goods industry. Yue Yuen was also selected in the S&P Global 2024 Sustainability Yearbook (China Edition) for the first time and named an “Industry Mover” in recognition of the significant improvement in its ESG performance.

Yue Yuen ranked among the top three companies in the “Best ESG” category, voted on by investment professionals, as part of the “2024 Asia (ex-Japan) Executive Team” rankings compiled by Institutional Investor magazine. It received a “B-” (Management) level for its CDP Climate Change Score and a “B” (Management) level for its first participation in the CDP Water Security Score. The Group also maintained its resilient “BBB” MSCI ESG rating, reflecting its efforts and that of its parent company, Pou Chen Corporation (“Pou Chen”), in setting targets and taking action to promote sustainability and corporate governance.

As a people-oriented business, the Group abides by its Code of Conduct and is dedicated to fostering a caring culture and to developing talent internally as part of its long-term sustainable development. Its parent company Pou Chen continues to receive accreditation by the Fair Labor Association (“FLA”), and together with the Group, places the health, safety and welfare of all employees as a top priority, fostering human rights, providing fair compensation in its workplaces and building a great place for work culture. For more details, please refer to the 2023 ESG Report of the Company, which is prepared in alignment with stringent international sustainability standards and frameworks, including the universal standards of the Global Reporting Initiative (“GRI”), the industry standards of the Sustainability Accounting Standards Board (“SASB”) and the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESULTS OF OPERATIONS

In the Period under review, the Group recorded revenue of US\$4,015.4 million, representing a decrease of 3.4% as compared with the corresponding period of last year. The profit attributable to owners of the Company was US\$184.4 million, an increase of 120.6% compared to US\$83.6 million recorded for the corresponding period of last year. The profit attributable to owners of the manufacturing business increased by 177.5% to US\$155.4 million. The profit attributable to owners of Pou Sheng increased by 9.9% to RMB335.7 million. The basic earnings per share for the first half of 2024 was 11.44 US cents, compared to 5.19 US cents for the corresponding period of last year.

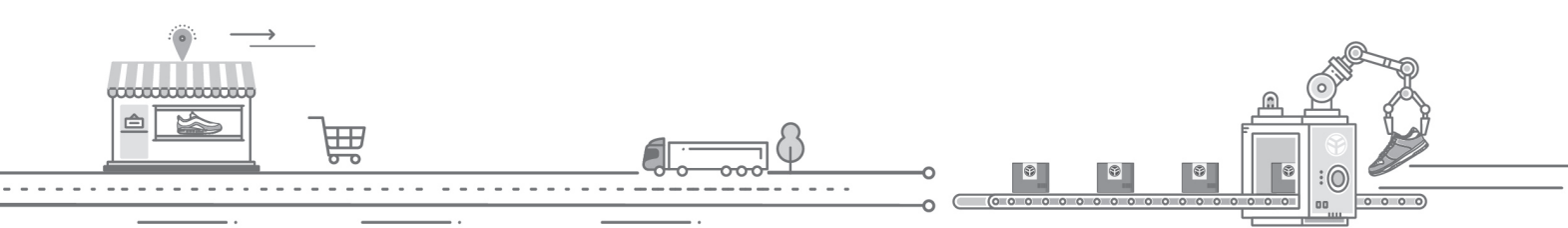
Revenue Analysis

For the Period under review, revenue attributed to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) increased by 1.3% to US\$2,411.0 million, compared with the corresponding period of last year. The volume of shoes shipped during the Period increased by 9.9% to 120.7 million pairs amid a decent recovery trend and a further normalized order book. The average selling price decreased by 7.8% to US\$19.98 per pair, due to a high base effect and changes to its product mix, partially offsetting the recovery of shipment volumes.

The Group's athletic/outdoor shoes category accounted for 86.0% of footwear manufacturing revenue in the Period under review. Casual shoes and sports sandals accounted for 14.0% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 51.7% of total revenue, followed by casual shoes and sports sandals, which accounted for 8.4% of total revenue.

The Group's total revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) was US\$2,634.4 million for the Period under review, representing an increase of 2.4% as compared to the corresponding period of last year.

Revenue attributed to Pou Sheng decreased by 12.7% to US\$1,381.0 million for the Period under review, compared to US\$1,581.1 million in the corresponding period of last year. In RMB terms (Pou Sheng's reporting currency), revenue decreased by 8.9% to RMB9,983.3 million, compared to RMB10,960.0 million in the corresponding period of last year, which was mostly attributable to weak store traffic amid an increasingly dynamic retail environment in mainland China, despite the relatively resilient performance of its omni-channels. As of June 30, 2024, Pou Sheng had 3,478 directly operated retail stores across the Greater China region, representing a net closure of 45 stores as compared with the 2023 year-end. Ensuring a holistic approach to new store openings and selectively rightsizing or upgrade of its stores is at the core of Pou Sheng's retail refinement strategy, enabling it to focus on enhancing store-level efficiency.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESULTS OF OPERATIONS (continued)

Revenue Analysis (continued)

Total Revenue by Category

	For the six months ended June 30,				
	2024		2023		change
	US\$ million	%	US\$ million	%	
Athletic/Outdoor Shoes	2,074.6	51.7	2,063.4	49.7	0.5
Casual Shoes & Sports Sandals	336.4	8.4	315.6	7.6	6.6
Soles, Components & Others	223.4	5.5	194.9	4.7	14.6
Pou Sheng*	1,381.0	34.4	1,581.1	38.0	(12.7)
Total Revenue	4,015.4	100.0	4,155.0	100.0	(3.4)

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

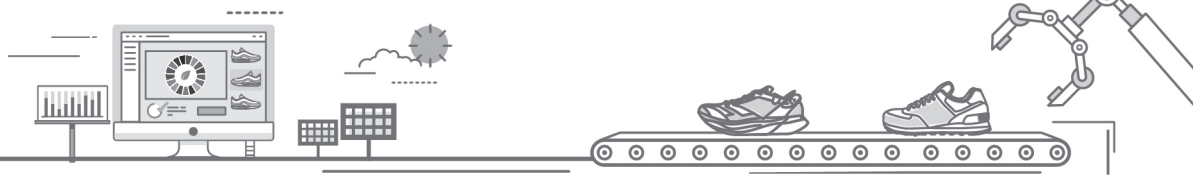
Manufacturing orders from international brands are received by business units that manage each customer and normally take about ten to twelve weeks to fill. Reducing lead times for product creation and production, in order to get closer to the end consumer market remains at the core of many customers' long-term success, with an increasing number of orders requesting shorter lead times of between 30-45 days. Nevertheless, the short-term priorities of some customers are balancing agile capacity allocation, as well as on-time delivery and quick response time alongside macroeconomic uncertainties in the short term.

Sales from the Group's retail business across the Greater China region are recorded on a daily basis, or at periodic intervals if from sub-distributors.

Production Review

During the Period, the Group's manufacturing business shipped a total of 120.7 million pairs of shoes, an increase of 9.9% compared to the 109.8 million pairs shipped in the corresponding period of last year. The average selling price per pair was US\$19.98, a decrease of 7.8% as compared to US\$21.67 in the corresponding period of last year.

In terms of production allocation, Indonesia, Vietnam and mainland China continued to be the Group's main production locations by shoe volume during the Period, representing 53%, 31% and 12% of total shoe shipments, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESULTS OF OPERATIONS (continued)

Cost and Expenses Review

With respect to the cost of goods sold by the Group's manufacturing business in the Period under review, total main material costs were US\$925.1 million (first half of 2023: US\$943.6 million). Direct labor costs and production overheads were US\$1,206.7 million (first half of 2023: US\$1,182.1 million). The total cost of goods sold by the Group's manufacturing business was US\$2,131.8 million (first half of 2023: US\$2,125.7 million). For the Group's retail business, Pou Sheng, cost of sales were US\$908.5 million in the Period under review (first half of 2023: US\$1,051.5 million).

During the Period under review, the Group's gross profit slightly decreased by 0.3% to US\$975.1 million, while the overall gross profit margin increased by 0.8 percentage points to 24.3%. The gross profit of the manufacturing business increased by 12.1% to US\$502.6 million, with the gross profit margin of the manufacturing business increased by 1.7 percentage points to 19.1% as compared to the corresponding period of last year, which was mainly attributed to strong demand for footwear capacity which led to its improved overall capacity utilization rate, flexible production scheduling and orderly overtime arrangement, effective cost-reduction, as well as efficiency-improvement efforts. Production leveling across the Group's manufacturing facilities was uneven, with some factories experiencing higher utilization rates due to more overtime, alongside the ramp-up of new production capacity.

Cost of Goods Sold Analysis – Manufacturing Business

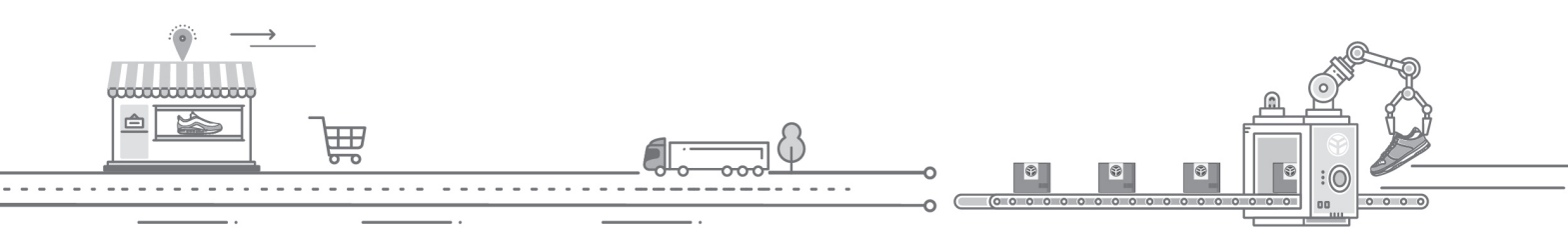
	For the six months ended June 30,		2023		change %
	2024		US\$ million	%	
	US\$ million	%	US\$ million	%	
Main Material Costs	925.1	43.4	943.6	44.4	(2.0)
Direct Labor Costs & Production Overheads	1,206.7	56.6	1,182.1	55.6	2.1
Total Cost of Goods Sold	2,131.8	100.0	2,125.7	100.0	0.3

The gross profit margin for Pou Sheng in the Period was 34.2%, an increase of 0.7 percentage points. Well-managed discount controls, coupled with effective inventory management, helped offset an unfavorable channel mix.

The Group's total selling and distribution expenses for the Period decreased by 10.4% to US\$424.2 million (first half of 2023: US\$473.4 million), equivalent to approximately 10.6% (first half of 2023: 11.4%) of revenue.

Administrative expenses for the Period decreased by 3.8% to US\$275.3 million (first half of 2023: US\$286.3 million), equivalent to approximately 6.9% (first half of 2023: 6.9%) of revenue.

Other income for the Period decreased by 4.7% to US\$63.4 million (first half of 2023: US\$66.5 million), equivalent to approximately 1.6% (first half of 2023: 1.6%) of revenue. Other expenses decreased by 38.8% to US\$79.7 million (first half of 2023: US\$130.2 million), equivalent to approximately 2.0% (first half of 2023: 3.1%) of revenue. Among which, there were no expenses for production capacity adjustments incurred during the Period, when compared to one-off expenses of approximately US\$20.5 million for production capacity adjustments during the corresponding period of 2023. As a result, the Group's net operating expenses for the Period decreased by US\$107.6 million or 13.1%.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RESULTS OF OPERATIONS (continued)

Recurring Profit Attributable to Owners of the Company

In the Period under review, the Group recognized a non-recurring profit attributable to owners of the Company of US\$5.5 million, as compared to US\$3.7 million recognized in the corresponding period of last year. This included a one-off gain on the partial disposal of associates totaling US\$24.0 million, which was largely offset by a loss of US\$11.9 million due to fair value changes on financial instruments at fair value through profit or loss ("FVTPL") and a combined impairment loss of US\$6.6 million on interests in a joint venture and an associate.

Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company for the Period under review was US\$178.9 million, representing an increase of 123.8% compared with US\$79.9 million for the corresponding period of last year.

Product Development

In the Period under review, the Group spent US\$68.8 million (first half of 2023: US\$83.4 million) on product development, including investments in sampling and digital prototyping, technological and process engineering, as well as production efficiency enhancements. For each of the major brand customers that has an R&D team, a parallel independent product development center exists within the Group to support the said R&D team to incorporate innovation, technology and sustainable materials into product development work. The Group is also cooperating with its customers to implement digital transformation technology to seek efficiency improvements in development, production processes and lead times, while formulating new techniques to produce best-quality footwear for world-renowned brand customers.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND OTHERS

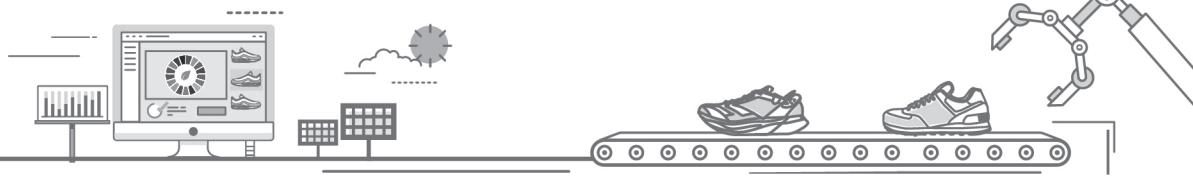
Cash Flow

In the Period under review, the Group recorded net cash generated from operating activities (net of tax) of US\$173.7 million (first half of 2023: US\$363.6 million). Free cash inflow amounted to US\$79.9 million (first half of 2023: US\$279.1 million). Net cash flow used in investing activities amounted to US\$51.4 million (first half of 2023: net inflow of US\$44.1 million) while net cash used in financing activities was US\$337.7 million (first half of 2023: US\$487.6 million), mainly for dividend payment and the repayment of bank borrowings. The overall net decrease in cash and cash equivalents amounted to US\$223.9 million (first half of 2023: US\$87.5 million).

Financial Position and Liquidity

The Group's financial position remained solid. As at June 30, 2024, the Group had bank balances and cash of US\$922.8 million* (December 31, 2023: US\$1,142.1 million) and total bank borrowings of US\$857.0 million (December 31, 2023: US\$972.7 million). The Group's gearing ratio (total bank borrowings to total equity) was 18.1% (December 31, 2023: 20.7%). As at June 30, 2024, the Group had net cash of US\$65.8 million (December 31, 2023: US\$169.4 million). As at June 30, 2024, the Group had current assets of US\$3,694.8 million (December 31, 2023: US\$3,783.9 million) and current liabilities of US\$1,657.9 million (December 31, 2023: US\$1,984.7 million). The current ratio was 2.2 as at June 30, 2024 (December 31, 2023: 1.9).

* Ending bank balances and cash as at June 30, 2024 included bank deposits with original maturity over three months which amounted to US\$223.5 million (December 31, 2023: US\$218.9 million).



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

Funding and Capital Structure

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

The Group used debt financing mostly by means of bank loans. In terms of the maturity profile of loans, most of the bank loans for the Group's manufacturing business were long-term committed facilities that partly meet the funding needs of its capital expenditures and long-term investments. Short-term revolving loan facilities were also utilized regularly for daily working capital purposes, especially for the Group's retail business. At present, the Group maintains an abundant level of bank facilities to meet its working capital needs. As of June 30, 2024, around 58.3% of the Group's total bank borrowings were long-term bank loans and all had a remaining tenor of over one year. The Group has already arranged either early refinancing or prepayment of its long-term loan expiring in 2024. As at June 30, 2024, no assets of the Group were pledged to secure banking facilities for the Group.

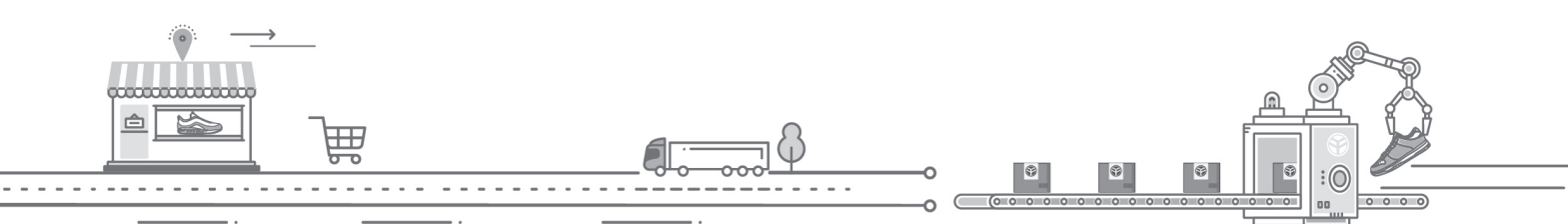
Almost all of the bank borrowings of the Group relating to its manufacturing business are in USD. The Group's cash holdings in relation to its manufacturing business are held in USD and also in the local currencies (e.g. VND, IDR, RMB) of the various countries where its production facilities are located for daily operation purposes. For the Group's retail business, Pou Sheng's bank borrowings and cash balances are held mostly in RMB, which is its functional currency.

All of the Group's bank borrowings relating to its manufacturing business are on a floating rate basis, while the bank borrowings relating to its retail business are mostly fixed-rate. A portion of the Group's floating interest rate risk exposure was hedged by interest rate swaps.

Capital Expenditure

For the Period under review, the Group's overall capital expenditure reached US\$93.8 million (first half of 2023: US\$84.5 million). The capital expenditure for the Group's manufacturing business was US\$67.4 million (first half of 2023: US\$59.9 million), with its capital expenditure program targeting the strategic expansion and optimization of its manufacturing capacity.

As for investments in its retail business Pou Sheng, capital expenditure increased to US\$26.4 million during the Period under review (first half of 2023: US\$24.6 million), in line with its retail refinement strategy. Pou Sheng continued its selective and prudent approach of strategically opening and upgrading experience-driven retail stores that provide a better shopping experience and enhance store productivity, while continuing to roll-out its long-term digital transformation strategy, namely optimizing its SAP ERP system.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

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

The Group has no significant investments or material acquisitions/disposals undertaken during the Period under review. Apart from investments for operation purposes which may be made in the ordinary and usual course of business, the Group entered into a memorandum of understanding with the Tamil Nadu Government in India on April 17, 2023, under which an indirect wholly-owned subsidiary of the Company will invest approximately 23 billion Rupees (equivalent to approximately US\$276 million) in phases in the investment project to establish a manufacturing base in a special economic zone in India. The investment project will be funded by the internal resources of the Group and/or bank borrowings, if necessary. For details, please refer to the announcement of the Company dated April 17, 2023.

The Group currently has no plans for acquiring capital assets.

The Group may explore potential opportunities to invest for its sustainable growth from time to time may have other plans for making material investments or acquiring capital assets in the future.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Contingent Liabilities

The Group has provided guarantees to banks in respect of banking facilities granted to a joint venture and an associate, the detail of which can be seen in Note 16 to the condensed consolidated financial statements in the 2024 interim report of the Company.

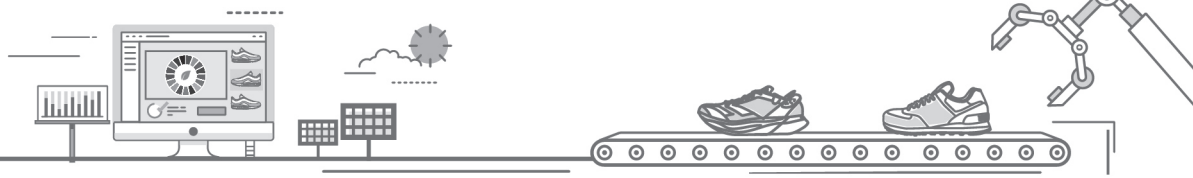
Foreign Exchange Exposure

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

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

Share of Results of Associates and Joint Ventures

For the Period under review, the share of results of associates and joint ventures was a combined profit of US\$32.9 million, compared to a combined profit of US\$29.1 million in the corresponding period of last year.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EMPLOYEES

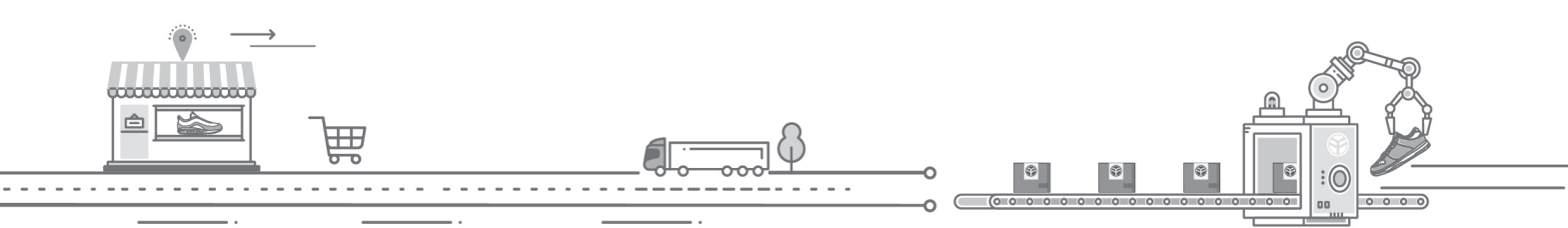
As at June 30, 2024, the Group had approximately 277,000 employees employed across all regions in which it operates, an increase of 0.1% as compared to approximately 276,800 employees employed as at June 30, 2023. The Group's manufacturing business employed approximately 256,300 employees, an increase of 1.3%, while Pou Sheng employed around 20,700 employees, a decrease of 12.7%. The Group adopts a remuneration system based on an employee's performance throughout the Period and prevailing salary levels in the market.

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

The Group employs a competitive remuneration scheme and provides comprehensive employee benefits, in line with the relevant laws and regulations applicable to each of its operating locations. It sets aside a certain percentage of profits, according to the annual performance of the Group, as year-end bonuses to reward employees' contributions and work enthusiasm, allowing them to share in its operating results. It also provides insurance plans that are tailor-made to each operating location to reduce the medical expense burden of employees, as well as pension fund contributions in compliance with the laws and regulations of the local jurisdictions in which the Group operates.

The Group regularly provides internal and external training courses at all levels, including new employee training, professional training, management training, environmental safety training, and corporate core values training, to enable the Group's employees and management to enhance their skills and achieve expertise, as well as to boost their morale.

The social compliance program of the Group's parent company, Pou Chen has been accredited by the FLA, a non-profit organization dedicated to protecting workers' rights around the world, making the Group the first and only FLA-accredited footwear supplier globally. The accreditation recognized the Group's commitment to responsible recruitment aimed at implementing workplace standards globally; implementing a comprehensive system to evaluate and incentivize manufacturing facilities and material suppliers to improve working conditions; investing in a social compliance program, training, and remediation; improving its transparency in remediating labor violations at its production sites and establishing multiple grievance channels; and on top of all the programs above, actively participating in FLA's initiatives such as fair compensation project.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS

The Group is confident about the solid recovery trend taking place in the footwear industry, alongside improving order visibility, which is allowing the further normalization of its order book. The market research agency Statista estimates that global footwear market consumption will experience a compound annual growth rate of 3.4% from 2024 to 2028. However, the overall business environment remains unsettled in a short period of time due to uncertainties stemming from global macroeconomic conditions, including persistent inflation and high interest rates, as well as regional conflicts and its impact on shipping lanes.

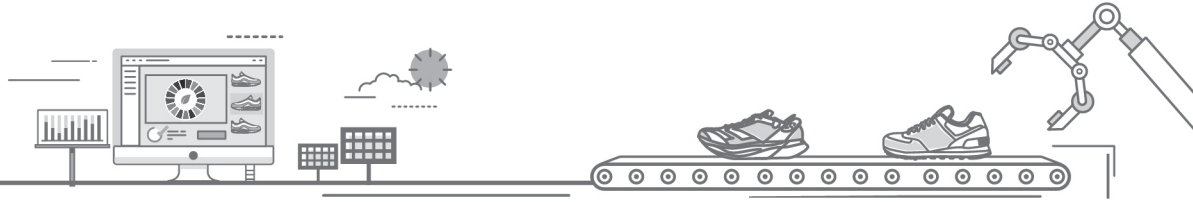
The Group will continue to proactively monitor the economic and industry-specific environment and is adopting a comprehensive plan to increase its manufacturing manpower and capacity to balance demand, its order pipeline and labor supply. While the ramp-up of new production capacity will take time, which may impact the Group's short-term efficiency, it will continue to strengthen its operational resilience by enhancing efficiency and productivity, through its highly flexible and agile strategies, and by leveraging its core strengths, adaptability and competitive edges, as well as cost and expense controls, to safeguard its profitability, while focusing on maintaining a healthy cash flow and a solid financial position.

The Group remains optimistic about the long-term prospects of its manufacturing business and remains committed to its mid to long-term capacity allocation strategy. This includes diversifying its manufacturing capacity in regions such as Indonesia and India where labor supply and infrastructure are supportive of sustainable growth. It will continue to exploit its strategy of prioritizing value growth, leveraging the 'athleisure' trend and its integrated product development capability that combines automation technology and research and development strength to seek more high value-added orders with a solid product mix.

Yue Yuen will continue to pursue its long-term digital transformation strategy aimed at achieving operational excellence through digital lean management, while also maintaining its focused investments in intelligent automation. It will further integrate its manufacturing management systems into One Common Platform ("OCP") to optimize its ongoing eco-intelligent and smart manufacturing approach. At the core of the OCP is a more focused SAP ERP system that, when implemented together with the automation upgrades, will strengthen the Group's process re-engineering competency, boost productivity and derive more value from its investments. As a powerful management tool, the OCP will enhance the Group's competitive adaptability to cater to the fast-moving market and operation environment and ongoing trends, including increased demand from brand customers for greater versatility, flexibility, more efficient turnaround times, on-time delivery, end-to-end capabilities and most importantly, ESG-centric management.

For Pou Sheng, amid the ongoing dynamic retail environment in mainland China, it will continue to safeguard its margins through its retail refinement strategy – dynamically managing its B&M and omni-channel footprint, as well as introducing new store concepts and broadening its category offerings. It will also implement its digital transformation strategy, including the enhancement and upgrade of its SAP system in order to better integrate its business and finance functions and strengthen strategic decision-making at the management level. It will further maximize its strategic partnerships with existing and new business associates and diversify its channel mix, while remaining committed to dynamic inventory control and more effective working capital management.

Going forward, the Group remains confident that the above strategies will enable it to continue providing its brand partners with the best possible end-to-end solutions, anchoring its quality growth while safeguarding its solid long-term profitability and ability to deliver sustainable returns to shareholders.



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.40 per share (2023: HK\$0.20 per share) to shareholders whose names appear on the register of members of the Company on Wednesday, September 11, 2024. The interim dividend shall be paid on Friday, October 4, 2024.

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

CLOSURE OF REGISTER OF MEMBERS

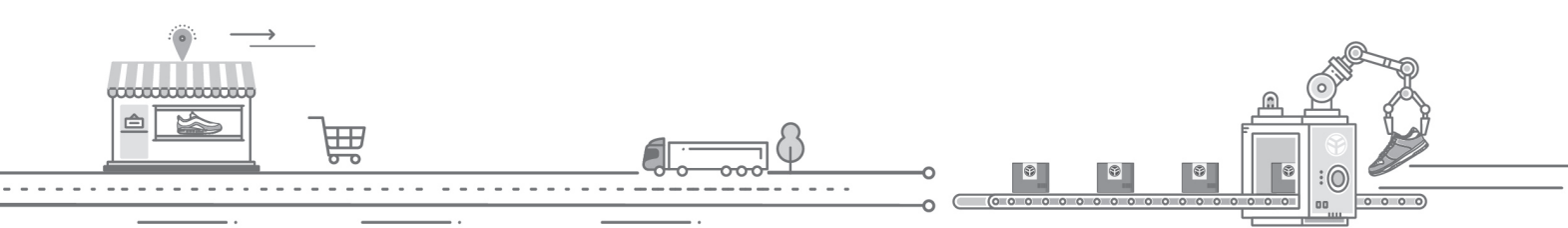
The register of members of the Company will be closed from Wednesday, September 11, 2024 to Friday, September 13, 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, September 10, 2024.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at June 30, 2024, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) as required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or demanded to have under such provisions of the SFO); or (b) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of Directors	Capacity	Number of Shares/underlying Shares held (Long position)				Total	Percentage of issued Shares (Note 1)
		Personal interests	Family interests	Corporate interests	Other interests		
Lu Chin Chu	Beneficial owner	533,000	-	-	-	533,000	0.03%
Chan Lu Min	Beneficial owner	629,000	-	-	-	629,000	0.03%
Lin Cheng-Tien	Beneficial owner	301,000	-	-	-	301,000	0.01%
Liu George Hong-Chih	Beneficial owner	704,000 (Note 2)	-	-	-	704,000	0.04%
Shih Chih-Hung	Beneficial owner	41,000	-	-	-	41,000	0.00%



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

(b) Interests in the ordinary shares and underlying shares of HK\$0.01 each of Pou Sheng, an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Directors	Capacity	Number of shares/underlying shares of Pou Sheng held (Long position)				Total	Percentage of issued shares of Pou Sheng (Note 3)
		Personal interests	Family interests	Corporate interests	Other interests		
Tsai Pei Chun, Patty	Beneficial owner	19,523,000	-	-	-	19,523,000	0.37%
Chan Lu Min	Beneficial owner	851,250	-	-	-	851,250	0.02%
Liu George Hong-Chih	Beneficial owner	-	414,000	-	-	414,000	0.01%

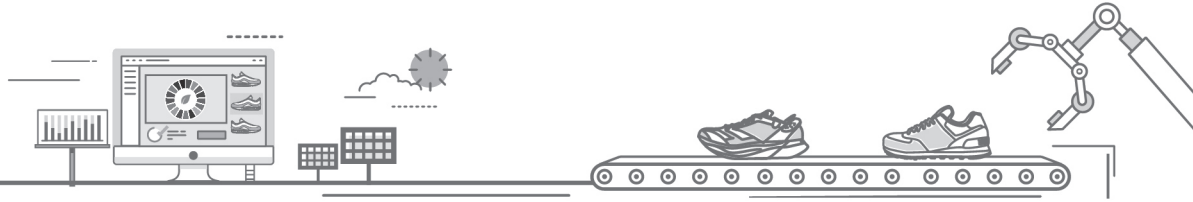
(c) Interests in the ordinary shares and underlying shares of NT\$10.00 each of Pou Chen Corporation ("PCC"), an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Directors	Capacity	Number of shares/underlying shares of PCC held (Long position)				Total	Percentage of issued shares of PCC (Note 4)
		Personal interests	Family interests	Corporate interests	Other interests		
Lu Chin Chu	Beneficial owner	1,070,470	73,300	-	-	1,143,770	0.04%
Tsai Pei Chun, Patty	Beneficial owner	4,177,779	-	-	-	4,177,779	0.14%
Chan Lu Min	Beneficial owner	366,452	-	-	-	366,452	0.01%
Lin Cheng-Tien	Beneficial owner	297,760	-	-	-	297,760	0.01%
Shih Chih-Hung	Beneficial owner	-	40,000	-	-	40,000	0.00%

Notes:

1. The total number of issued Shares as at June 30, 2024 is 1,612,183,986.
2. Mr. Liu George Hong-Chih is interested in 90,000 Shares, which was granted by the Company with vesting conditions pursuant to the Yue Yuen Share Award Scheme, details of which are set out in the section headed "Share Incentive Schemes (b) Share Award Scheme of the Company" of this report.
3. The total number of issued shares of Pou Sheng as at June 30, 2024 is 5,326,179,615.
4. The total number of issued shares of PCC as at June 30, 2024 is 2,946,787,213.

Other than the interests disclosed above, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at June 30, 2024.



SHARE INCENTIVE SCHEMES

(a) Share Option Scheme of the Company

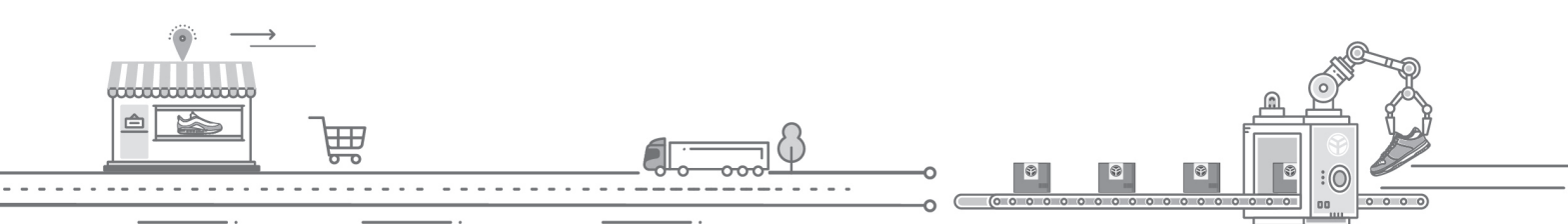
To enable the Company to grant options to participants as incentive or reward for their contribution to the growth of the Group and to provide the Group with a flexible means to reward, remunerate, compensate and/or provide benefits to the participants, the Company adopted a share option scheme on May 31, 2019 (the "Yue Yuen Share Option Scheme"), which has a life of 10 years until May 30, 2029. As at January 1, 2024, June 30, 2024 and the date of this report, the total number of Shares available for issue under the Yue Yuen Share Option Scheme is 161,449,998 Shares, representing approximately 10.01% of the issued Shares as at the date of this report. No option has been granted under the Yue Yuen Share Option Scheme since its adoption. Details of the Yue Yuen Share Option Scheme are set out in the 2023 annual report of the Company (the "Annual Report").

(b) Share Award Scheme of the Company

A share award scheme (the "Yue Yuen Share Award Scheme") was adopted on January 28, 2014 and amended on March 23, 2016 and September 28, 2018 as well as amended and restated on November 13, 2023 by the Board to recognize the contributions by certain persons, including employees, executives, officers or directors of the Group or any company in which the Group may have an investment and any company which is a controlling shareholder of the Company (the "Shareholders") including subsidiaries of such controlling Shareholder (the "Associated Entity"), to provide incentives thereto to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. It is funded by the existing Shares and does not involve issue of new Shares. Subject to early termination determined by the Board or otherwise required under any applicable legal and/or regulatory requirements (including, without limitation, those imposed by the Listing Rules from time to time), the Yue Yuen Share Award Scheme was valid and effective for a period of ten years commencing on the date of adoption (i.e. January 28, 2014 to January 27, 2024) and has been further extended for another ten years upon expiry of the initial term (i.e. January 28, 2024 to January 27, 2034) pursuant to the amended and restated rules of the Yue Yuen Share Award Scheme, after which no further contribution to the trust fund will be made by the Company and no further awarded Share will be granted.

Under the Yue Yuen Share Award Scheme, the Board may at its discretion grant any eligible participants awarded Shares as it may determine appropriate provided that (a) the remuneration committee of the Company also recommended such granting pursuant to the Listing Rules; (b) the total number of awarded Shares shall not exceed 2% of the issued share capital of the Company as at the date of grant which is 32,243,679 Shares. The maximum number of Shares which may be awarded to a selected participant (including vested and non-vested Shares) under the Yue Yuen Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time, which is 16,121,839 Shares.

The relevant awarded Shares shall vest in accordance with the conditions and timetable as set out in the relevant letter of award issued to the selected participant. A consideration of HK\$1.00 (or other amount specified in the relevant letter of award issued to the selected participant) is payable by the selected participant upon acceptance of the awarded Shares with no specified period which the consideration shall be paid. The selected participant must remain an employee, executive, officer or director of the Group or an Associated Entity after the date of final approval by the Board of the total amount of Shares (and/or cash) to be awarded to the selected participants in a single occasion pursuant to the Yue Yuen Share Award Scheme and on the following vesting date, or otherwise the awarded Shares shall be lapsed. The Board may, at its discretion, impose certain conditions such as fulfilment of performance targets on the vesting of the awarded Shares. When such targets or conditions apply, an appraisal mechanism will be implemented to evaluate the achievement of performance targets. The selected participant shall obtain an appraisal ranking that is equal to or higher than "good" during the vesting period.



SHARE INCENTIVE SCHEMES (continued)

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

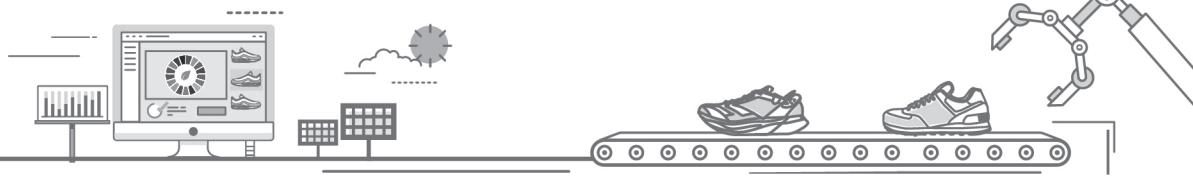
Clawback will be applied where there is exceptionally poor performance, misconduct or material breach of terms of employment or rules or policies of the Group or an Associated Entity prior to the vesting date and the Board will determine to vary or cancel the relevant award.

As at January 1, 2024, June 30, 2024 and August 12, 2024 (i.e. the date of this report), the total number of Shares available for being further awarded under the Yue Yuen Share Award Scheme was 21,249,679 Shares, 19,894,679 Shares and 19,894,679 Shares, respectively, representing 1.32%, 1.23% and 1.23% of the issued Shares as at January 1, 2024, June 30, 2024 and the date of this report, respectively.

Eligible participant(s) selected by the Board for participation in the Yue Yuen Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned shares. The trustee of the Yue Yuen Share Award Scheme shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares) unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given; nor take any action in relation to such Shares in the event of a proposed change of control of the Company.

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

	Date of grant (Note 1)	Vesting period (Note 2)	Number of awarded Shares				Balance as at June 30, 2024
			Balance as at January 1, 2024	Granted during the Period	Lapsed/ cancelled during the Period	Vested during the Period	
Directors							
Lu Chin Chu	20.03.2024	20.03.2024-01.06.2024	-	154,000	-	(154,000)	-
Chan Lu Min	20.03.2024	20.03.2024-01.06.2024	-	205,000	-	(205,000)	-
Lin Cheng Tien	20.03.2024	20.03.2024-01.06.2024	-	74,000	-	(74,000)	-
Shih Chih Hung	20.03.2024	20.03.2024-01.06.2024	-	41,000	-	(41,000)	-
Liu George Hong-Chih	28.06.2023	28.06.2023-31.05.2025	90,000	-	-	-	90,000
	20.03.2024	20.03.2024-01.06.2024	-	159,000	-	(159,000)	-
Sub-total			90,000	633,000	-	(633,000)	90,000
Directors of the Company's subsidiaries/ Employees of the Group and/or Associated Entities in aggregate							
	31.03.2023	31.03.2023-31.03.2025	85,000	-	-	-	85,000
	28.06.2023	28.06.2023-31.05.2025	1,530,000	-	-	-	1,530,000
	06.02.2024	06.02.2024-01.06.2024	-	447,000	-	(447,000)	-
	20.03.2024	20.03.2024-01.06.2024	-	227,000	-	(227,000)	-
	20.05.2024	20.05.2024-01.09.2024	-	48,000	-	-	48,000
Sub-total			1,615,000	722,000	-	(674,000)	1,663,000
Total			1,705,000	1,355,000	-	(1,307,000)	1,753,000



SHARE INCENTIVE SCHEMES (continued)

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

Notes:

1. During the Period,
 - (i) the closing prices of the Shares immediately before the dates of grant on February 6, 2024, March 20, 2024 and May 20, 2024 were HK\$7.48 per Share, HK\$11.22 per Share and HK\$15.20 per Share, respectively.
 - (ii) the fair value of the awards is determined in accordance with Hong Kong Financial Reporting Standard 2 “Share-based Payment” and details of the accounting policy adopted are set out in Note 3 to the consolidated financial statements of the 2023 Annual Report. The fair value of the awarded Shares at the dates of grant on February 6, 2024, March 20, 2024 and May 20, 2024 were US\$440,000, US\$1,244,000, and US\$94,000, respectively, which is calculated based on the closing price of Shares on the dates of grant of HK\$7.70, HK\$11.32 and HK\$15.26, respectively.
2. During the Period, the weighted average closing price of the Shares immediately before the date on which the awarded Shares were vested (being June 1, 2024) was HK\$14.36 per Share.

During the Period, the Group recognized a net expense of US\$2,249,000 as equity-settled share-based payments in relation to Yue Yuen Share Award Scheme.

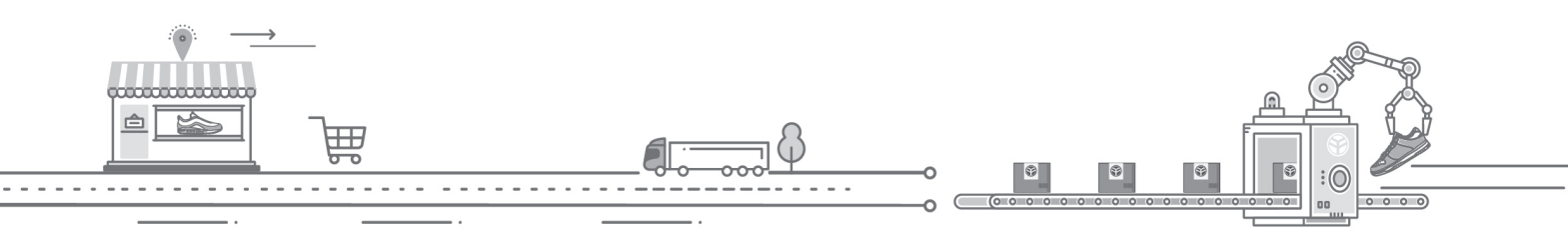
As at the date of this report, a total of 56,000 Shares were held by the Trustee, representing 0.00347% of the issued Shares.

(c) Share Award Scheme of Pou Sheng

The share award scheme of Pou Sheng (the “Pou Sheng Share Award Scheme”) was adopted on May 9, 2014 and duly amended on November 11, 2016, and further amended and restated on November 13, 2023 by the board of Pou Sheng, upon the recommendation by the remuneration committee of the board of Pou Sheng for recognising the contributions by certain persons, including directors of Pou Sheng and employees of Pou Sheng and its subsidiaries (the “Pou Sheng Group”), providing incentives to retain them for continual operation and development of the Pou Sheng Group, and to attract suitable personnel for further development of the Pou Sheng Group. All personnel of the Pou Sheng Group are entitled to participate. It is funded by the existing shares of Pou Sheng and not involving issue of new shares of Pou Sheng.

The Pou Sheng Share Award Scheme was valid and effective for a period of 10 years commencing on the date of adoption (i.e. from May 9, 2014 to May 8, 2024), and has been further extended for another 10 years upon expiration of the initial term (i.e. from May 9, 2024 to May 8, 2034) by amending and restating the rules and trust deed relating to the Pou Sheng Share Award Scheme. No further Pou Sheng’s share awards should be granted upon termination or expiry of the Pou Sheng Share Award Scheme.

Any proposed award should be determined on the basis of individual performance and must be recommended by the remuneration committee of Pou Sheng (the “Pou Sheng Remuneration Committee”) and approved by the Pou Sheng’s board of directors (the “Pou Sheng Board”). All the Pou Sheng’s awarded shares granted under the Pou Sheng Share Award Scheme should be vested in accordance with the conditions (such as employment status, individual performance and common key performance indicators) and timetable (i.e. vesting period) as determined by the Pou Sheng Board. In the case of a Pou Sheng’s director or an employee of the Pou Sheng Group, the grantee must remain at all times a Pou Sheng’s director or an employee of the Pou Sheng Group. Clawback will be applied where there is exceptionally poor performance, misconduct or material breach of terms of employment or rules or policies of Pou Sheng prior to the vesting date and the Pou Sheng Board will determine to vary or cancel the relevant award.



SHARE INCENTIVE SCHEMES (continued)

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

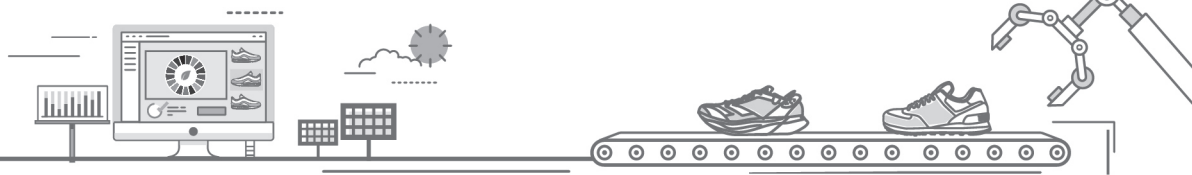
For Pou Sheng's awarded shares that are already granted, they are generally granted on the basis of the individual performance of the relevant grantee, and vested in tranches over a period of consecutive years with dates determined by the Pou Sheng Board subject to fulfilment of performance target(s) and condition(s). The most common performance target is "attaining "good" or better performance rating for all appraisals conducted during the vesting period". Taking 'vest-in-tranches' into consideration, vesting periods generally range from one to three years. In addition, to improve the effectiveness of the Pou Sheng Share Award Scheme for motivating employees of the Pou Sheng Group to strive for excellence in their work, the Pou Sheng Board, upon the recommendation by the Pou Sheng Remuneration Committee, resolved to amend the general vesting condition that was in relation to the individual performance of the employees (i.e. attaining "good" or better performance rating for the appraisal conducted immediately preceding the vesting date of the relevant tranche of Pou Sheng's awarded shares), which would be applied to the Pou Sheng's awarded shares being granted on or after May 9, 2024.

According to the letter of award, the amount payable on acceptance of the grant of Pou Sheng's awarded shares is HK\$1.00 with no deadline specified. Apart from this, no monetary payment has to be made by grantee to acquire Pou Sheng's share awards under the Pou Sheng Share Award Scheme.

The total number of Pou Sheng's shares to be awarded under the Pou Sheng Share Award Scheme should not exceed 4% of the number of Pou Sheng's issued shares (i.e. 5,326,179,615 Pou Sheng's shares) as at the date of grant, which is 213,047,184. The maximum number of Pou Sheng's shares (including vested and non-vested Pou Sheng's shares) which may be awarded to a selected participant should not exceed 1% of the Pou Sheng's issued shares from time to time, which is 53,261,796.

Under the Pou Sheng Share Award Scheme, a total of 111,721,810 Pou Sheng's shares, representing approximately 2.10% of the Pou Sheng's issued shares, have been awarded and the total number of Pou Sheng's shares available for being further awarded is 101,325,374, representing approximately 1.90% of the Pou Sheng's issued shares, as at the date of this report.

Eligible participant(s) selected by the Pou Sheng Board for participation in the Pou Sheng Share Award Scheme shall have no right to any dividend held under the trust before vesting which shall form part of the residual cash or any of the returned Pou Sheng's shares. The trustee of the Pou Sheng Share Award Scheme shall not exercise the voting rights in respect of any Pou Sheng's shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip dividend).



SHARE INCENTIVE SCHEMES (continued)

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

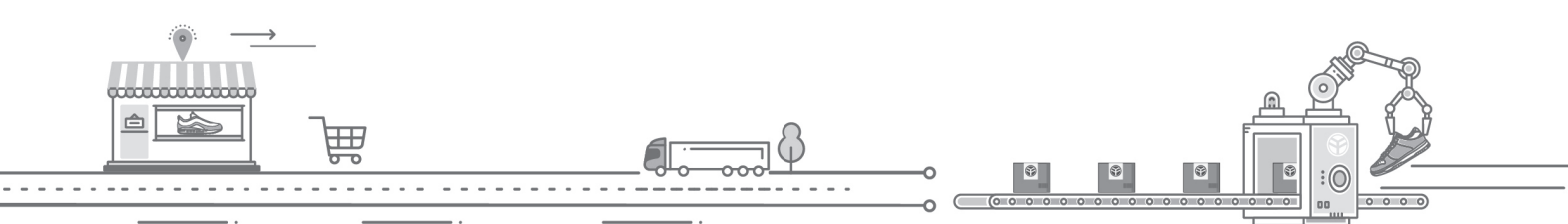
Pursuant to the Pou Sheng Share Award Scheme, movements in Pou Sheng's awarded shares during the period are set out below:

	Date of grant	Vesting period	Number of Pou Sheng's awarded shares				Balance as at June 30, 2024
			Balance as at January 1, 2024	Granted during the period	Lapsed/ cancelled during the period	Vested during the period	
Director/Chief Executive of Pou Sheng							
Yu Huan-Chang	11.11.2022	11.11.2022-10.11.2024	360,000	-	-	-	360,000
	11.11.2022	11.11.2022-10.11.2025	480,000	-	-	-	480,000
Wang Jun	24.03.2021	24.03.2021-23.03.2024	240,000	-	-	(240,000)	-
Sub-total			1,080,000	-	-	(240,000)	840,000
Employees of Pou Sheng in aggregate							
	24.03.2021	24.03.2021-23.03.2024	2,752,000	-	-	(2,752,000)	-
	13.08.2021	13.08.2021-12.02.2024	523,200	-	(7,800)	(515,400)	-
	13.08.2021	13.08.2021-12.08.2024	872,000	-	(13,000)	-	859,000
Sub-total			4,147,200	-	(20,800)	(3,267,400)	859,000
Grand total			5,227,200	-	(20,800)	(3,507,400)	1,699,000

The weighted average closing price of the Pou Sheng's shares immediately before the dates on which the awards that were vested during the period was HK\$0.68 per share.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Share Incentive Schemes" above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at June 30, 2024, the register of substantial Shareholders ("Register") maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, other than the interests disclosed in the section "Directors' and Chief Executives' Interests in Securities", the following Shareholders had notified the Company of their relevant interests in the Shares and underlying Shares:

Name of Shareholders	Capacity	Number of Shares held	Percentage of the issued Shares*
		<i>(Long position)</i>	
PCC	Interest of controlled corporations <i>Note (a)</i>	824,143,835	51.11%
Wealthplus Holdings Limited ("Wealthplus")	<i>Note (a)</i>	773,156,303	47.95%
Merrill Lynch & Co. Inc.	Interest of controlled corporations <i>Note (b)</i>	99,315,703	6.16%
Silchester International Investors LLP	Investment manager	112,138,000	6.96%
		<i>(Short Position)</i>	
Merrill Lynch & Co. Inc.	Interest of controlled corporations <i>Note (b)</i>	109,341,792	6.78%

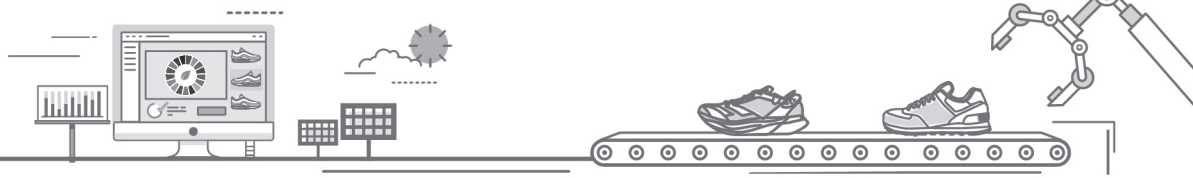
* The total number of issued Shares as at June 30, 2024 is 1,612,183,986.

Notes:

- (a) Of the 824,143,835 Shares beneficially owned by PCC, 773,156,303 Shares were held by Wealthplus and 50,987,532 Shares were held by Win Fortune Investments Limited ("Win Fortune"). Both Wealthplus and Win Fortune are wholly-owned subsidiaries of PCC. Mr. Lu Chin Chu, Ms. Tsai Pei Chun, Patty and Mr. Chan Lu Min, the executive Directors, are also directors of PCC and Wealthplus. Mr. Lu Chin Chu and Mr. Chan Lu Min are directors of Win Fortune.
- (b) Merrill Lynch & Co. Inc. is deemed to be interested in 35,000 Shares (long position) held directly by Merrill Lynch Portfolio Managers Limited (for discretionary clients) under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch Portfolio Managers Limited. Merrill Lynch Portfolio Managers Limited is wholly-owned by ML Invest, Inc., which is in turn wholly-owned by Merrill Lynch Group, Inc., which is in turn wholly-owned by Merrill Lynch & Co. Inc..

Merrill Lynch & Co. Inc. is also deemed to be interested in 5,985,785 Shares (long position) and 2,620,000 Shares (short position) held directly by Blackrock, Inc. (for discretionary clients) under the SFO by virtue of its interest in more than one-third of the voting shares in Blackrock, Inc.. Merrill Lynch & Co. Inc. owns 49.8% of Blackrock, Inc. through its various subsidiaries, namely, Princeton Services, Inc., Princeton Administrators, L.P., Merrill Lynch Investment Managers, L.P. and Fund Asset Management, L.P., which are all 99% owned by Merrill Lynch & Co. Inc. except for Princeton Services, Inc., which is wholly-owned by Merrill Lynch Group, Inc.. Merrill Lynch Group, Inc., which is wholly-owned by Merrill Lynch & Co. Inc., is also deemed to be indirectly interested in the 5,985,785 Shares (long position) and 2,620,000 Shares (short position) held directly by Blackrock, Inc..

In light of the above, Merrill Lynch & Co. Inc. is deemed to be interested in an aggregate of 6,020,785 Shares (long position) and 2,620,000 Shares (short position).



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

Notes: (continued)

(b) (continued)

Merrill Lynch & Co. Inc. is also deemed to be interested in 93,294,918 Shares (long position) and 106,721,792 Shares (short position) held directly by Merrill Lynch International under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch International. Merrill Lynch & Co. Inc. holds Merrill Lynch International indirectly through six wholly-owned subsidiaries namely, Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe Plc, Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited and ML UK Capital Holdings. ML UK Capital Holdings is wholly-owned by Merrill Lynch Holdings Limited, which is in turn wholly-owned by Merrill Lynch Europe Intermediate Holdings, which is in turn wholly-owned by Merrill Lynch Europe Plc, which is in turn wholly-owned by Merrill Lynch International Holdings Inc., which is in turn wholly-owned by Merrill Lynch International Incorporated, which is in turn wholly-owned by Merrill Lynch & Co. Inc.. Merrill Lynch International is 97.2% owned by ML UK Capital Holdings. The above has been prepared based on the disclosure of interest form filed with the Company dated March 10, 2008.

Other than the interests disclosed above, as at June 30, 2024, the Directors or chief executive of the Company were not aware of any other person or corporation (other than the Directors and chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the Register.

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

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

1. Mr. Shih Chih-Hung ceased to be the executive director of Evermore Chemical Industry Co., Ltd. (a company listed on Taiwan Stock Exchange Corporation) on June 27, 2024.
2. Dr. Yang Ju-Huei was an independent director of Feei Cherng Develop Technology Co., Ltd. (a company listed on the Taipei Exchange) from May 24, 2024 to August 21, 2024.

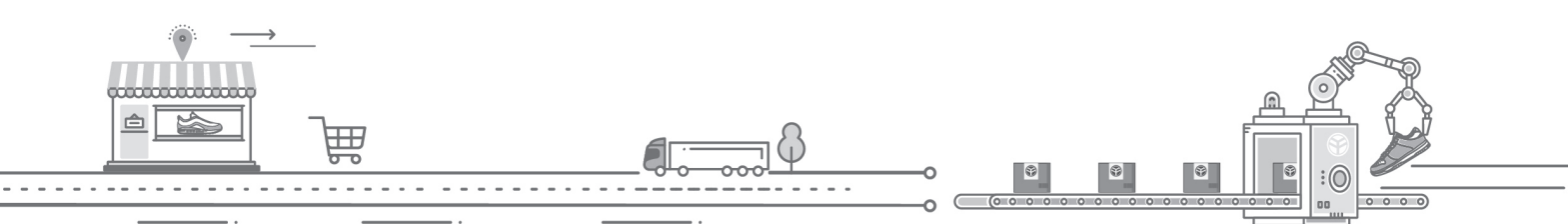
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except that the trustee of the Yue Yuen Share Award purchased on the Stock Exchange a total of 1,350,000 Shares at a total consideration of approximately HK\$15,368,000 (equivalent to approximately US\$1,965,000) pursuant to the terms of the rules and trust deed of the Yue Yuen Share Award Scheme.

REVIEW OF UNAUDITED INTERIM FINANCIAL REPORT

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial information.

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



CORPORATE GOVERNANCE

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

The general framework of the Company's corporate governance practices is set out in the corporate governance report in the Annual Report, which is available on the Company's website.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

ACKNOWLEDGEMENT

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

DIRECTORS

As at the date of this report, the Directors are:

Executive Directors:

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

Independent Non-executive Directors:

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

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

Hong Kong, August 12, 2024

Website: www.yueyuen.com



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

www.yueyuen.com

