



# 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





裕元工業(集團)有限公司\*

Yue Yuen Industrial (Holdings) Limited

(Incorporated in Bermuda with limited liability)

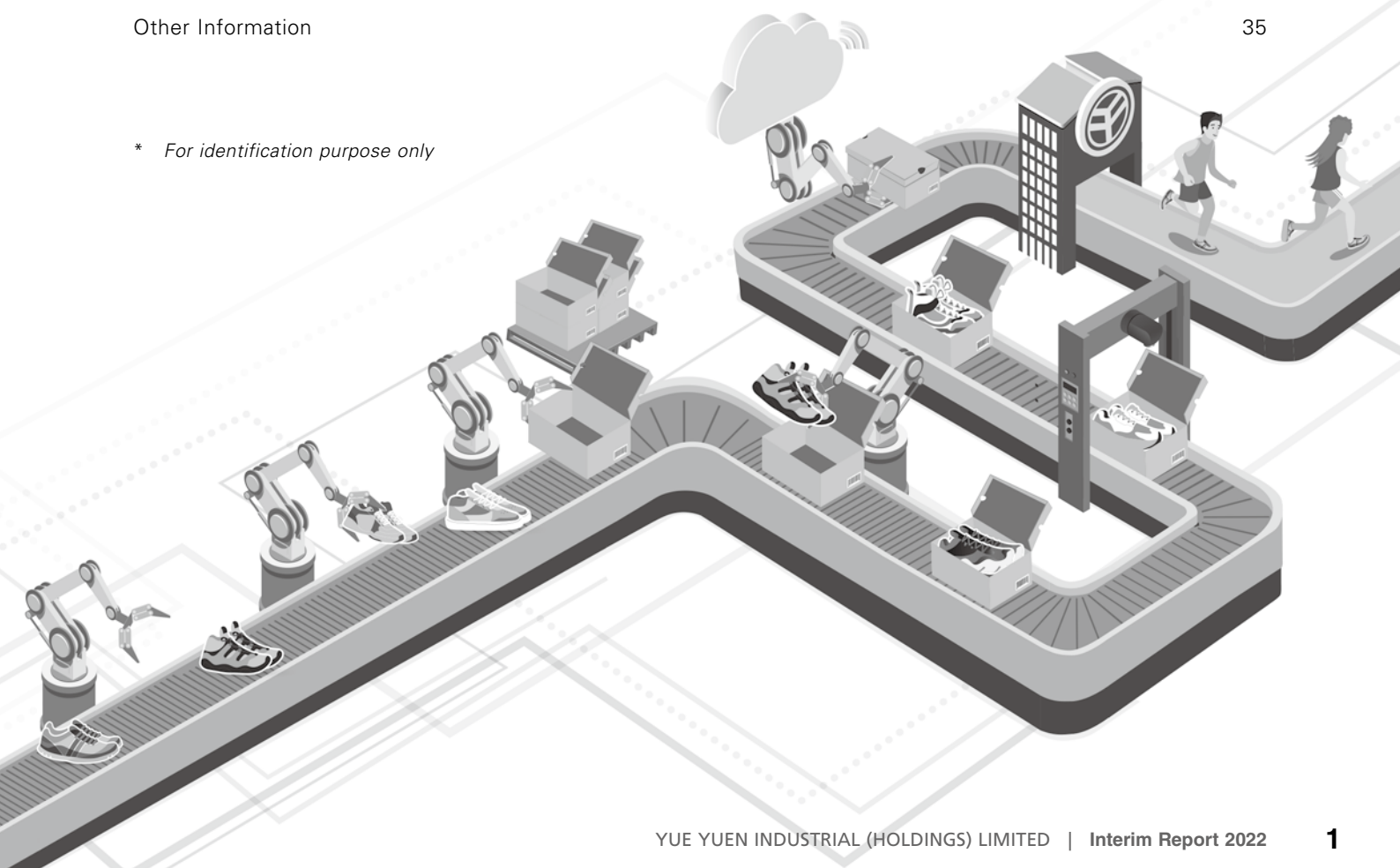
Stock Code: 00551

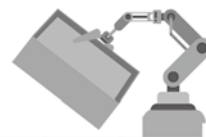
## 2022 Interim Report

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\* For identification purpose only





## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Lu Chin Chu (*Chairman*)  
Tsai Pei Chun, Patty<sup>5</sup> (*Managing Director*)  
Chan Lu Min  
Lin Cheng-Tien  
Hu Chia-Ho (resigned on June 30, 2022)  
Liu George Hong-Chih  
Yu Huan-Chang

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Hak Kun<sup>1, 2, 3, 4</sup>  
Ho Lai Hong<sup>1, 3, 5, 6</sup>  
Lin Shei-Yuan<sup>1, 3, 5</sup>  
Chen Chia-Shen<sup>1, 3</sup>

*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

Chau Chi Ming, Dickens

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

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

### AUDITOR

Deloitte Touche Tohmatsu

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th floor North Cedar House  
41 Cedar Avenue  
Hamilton HM12  
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

- ANZ
- Bank of Singapore
- Bank SinoPac
- BNP Paribas
- CTBC Bank
- Citibank, N.A.
- Credit Agricole Corporate & Investment Bank
- DBS Bank Ltd.
- J.P. Morgan
- Mizuho Bank Ltd.
- MUFG Bank Ltd.
- Scotiabank (Hong Kong) Limited
- Standard Chartered Bank (Hong Kong) Limited
- Sumitomo Mitsui Banking Corporation
- Taipei Fubon Commercial Bank Co., Ltd.
- Taishin International Bank
- UBS AG
- United Overseas Bank Ltd.

### SOLICITORS

Reed Smith Richards Butler LLP

### WEBSITE

[www.yueyuen.com](http://www.yueyuen.com)

**STOCK CODE: 00551**



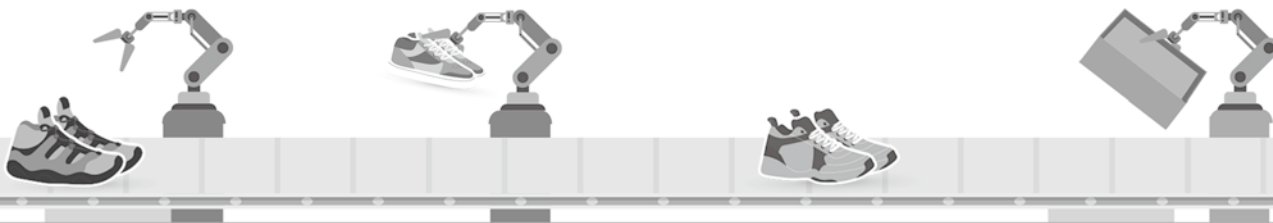
## FINANCIAL AND OPERATING HIGHLIGHTS

(US\$ million, except where otherwise stated)

	For the six months ended June 30,		% change
	2022	2021	
<b>Key Financial/Operating information</b>			
Total shoe volume (million pairs)	<b>144.1</b>	136.4	5.6
Revenue	<b>4,709.8</b>	4,807.1	(2.0)
Gross profit	<b>1,095.7</b>	1,238.4	(11.5)
EBITDA	<b>461.9</b>	543.9	(15.1)
Profit attributable to owners of the Company	<b>175.0</b>	170.3	2.8
Recurring profit attributable to owners of the Company	<b>165.0</b>	173.5	(4.9)
Basic earnings per share (US cents)	<b>10.87</b>	10.57	2.8
Dividend per share			
– interim (HK\$)	<b>0.40</b>	–	N/A
<b>Key Financial Ratios</b>			
Gross profit margin (%)	<b>23.3</b>	25.8	
Operating profit margin (%)	<b>4.5</b>	5.6	
Return on equity <sup>#</sup> (%)	<b>8.4</b>	8.3	
Return on assets <sup>#</sup> (%)	<b>4.1</b>	4.9	
	<b>At</b>	<b>At</b>	
	<b>June 30,</b>	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>	
Gearing ratio* (%)	<b>41.1</b>	37.3	
Net debt to equity ratio* (%)	<b>24.3</b>	19.1	
Current ratio (x)	<b>1.9</b>	1.8	

<sup>#</sup> 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, 2022 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 certain explanatory notes. 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 11, 2022



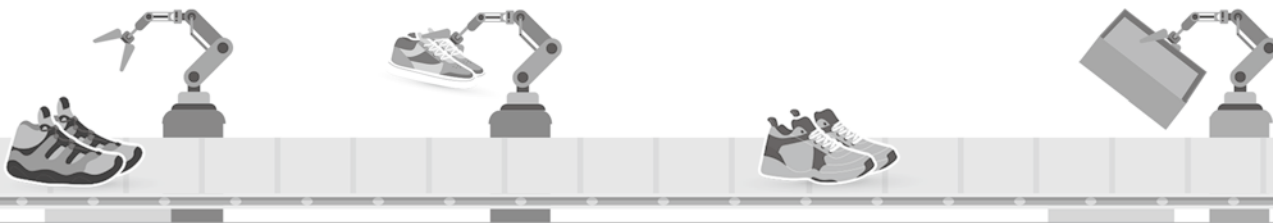
## INTERIM RESULTS

The directors of Yue Yuen Industrial (Holdings) Limited (the “Company”) 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, 2022 with comparative figures for the corresponding period in 2021 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2022

	NOTES	For the six months ended June 30, 2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
Revenue	3	<b>4,709,792</b>	4,807,087
Cost of sales		<b>(3,614,054)</b>	(3,568,673)
Gross profit		<b>1,095,738</b>	1,238,414
Other income		<b>61,357</b>	64,670
Selling and distribution expenses		<b>(538,640)</b>	(615,090)
Administrative expenses		<b>(298,123)</b>	(308,503)
Other expenses		<b>(109,100)</b>	(110,891)
Finance costs		<b>(27,226)</b>	(27,312)
Share of results of associates		<b>23,541</b>	17,142
Share of results of joint ventures		<b>6,713</b>	17,434
Other gains and losses	4	<b>9,688</b>	(3,807)
Profit before taxation		<b>223,948</b>	272,057
Income tax expense	5	<b>(47,474)</b>	(61,440)
Profit for the period	6	<b>176,474</b>	210,617
Attributable to:			
Owners of the Company		<b>175,049</b>	170,255
Non-controlling interests		<b>1,425</b>	40,362
		<b>176,474</b>	210,617
		<b>US cents</b>	US cents
Earnings per share	8		
– Basic		<b>10.87</b>	10.57
– Diluted		<b>10.86</b>	10.56



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	For the six months ended June 30,	
	2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
Profit for the period	<b>176,474</b>	210,617
<b>Other comprehensive (expense) income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	<b>(7,045)</b>	10,136
Share of other comprehensive income of associates	<b>1,297</b>	7,554
	<b>(5,748)</b>	17,690
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on the translation of foreign operations	<b>(64,515)</b>	6,695
Share of other comprehensive expense of associates and joint ventures	<b>(13,555)</b>	(721)
Reserve released upon disposal of an associate	–	(868)
	<b>(78,070)</b>	5,106
Other comprehensive (expense) income for the period	<b>(83,818)</b>	22,796
Total comprehensive income for the period	<b>92,656</b>	233,413
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	<b>115,620</b>	190,149
Non-controlling interests	<b>(22,964)</b>	43,264
	<b>92,656</b>	233,413



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2022

		At June 30, 2022 (unaudited) US\$'000	At December 31, 2021 (audited) US\$'000
	NOTES		
<hr/>			
Non-current assets			
Investment properties		<b>233,315</b>	233,999
Property, plant and equipment	9	<b>1,948,204</b>	2,024,657
Right-of-use assets	10	<b>550,033</b>	629,324
Deposits paid for acquisition of property, plant and equipment		<b>122,288</b>	122,000
Intangible assets		<b>10,061</b>	11,280
Goodwill		<b>262,996</b>	267,015
Interests in associates		<b>445,473</b>	431,074
Interests in joint ventures		<b>183,683</b>	197,579
Equity instruments at fair value through other comprehensive income		<b>22,309</b>	28,608
Financial assets at fair value through profit or loss		<b>19,933</b>	21,754
Rental deposits		<b>22,943</b>	26,464
Deferred tax assets		<b>129,068</b>	124,919
		<b>3,950,306</b>	4,118,673
<hr/>			
Current assets			
Inventories		<b>1,833,061</b>	2,058,022
Trade and other receivables	11	<b>1,795,494</b>	1,477,957
Other financial asset at amortized cost		–	9,424
Financial assets at fair value through profit or loss		<b>141,648</b>	105,268
Equity instrument at fair value through other comprehensive income		<b>4,135</b>	4,908
Taxation recoverable		<b>12,991</b>	25,867
Bank balances and cash		<b>783,267</b>	837,965
		<b>4,570,596</b>	4,519,411
Assets classified as held for sale		<b>4,171</b>	–
		<b>4,574,767</b>	4,519,411
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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

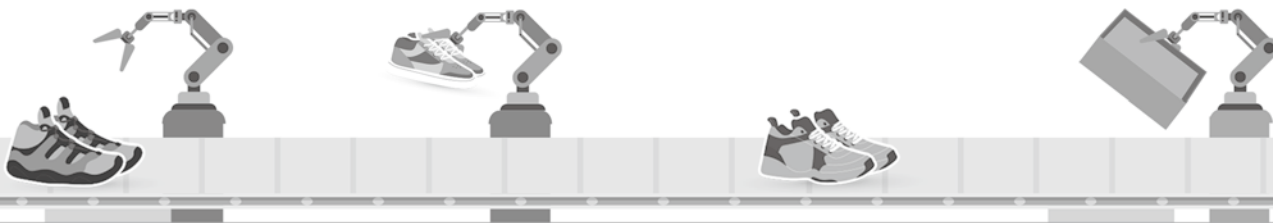
At June 30, 2022

	NOTES	At June 30, 2022 (unaudited) US\$'000	At December 31, 2021 (audited) US\$'000
Current liabilities			
Trade and other payables	12	<b>1,221,108</b>	1,516,947
Contract liabilities		<b>85,275</b>	80,299
Financial liabilities at fair value through profit or loss		<b>1,790</b>	1,996
Taxation payable		<b>66,913</b>	57,495
Bank borrowings	13	<b>862,169</b>	655,839
Lease liabilities		<b>132,908</b>	155,923
		<b>2,370,163</b>	2,468,499
Liabilities associated with assets classified as held for sale		<b>1,930</b>	–
		<b>2,372,093</b>	2,468,499
Net current assets		<b>2,202,674</b>	2,050,912
Total assets less current liabilities		<b>6,152,980</b>	6,169,585
Non-current liabilities			
Financial liabilities at fair value through profit or loss		–	8,382
Bank borrowings	13	<b>1,052,542</b>	1,061,258
Deferred tax liabilities		<b>52,463</b>	52,992
Lease liabilities		<b>250,004</b>	301,014
Retirement benefit obligations		<b>144,780</b>	141,488
		<b>1,499,789</b>	1,565,134
Net assets		<b>4,653,191</b>	4,604,451
Capital and reserves			
Share capital	14	<b>52,040</b>	52,040
Reserves		<b>4,121,620</b>	4,046,418
Equity attributable to owners of the Company		<b>4,173,660</b>	4,098,458
Non-controlling interests		<b>479,531</b>	505,993
Total equity		<b>4,653,191</b>	4,604,451

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

	Equity attributable to owners of the Company														
	Share capital	Share premium	Investments revaluation reserve	Special reserve	Other reserve	Other revaluation reserve	Property revaluation reserve	Shares held under share award scheme	Share award reserve	Statutory reserve fund	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000 (note a)	US\$'000 (note b)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000 (note c)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At January 1, 2021 (audited)	52,040	592,677	25,680	(16,688)	6,956	4,551	24,954	(6,631)	1,869	130,163	79,979	3,000,304	3,895,854	478,288	4,374,142
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	-	-	3,941	-	3,941	2,754	6,695
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	-	-	10,141	-	-	-	-	-	-	-	-	-	10,141	(5)	10,136
Share of other comprehensive income (expense) of associates and joint ventures	-	-	7,554	-	-	-	-	-	-	-	(874)	-	6,680	153	6,833
Reserve released upon disposal of an associate	-	-	-	-	-	-	-	-	-	-	(868)	-	(868)	-	(868)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	170,255	170,255	40,362	210,617
Total comprehensive income for the period	-	-	17,695	-	-	-	-	-	-	-	2,199	170,255	190,149	43,264	233,413
Purchase of shares under share award scheme	-	-	-	-	-	-	-	(3,737)	-	-	-	-	(3,737)	-	(3,737)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	2,725	-	-	-	2,725	402	3,127
Share awards vested	-	-	-	-	-	-	-	6,684	(4,402)	-	-	(2,282)	-	-	-
Contribution from a non-controlling interest of a subsidiary	-	-	-	-	(598)	-	-	-	-	-	-	-	(598)	1,139	541
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,388)	(4,388)
Transfer to statutory reserve fund	-	-	-	-	-	-	-	-	-	5,390	-	(5,390)	-	-	-
Transfer upon disposal of an equity instrument at fair value through other comprehensive income	-	-	(88)	-	-	-	-	-	-	-	-	88	-	-	-
At June 30, 2021 (unaudited)	52,040	592,677	43,287	(16,688)	6,358	4,551	24,954	(3,684)	192	135,553	82,178	3,162,975	4,084,393	518,705	4,603,098
At January 1, 2022 (audited)	<b>52,040</b>	<b>592,677</b>	<b>57,520</b>	<b>(16,688)</b>	<b>8,118</b>	<b>4,551</b>	<b>63,418</b>	<b>(4,415)</b>	<b>1,322</b>	<b>143,759</b>	<b>98,493</b>	<b>3,097,663</b>	<b>4,098,458</b>	<b>505,993</b>	<b>4,604,451</b>
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(40,547)	-	(40,547)	(23,968)	(64,515)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(6,978)	-	-	-	-	-	-	-	-	-	(6,978)	(67)	(7,045)
Share of other comprehensive income (expense) of associates and joint ventures	-	-	1,297	-	-	-	-	-	-	-	(13,201)	-	(11,904)	(354)	(12,258)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	175,049	175,049	1,425	176,474
Total comprehensive (expense) income for the period	-	-	(5,681)	-	-	-	-	-	-	-	(53,748)	175,049	115,620	(22,964)	92,656
Purchase of shares under share award scheme	-	-	-	-	-	-	-	(2,366)	-	-	-	-	(2,366)	-	(2,366)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	2,939	-	-	-	2,939	402	3,341
Share awards vested	-	-	-	-	-	-	-	2,882	(1,930)	-	-	(952)	-	-	-
Dividends (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(40,991)	(40,991)	-	(40,991)
Dividends paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,088)	(4,088)
Transfer to statutory reserve fund	-	-	-	-	-	-	-	-	-	12,313	-	(12,313)	-	-	-
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	188	188
At June 30, 2022 (unaudited)	<b>52,040</b>	<b>592,677</b>	<b>51,839</b>	<b>(16,688)</b>	<b>8,118</b>	<b>4,551</b>	<b>63,418</b>	<b>(3,899)</b>	<b>2,331</b>	<b>156,072</b>	<b>44,745</b>	<b>3,218,456</b>	<b>4,173,660</b>	<b>479,531</b>	<b>4,653,191</b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2022

notes:

- (a) The special reserve of the Group represents the difference between the nominal amount of the share issued by the Company and the nominal amount of the share 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.

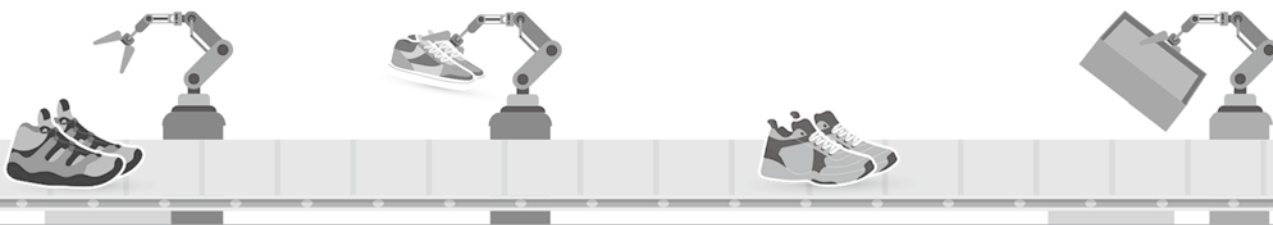
According to the laws and regulations of Republic of China ("Taiwan"), the subsidiaries of the Company incorporated in Taiwan are required to set aside 10% of their statutory net income each year to statutory reserve fund, until the reserve balance has reached the paid-in share capital amount of those 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, 2022

	For the six months ended June 30,	
	2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
Net cash from operating activities	<b>8,759</b>	225,950
Net cash used in investing activities		
Payment for acquisition of property, plant and equipment	<b>(111,425)</b>	(113,906)
Payment for right-of-use assets	<b>(311)</b>	(1,214)
Proceeds from disposal of property, plant and equipment	<b>4,371</b>	4,920
Proceeds from disposal of right-of-use assets	<b>921</b>	–
Receipt of rental deposits	<b>2,583</b>	1,677
Dividends received from joint ventures and associates	<b>6,000</b>	10,077
Proceeds from disposal of a joint venture and an associate	<b>13,992</b>	3,920
Receipt of deferred consideration receivable	<b>5,821</b>	2,411
Acquisition of financial instruments at fair value through profit or loss ("FVTPL")	<b>(55,000)</b>	(57,199)
Settlement of financial instruments at FVTPL	<b>14,319</b>	35,372
Settlement of other financial asset at amortized costs	<b>8,790</b>	–
Interest received	<b>7,449</b>	7,238
Acquisition of other financial asset at amortized cost	–	(9,272)
Refund of investment cost from a joint venture	–	6,000
Proceed from disposal of an equity instrument at fair value through other comprehensive income ("FVTOCI")	–	522
	<b>(102,490)</b>	(109,454)



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended June 30, 2022

	For the six months ended June 30,	
	2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
Net cash from (used in) financing activities		
Bank borrowings raised	<b>1,893,808</b>	1,523,175
Repayment of bank borrowings	<b>(1,676,918)</b>	(1,486,835)
Interest paid	<b>(17,938)</b>	(14,721)
Repayment of lease liabilities, including related interest	<b>(96,268)</b>	(106,511)
Dividends paid	<b>(40,991)</b>	–
Dividends paid to non-controlling interests of a subsidiary	<b>(4,088)</b>	(61)
Purchase of shares under share award scheme	<b>(2,366)</b>	(3,737)
Payment of upfront fee on bank borrowings	–	(315)
Contribution from a non-controlling interest of a subsidiary	–	541
	<b>55,239</b>	(88,464)
Net (decrease) increase in cash and cash equivalents	<b>(38,492)</b>	28,032
Cash and cash equivalents at beginning of the period	<b>837,965</b>	896,977
Effect of foreign exchange rate changes	<b>(15,122)</b>	1,846
Cash and cash equivalents at end of the period	<b>784,351</b>	926,855
Analysis of cash and cash equivalents		
Bank balances and cash	<b>783,267</b>	926,855
Bank balances and cash included in assets classified as held for sales	<b>1,084</b>	–
	<b>784,351</b>	926,855



## 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 16 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 change in accounting policy resulting from agenda decision of the International Financial Reporting Standards Interpretations Committee (the “Committee”) of the International Accounting Standards Board (the “IASB”), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2021.

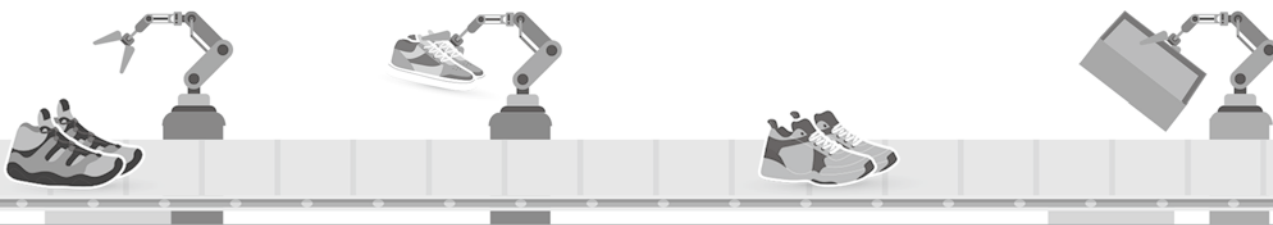
#### 2.1 Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

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, 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

In addition, the Group applied the agenda decision of the Committee of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realizable value of inventories.

Except as described below, the application of amendments to HKFRSs and the Committee’s agenda decision 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)

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.2 Impacts on application of the agenda decision of the Committee - Costs necessary to sell inventories

##### 2.2.1 Accounting policy

The application of the Committee's agenda decision results in change in accounting policy for inventories:

##### Inventories

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

##### 2.2.2 Transition and summary of effects

The application of the Committee's agenda decision has had no material impact on the Group's condensed consolidated financial statements and performance.

### 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:

	<b>For the six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>(unaudited)</b>	(unaudited)
	<b>US\$'000</b>	US\$'000
<b>Revenue</b>		
Manufacturing Business	<b>3,188,899</b>	2,786,584
Retailing Business	<b>1,520,893</b>	2,020,503
	<b>4,709,792</b>	4,807,087

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. REVENUE AND SEGMENTAL INFORMATION (continued)

#### Revenue from major products

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

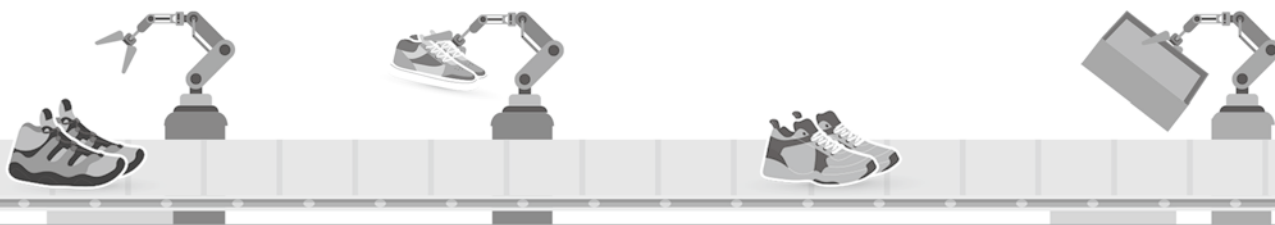
	For the six months ended June 30,	
	2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
Athletic/outdoor shoes	2,465,170	2,081,424
Casual shoes and sports sandals	440,737	424,103
Soles, components and others	282,992	281,057
Retail sales - shoes, apparel, commissions from concessionaire sales and others	1,520,893	2,020,503
	<b>4,709,792</b>	4,807,087

#### 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,	
	2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
US	1,119,946	969,793
Europe	856,220	675,032
PRC	1,942,018	2,483,138
Other countries in Asia	532,190	471,021
Others	259,418	208,103
	<b>4,709,792</b>	4,807,087





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
Fair value gain on financial instruments at FVTPL	7,022	9,774
Gain on disposal of a joint venture/an associate	3,633	2,000
Impairment losses on property, plant and equipment and right-of-use assets/an intangible asset	(967)	(1,570)
Impairment loss on interest in an associate	–	(14,011)
	<b>9,688</b>	<b>(3,807)</b>

### 5. INCOME TAX EXPENSE

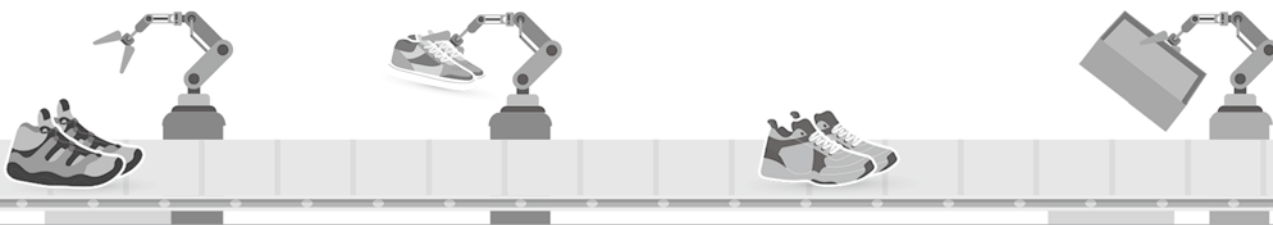
	For the six months ended June 30,	
	2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax		
– current period	17,690	34,088
– under(over)provision in prior periods	1,433	(2,318)
Overseas taxation		
– current period	30,621	24,886
– underprovision in prior periods	613	1,152
	<b>50,357</b>	<b>57,808</b>
Withholding tax on dividend	2,102	–
Deferred tax (credit) expense	(4,985)	3,632
	<b>47,474</b>	<b>61,440</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2022 (unaudited) US\$'000	2021 (unaudited) US\$'000
Profit for the period has been arrived at after charging (crediting):		
Total staff costs ( <i>note</i> )	<b>1,170,303</b>	1,117,413
Net exchange gain (included in other income)	<b>(626)</b>	(3,137)
Amortization of intangible assets (included in selling and distribution expenses and administrative expenses)	<b>699</b>	7,808
Depreciation of right-of-use assets	<b>91,120</b>	99,801
Depreciation of property, plant and equipment ( <i>note</i> )	<b>166,288</b>	174,907
Net changes in allowance for inventories (included in cost of sales)	<b>14,851</b>	(2,838)
Loss on disposal of property, plant and equipment (included in other expenses)	<b>863</b>	3,733
Loss on disposal of right-of-use assets (included in other expenses)	<b>210</b>	–
Research and development expenditures (included in other expenses)	<b>98,194</b>	95,299
Impairment losses recognized on trade and other receivables	<b>898</b>	1,397
Finance costs		
Interest expenses for bank borrowings	<b>17,494</b>	14,838
Interest expenses for lease liabilities	<b>9,052</b>	11,223
Amortization of upfront fee on bank borrowings	<b>680</b>	1,251
	<b>27,226</b>	27,312

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. DIVIDENDS

For the six months ended June 30,	
2022	2021
(unaudited)	(unaudited)
US\$'000	US\$'000

Dividends recognized as distribution during the period:

2021 final dividend of HK\$0.20 per share	<b>40,991</b>	–
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The 2021 final dividend of approximately HK\$321,776,000, equivalent to approximately US\$40,991,000, was paid on June 23, 2022 to the shareholders of the Company.

The board of directors of the Company has resolved to declare an interim dividend of HK\$0.40 per share for the six months ended June 30, 2022 (2021: nil). The interim dividend of approximately HK\$644,025,000 shall be paid on October 6, 2022.

### 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,	
2022	2021
(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	<b>175,049</b>	170,255
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. EARNINGS PER SHARE (continued)

	For the six months ended June 30,	
	2022 (unaudited)	2021 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,609,755,323</b>	1,610,509,196
Effect of dilutive potential ordinary shares: Unvested awarded shares	<b>2,253,923</b>	1,551,298
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,612,009,246</b>	1,612,060,494

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)).

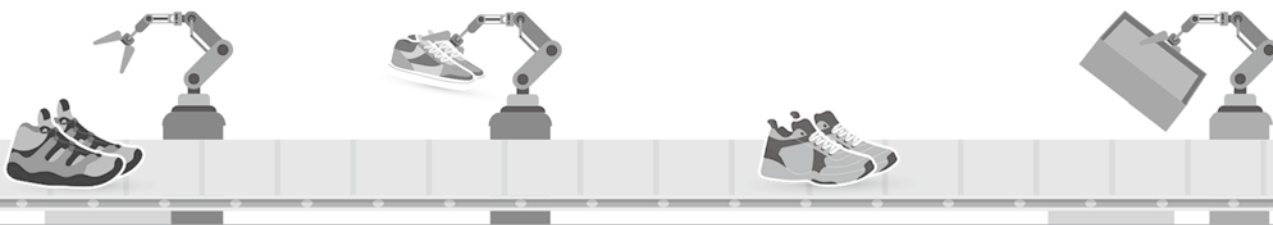
### 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of US\$5,234,000 for cash proceeds of US\$4,371,000, resulting in a loss on disposal of US\$863,000 (six months ended June 30, 2021: US\$3,733,000).

During the current interim period, the Group acquired property, plant and equipment of US\$103,485,000 (six months ended June 30, 2021: US\$83,976,000).

### 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\$33,151,000 (six months ended June 30, 2021: US\$94,651,000).



## 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\$1,173,294,000 (December 31, 2021: US\$957,241,000) presented based on invoice date, which approximated to the respective revenue recognition dates:

	<b>At June 30, 2022 (unaudited) US\$'000</b>	<b>At December 31, 2021 (audited) US\$'000</b>
0 to 30 days	<b>897,579</b>	641,709
31 to 90 days	<b>253,265</b>	304,773
Over 90 days	<b>22,450</b>	10,759
	<b>1,173,294</b>	957,241

### 12. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	<b>At June 30, 2022 (unaudited) US\$'000</b>	<b>At December 31, 2021 (audited) US\$'000</b>
0 to 30 days	<b>385,692</b>	532,598
31 to 90 days	<b>116,650</b>	105,896
Over 90 days	<b>12,885</b>	10,033
	<b>515,227</b>	648,527

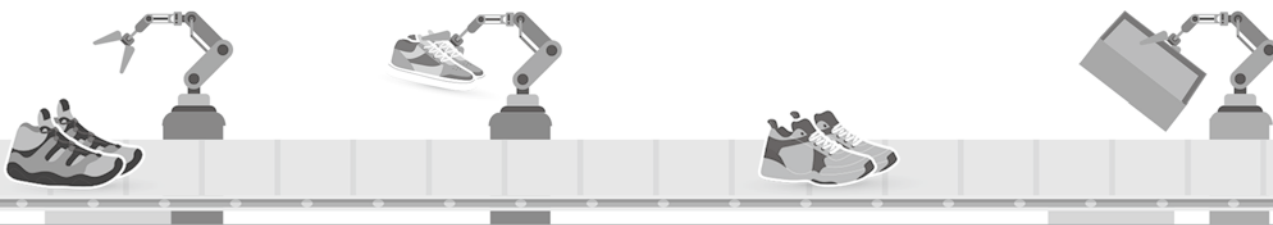
## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 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\$1,893,808,000 (six months ended June 30, 2021: US\$1,523,175,000) and US\$1,676,918,000 (six months ended June 30, 2021: US\$1,486,835,000) 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 London Interbank Offered Rate, Hong Kong Interbank Offered 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, 2021, June 30, 2021, January 1, 2022 and June 30, 2022	2,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.25 each:		
At January 1, 2021, June 30, 2021, January 1, 2022 and June 30, 2022	1,612,183,986	403,046
	<b>At June 30, 2022 (unaudited) US\$'000</b>	At December 31, 2021 (audited) US\$'000
Shown in the condensed consolidated financial statements	<b>52,040</b>	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, 2022 (unaudited) US\$'000	December 31, 2021 (audited) US\$'000	
<b>Financial assets at FVTPL</b>			
Credit linked notes ( <i>note iii</i> )	<b>19,902</b>	20,264	Level 2
Forward contracts ( <i>note i</i> )	<b>99</b>	1,377	Level 2
Interest rate swaps ( <i>note ii</i> )	<b>6,351</b>	171	Level 2
Unlisted overseas funds ( <i>note iii</i> )	<b>20,914</b>	28,541	Level 2
Dual currency option structured deposits ( <i>note i</i> )	–	15,848	Level 2
Daily range accrual notes ( <i>note i</i> )	<b>114,315</b>	60,821	Level 2
<b>Equity instruments at FVTOCI</b>			
Listed equity securities ( <i>note iv</i> )	<b>26,175</b>	33,042	Level 1
<b>Financial liabilities at FVTPL</b>			
Forward contracts ( <i>note i</i> )	<b>1,775</b>	21	Level 2
Interest rate swaps ( <i>note ii</i> )	<b>15</b>	10,357	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 interest rate swaps are measured at fair value with reference to discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and yield curve of relevant interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of the counterparties.
- (iii) The fair values of credit linked notes and unlisted overseas funds are determined with reference to prices provided by the respective issuing financial institutions.
- (iv) Listed equity securities are traded on active markets and their fair values are determined with reference to quoted market 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:

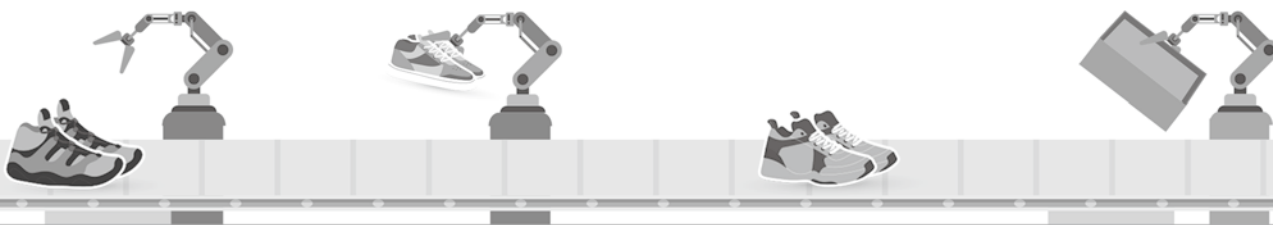
#### (I) FINANCIAL GUARANTEE CONTRACTS

	<b>At June 30, 2022 (unaudited) US\$'000</b>	At December 31, 2021 (audited) US\$'000
Guarantees given to banks in respect of banking facilities granted to:		
(i) joint ventures		
– amount guaranteed	<b>27,500</b>	27,771
– amount utilized	<b>14,235</b>	10,594
(ii) an associate		
– amount guaranteed	<b>20,700</b>	16,200
– amount utilized	<b>20,700</b>	15,750

#### (II) COMMITMENTS

	<b>At June 30, 2022 (unaudited) US\$'000</b>	At December 31, 2021 (audited) US\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– construction of buildings	<b>16,709</b>	37,249
– acquisition of property, plant and equipment	<b>13,945</b>	14,206
	<b>30,654</b>	51,455





## 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 by the Company. Movement in the number of awarded shares outstanding is as follows:

	<b>Number of awarded shares</b>	
	<b>2022</b>	2021
As at January 1	<b>1,740,000</b>	1,040,000
Granted	<b>1,184,000</b>	2,715,000
Vested	<b>(1,184,000)</b>	(1,949,000)
Lapsed	<b>(180,000)</b>	(36,000)
As at June 30	<b>1,560,000</b>	1,770,000

A total of 2,122,000 ordinary shares of the Company were held by the trustee of the Yue Yuen Share Award Scheme at June 30, 2022 (December 31, 2021: 1,806,000 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. Movement in the number of awarded shares outstanding is as follows:

	<b>Number of awarded shares</b>	
	<b>2022</b>	2021
As at January 1	<b>15,967,500</b>	19,597,200
Granted	–	8,340,000
Vested	<b>(5,464,000)</b>	(8,888,000)
Lapsed	<b>(443,500)</b>	(1,163,600)
As at June 30	<b>10,060,000</b>	17,885,600



## MANAGEMENT DISCUSSION AND ANALYSIS

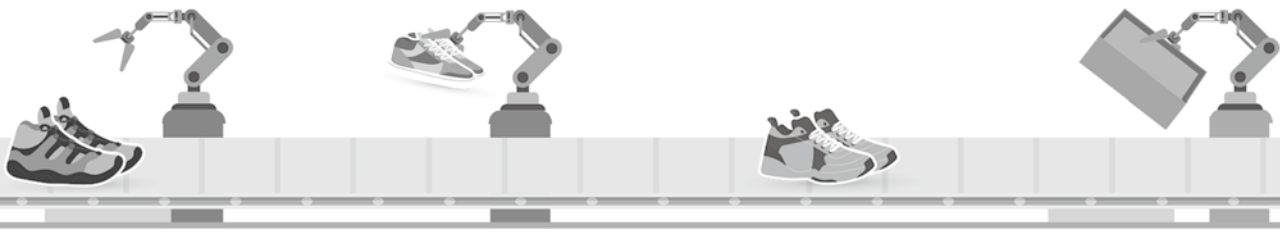
### BUSINESS REVIEW

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. The Group's production capacity 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 the first half of 2022, the Group saw strong yet unmet global demand for sports and outdoor footwear, and hence, robust demand for its footwear products. Coupled with a smoother ramp-up of capacity and enhanced order pipeline, the growth momentum of the Group's manufacturing business accelerated in the first two quarters of 2022. A solid order book also yielded a higher utilization rate partially helped by overtime hours, although distribution was still uneven. Lockdowns in mainland China associated with the 2019 novel coronavirus ("COVID-19") pandemic ("Pandemic") impacted logistics and efficiency across the Group's manufacturing bases, with the situation improving from late May alongside an easing of lockdown restrictions.

As operating leverage improved, the margins of the Group's manufacturing business also progressively improved on a quarter-on-quarter basis, as its operations in Vietnam normalized following Pandemic-related disruptions in the back half of 2021. At the same time, the Group oversaw a marked improvement in its product mix as it continued to prioritize quality growth and higher-value orders, leveraging the ongoing 'athleisure' and premiumization trends.

Yet, the Group's overall top and bottom-line performance were pressured by its retail subsidiary Pou Sheng, which was adversely impacted by continued COVID-19 outbreaks in mainland China, resulting in a massive decline in footfall across the retail sector, disrupting logistics and last-mile delivery while changing consumer behavior. In-store traffic and sales in shopping venues and cities in which Pou Sheng operates were hit hard, although the situation showed some signs of improvement in late May and June. Pou Sheng continued to streamline and refine its brick and mortar network to anchor itself for recovery later in the year. It also continued to strengthen its online channels, including both its public and private traffic domains, to enhance its channel mix, which delivered better conversion rates and more in-season full-price sales during the first half of 2022, while further deepening its engagement with customers and its business partners. For a more detailed explanation of the financials and strategy of the Group's retail business, please refer to the 2022 interim report of Pou Sheng.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### BUSINESS REVIEW (continued)

As it focuses on recovery, the Group continued to demonstrate its commitment to sustainability, ethical conduct, and corporate values. The Group was recently designated as a 'Climate Leader in Asia-Pacific' in the inaugural Climate Leaders Asia-Pacific 2022 list developed by the Financial Times and Statista. Yue Yuen was one of only 200 companies across the Asia-Pacific that has achieved the greatest compound annual reduction in greenhouse gas emissions intensity (i.e. emissions relative to revenue), a decline of 6.3%, between 2015 and 2020.

As part of its commitment to energy saving, carbon reduction and the use of renewable energy, the Group is committed to achieving a net-zero increase phase-one target in greenhouse gas emissions by 2025, as compared with the base year of 2019. And in line with its brand customers, the Group has committed to achieving a 46.2% reduction in greenhouse emissions by 2030, as compared with the base year of 2019, a target that has been verified by the World Resources Institute ("WRI") and meets standards set by the Science-Based Targets initiative ("SBTi").

Whenever making important business decisions, the Group considers the interests of all stakeholders, including employees and the surrounding community. 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. Yue Yuen's parent company Pou Chen Group has been accredited by the Fair Labor Association ("FLA") as a result of the Group's efforts in the above areas of labor rights and sustainability globally. As a responsible leader in the footwear industry, Yue Yuen is also a member of the World Federation of the Sporting Goods Industry ("WFSGI") and supports the principles of the WFSGI Code of Conduct.

As a people-oriented business, the Group is dedicated to fostering a caring culture and to developing talent internally as part of its long-term sustainable development. It also places all employees' health, safety, and welfare at top priority in a time of multifaceted disruption. For more details on the Group's sustainable development strategy and reporting of its practices on environmental, social and governance, please refer to the 2021 Environmental, Social and Governance Report of the Company.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### RESULTS OF OPERATIONS

In the six months ended June 30, 2022, the Group recorded revenue of US\$4,709.8 million, representing a decrease of 2.0% compared with the corresponding period of last year. The robust growth of its manufacturing business was largely offset by weak retail sales in mainland China following continued COVID-19 outbreaks. The profit attributable to owners of the Company was US\$175.0 million, increased by 2.8% as compared to a profit attributable to owners of the Company of US\$170.3 million recorded for the corresponding period of last year. The profit attributable to owners of the manufacturing business increased by 58.9% to US\$173.4 million, while profit attributable to owners of Pou Sheng decreased by 97.3% to RMB17.4 million. The basic earnings per share for the first half of 2022 was 10.87 US cents, compared to the basic earnings per share of 10.57 US cents for the corresponding period of last year.

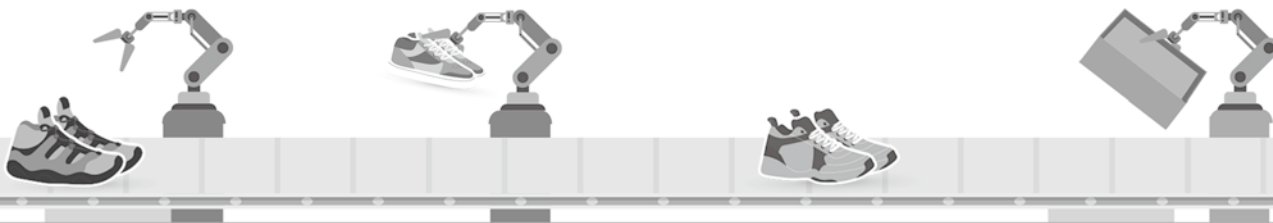
#### Total Revenue by Category

For the six months ended June 30, 2022, revenue attributed to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) increased by 16.0% to US\$2,905.9 million, compared with the corresponding period of last year. The Group saw a solid quarter-on-quarter acceleration in the volume of shoes shipped during the period, increasing by 5.6% to 144.1 million pairs compared with the corresponding period of last year, which was attributed to solid global demand for its footwear products. The average selling price increased by a robust 9.7% to US\$20.16 per pair led by stronger demand for the Group's high-end footwear, as well as its ongoing efforts to refine its product mix and obtain more high-value orders.

For the six months ended June 30, 2022, the Group's athletic/outdoor shoes category accounted for 84.8% of footwear manufacturing revenue. Casual shoes and sports sandals accounted for 15.2% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 52.3% of total revenue, followed by casual shoes and sports sandals, which accounted for 9.4% of total revenue.

For the six months ended June 30, 2022, the Group's total revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) was US\$3,188.9 million, representing an increase of 14.4% as compared to the corresponding period of last year.

For the six months ended June 30, 2022, revenue attributed to Pou Sheng declined by 24.7% to US\$1,520.9 million, compared to US\$2,020.5 million in the corresponding period of last year. In RMB terms (Pou Sheng's reporting currency), revenue declined by 24.5% to RMB9,864.8 million, compared to RMB13,073.9 million in the corresponding period of last year. The decline in revenue was mainly attributed to weak foot traffic in the shopping venues and cities where Pou Sheng operates following COVID-19 lockdowns and local government's closed-loop management across mainland China. This was despite Pou Sheng experiencing a good start to the year and with the performance of its Pan-WeChat Ecosphere remaining resilient. As of June 30, 2022, Pou Sheng had 4,455 directly operated retail outlets and 3,506 sub-distributors stores across the Greater China region, representing a net closure of 456 stores as compared with the 2021 year-end. The net closure is in line with Pou Sheng's retail refinement strategy that focuses on streamlining and refining store networks to enhance efficiency. It has also leveraged on its operational expertise, taking a more holistic approach in prioritizing selective high-quality openings with business partners. As a result, the contribution of quality larger-format stores (above 300 m<sup>2</sup>) to Pou Sheng's directly-operated store count rose to 16.9%.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### RESULTS OF OPERATIONS (continued)

#### Total Revenue by Category (continued)

Total Revenue by Category	For the six months ended June 30,				
	2022		2021		change
	US\$ million	%	US\$ million	%	%
Athletic/Outdoor Shoes	<b>2,465.2</b>	<b>52.3</b>	2,081.4	43.3	18.4
Casual Shoes & Sports Sandals	<b>440.7</b>	<b>9.4</b>	424.1	8.8	3.9
Soles, Components & Others	<b>283.0</b>	<b>6.0</b>	281.1	5.9	0.7
Pou Sheng*	<b>1,520.9</b>	<b>32.3</b>	2,020.5	42.0	(24.7)
<b>Total Revenue</b>	<b>4,709.8</b>	<b>100.0</b>	4,807.1	100.0	(2.0)

\* 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 in response to the fast fashion trend 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 is capacity stability and product availability, as well as on-time delivery.

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 first half of 2022, the Group's manufacturing business shipped a total of 144.1 million pairs of shoes, an increase of 5.6% compared to the 136.4 million pairs shipped in the corresponding period of last year. The average selling price per pair was US\$20.16, a decent increase of 9.7% as compared to US\$18.37 in the corresponding period of last year.

In terms of production allocation, Vietnam, Indonesia and mainland China continued to be the Group's main production locations by shoe volume in the first half of 2022, representing 37%, 47% and 10% of total shoe shipments, respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### RESULTS OF OPERATIONS (continued)

#### Cost Review

With respect to the cost of goods sold by the Group's manufacturing business in the six months ended June 30, 2022, total main material costs were US\$1,219.3 million (first half of 2021: US\$1,022.8 million). Direct labor costs and production overheads were US\$1,412.8 million (first half of 2021: US\$1,255.2 million). The total cost of goods sold by the Group's manufacturing business was US\$2,632.1 million for the first half of 2022 (first half of 2021: US\$2,278.0 million). For the Group's retail business, Pou Sheng, stock costs were US\$982.0 million in the six months ended June 30, 2022 (first half of 2021: US\$1,290.7 million).

In the six months ended June 30, 2022, the Group's gross profit was impacted by the weak performance of its retail business, decreasing by 11.5% to US\$1,095.7 million. The gross profit of the manufacturing business increased by 9.5% to US\$556.8 million, whilst the gross profit margin reached 17.5%, a further sequential improvement over previous quarters as better capacity utilization lifted operational efficiency following the resumption of work in Vietnam in late 2021. Nevertheless, this still represented a decline of 0.8 percentage points as compared to the corresponding period of last year, due largely to uneven utilization and productivity across the factories resulting from COVID-19 disruptions in mainland China during the period under review.

#### Cost of Goods Sold Analysis – Manufacturing Business

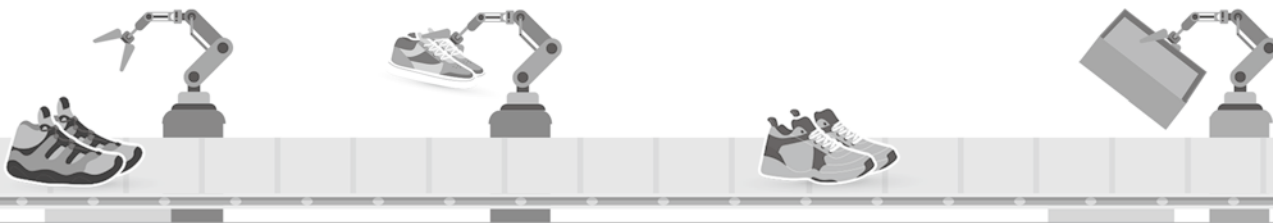
	2022		2021		change %
	US\$ million	%	US\$ million	%	
Main Material Costs	<b>1,219.3</b>	<b>46.3</b>	1,022.8	44.9	19.2
Direct Labor Costs & Production Overheads	<b>1,412.8</b>	<b>53.7</b>	1,255.2	55.1	12.6
<b>Total Cost of Goods Sold</b>	<b>2,632.1</b>	<b>100.0</b>	2,278.0	100.0	15.5

Pou Sheng's gross profit margin decreased by 0.7 percentage points to 35.4% in the first half of 2022, as compared to the corresponding period of last year, showing some resilience quarter-on-quarter that was mainly attributed to an enhanced channel mix and an effective promotion strategy within the current volatile retail environment.

The Group's total selling and distribution expenses for the first half of 2022 decreased by 12.4% to US\$538.6 million (first half of 2021: US\$615.1 million), equivalent to approximately 11.4% (first half of 2021: 12.8%) of revenue.

Administrative expenses for the first half of 2022 decreased by 3.4% to US\$298.1 million (first half of 2021: US\$308.5 million), equivalent to approximately 6.3% (first half of 2021: 6.4%) of revenue.

Net other expenses for the first half of 2022 increased by 3.3% to US\$47.7 million (first half of 2021: US\$46.2 million), equivalent to approximately 1.0% (first half of 2021: 1.0%) of revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### RESULTS OF OPERATIONS (continued)

#### Recurring Profit Attributable to Owners of the Company

In the six months ended June 30, 2022, the Group recognized a non-recurring profit attributable to owners of the Company of US\$10.1 million, due to a gain of US\$7.0 million on fair value changes on financial instruments at fair value through profit or loss ("FVTPL"), as well as a gain of US\$3.6 million on the disposal of a joint venture. In the same period of 2021, the Group recognized a non-recurring loss attributable to owners of the Company of US\$3.2 million, which included a gain of US\$9.8 million due to fair value changes on financial instruments at FVTPL, which was offset by an impairment loss of US\$14.0 million on interest in an associate.

Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company for the six months ended June 30, 2022, was US\$165.0 million, compared to a recurring profit attributable to owners of the Company of US\$173.5 million for the corresponding period of last year.

#### Product Development

In the six months ended June 30, 2022, the Group spent US\$98.2 million (first half of 2021: US\$95.3 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. In addition to this product development work, the Group also cooperates with its customers to seek efficiency improvements in production processes and lead times, formulate new techniques to produce high-quality footwear, and incorporate innovative and sustainable materials into the design, development, and manufacture of its products.

### LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND OTHERS

#### Cash Flow

In the six months ended June 30, 2022, the Group recorded net cash generated from operating activities (net of tax) of US\$8.7 million (first half of 2021: US\$226.0 million). Net free cash outflow amounted to US\$102.7 million (first half of 2021: free cash flow of US\$112.1 million). Net cash flow used in investing activities amounted to US\$102.5 million (first half of 2021: US\$109.5 million) while net cash generated from financing activities was US\$55.2 million (first half of 2021: outflow US\$88.5 million). Overall net decrease in cash and cash equivalents amounted to US\$53.6 million (first half of 2021: net increase US\$29.9 million).



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

#### Financial Position and Liquidity

The Group's financial position remained solid. As at June 30, 2022, the Group had cash and cash equivalents of US\$784.4 million\* (December 31, 2021: US\$838.0 million) and total bank borrowings of US\$1,914.7 million (December 31, 2021: US\$1,717.1 million). The Group's gearing ratio (total bank borrowings to total equity) was 41.1% (December 31, 2021: 37.3%). As at June 30, 2022, the Group had net borrowing of US\$1,131.4 million and a net gearing ratio (net bank borrowings to total equity) of 24.3% (December 31, 2021: US\$879.1 million and 19.1%). As at June 30, 2022, the Group had current assets of US\$4,574.8 million (December 31, 2021: US\$4,519.4 million) and current liabilities of US\$2,372.1 million (December 31, 2021: US\$2,468.5 million). The current ratio was 1.9 as at June 30, 2022 (December 31, 2021: 1.8).

\* Ending cash as at June 30, 2022 included bank balances and cash classified as assets held for sale which amounted to US\$1.1 million.

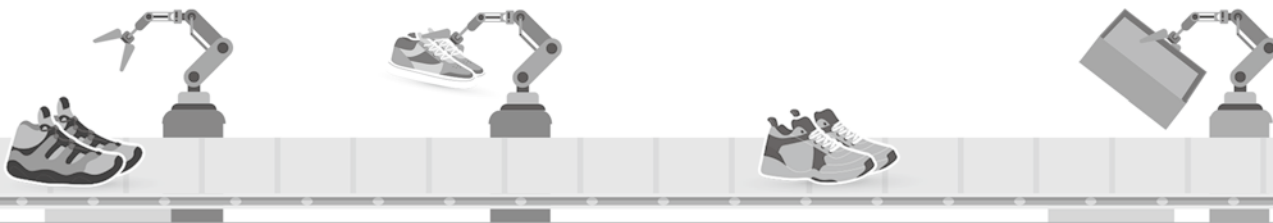
#### Funding and Capital Structure

The Group principally meets its current and future working capital, capital expenditure and other investment requirements through a combination of funding sources, including cash flows from operations and bank borrowings. With regard to the choice of debt versus equity financing, which would thus affect its capital structure, the Group will consider the impact on its weighted average cost of capital and its leverage ratio, etc., with an aim of lowering the weighted average cost of capital while maintaining its gearing ratio at a comfortable level. 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, 2022, around 55.0% of the Group's total bank borrowings had a remaining tenor of over one year.

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.

The vast majority of the Group's bank borrowings were on a floating rate basis. A portion of the Group's floating interest rate risk exposure was hedged by interest rate swaps.





## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

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

#### **Capital Expenditure**

In the six months ended June 30, 2022, the Group's overall capital expenditure reached US\$111.4 million (first half of 2021: US\$113.9 million). The capital expenditure for the Group's manufacturing business was US\$89.2 million (first half of 2021: US\$79.4 million), as it continued to push forward with its capital expenditure program targeting strategic expansion and the optimization of its manufacturing capacity.

As for investments in its retail business Pou Sheng, capital expenditure declined to US\$22.2 million in the six months ended June 30, 2022 (first half of 2021: US\$34.5 million), in line with its channel optimization 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, as well as investing in the further optimization of both its online and physical networks to capture growth opportunities in the Greater China region.

Apart from investments for operation purposes, which may be made in the Group's ordinary and usual course of business, the Group presently does not have any plans for making material investments or acquiring capital assets.

#### **Contingent Liabilities**

The Group has provided guarantees to banks in respect of banking facilities granted to joint ventures and an associate, the detail of which can be seen in Note 16 to the condensed consolidated financial statements in the 2022 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 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.

#### **Significant Investments and Material Acquisitions/Disposals**

There were no significant investments or material acquisitions/disposals during the first half of 2022.

#### **Share of Results of Associates and Joint Ventures**

In the six months ended June 30, 2022, the share of results of associates and joint ventures was a combined profit of US\$30.3 million, compared to a combined profit of US\$34.6 million in the corresponding period of last year.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### EMPLOYEES

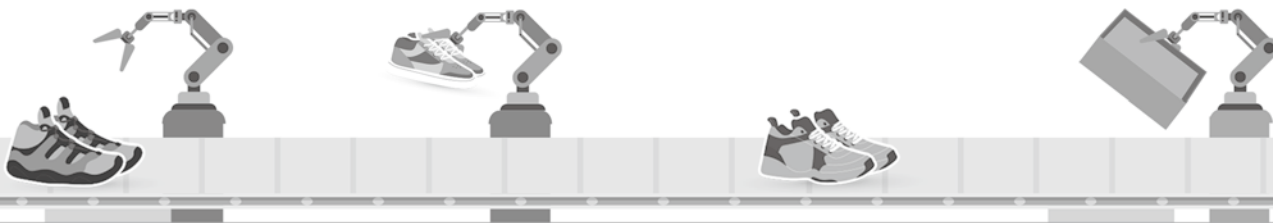
As at June 30, 2022, the Group had approximately 322,500 employees employed across all regions in which it operates, an increase of 6.2% as compared to approximately 303,800 employees employed as at June 30, 2021. The Group adopts a remuneration system based on an employee's performance throughout the 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 employees 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, Pou Chen Group 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 establish multiple grievance channels; and on top of all the programs above, actively participate in FLA's initiatives such as fair compensation project.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### PROSPECTS

While the Group remains cautiously optimistic about the resilience of its manufacturing business, rising inflation, interest rate hikes and uncertainties are clouding the macro-economic environment. Concerns about global demand overshadow order visibility and have the potential to hamper the stability of the Group's manufacturing business and order book in the second half of the year. At the same time, short-term risks to its manufacturing operations remain, including the chance of lockdowns due to the Pandemic and potential logistical bottlenecks. The Group will continue to actively manage its supply chain and dynamically allocate its manufacturing capacity to balance demand, its order pipeline and labor supply. It will also continue to diversify its manufacturing capacity in Southeast Asia, particularly in Indonesia where labor supply and infrastructure is supportive of sustainable growth.

The Group will continue to maintain the highest level of flexibility and agility to sustain its efficiency and productivity while leveraging its core strengths, adaptability, and competitive edges to overcome any short-term disruptions and safeguard its profitability. It will also continue to exploit its strategy of prioritizing value growth, leveraging the 'athleisure' and premiumization trends to seek more high-value orders with a better product mix.

At the same time, the Group will continue to pursue its long-term digital transformation strategy with an aim of achieving operational excellence through digital lean management, having rolled out a new wave of SAP ERP implementation coupled with the implementation of other real-time data applications and remote monitoring systems. It will continue to proactively adapt its production capacity and capability to cater to the fast-moving market environment and ongoing trends, including increased demand from brand customers for greater versatility, flexibility, eco-friendliness, more efficient turnaround times, on-time delivery and end-to-end capabilities. This includes enabling digital prototyping and production simulations, automation, more flexible set-ups and frequent line change-overs through process re-engineering, and the further integration of other digitalization tools such as increasingly important Distributed Resource Scheduler (DRS) and Robotic Process Automation (RPA) to optimize its ongoing eco-intelligent and smart manufacturing strategy.

The Group's retail business Pou Sheng is accelerating its own ongoing digital transformation as it positions itself for future recovery. This includes further strengthening and diversifying its omni-channels, including its online public and private traffic domains, as well as elevating digitally-enabled physical stores. It is also actively expanding its cooperation with its brand partners, many of whom are also long-term and strategic customers of the Group's manufacturing business, in ways that support inventory integration, loyalty and membership growth, increased in-season sales and maximum value for consumers. The Group will continue to benefit from cross-business synergies while providing differentiated value-added and one-stop services to its customers and strategic partners.

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**

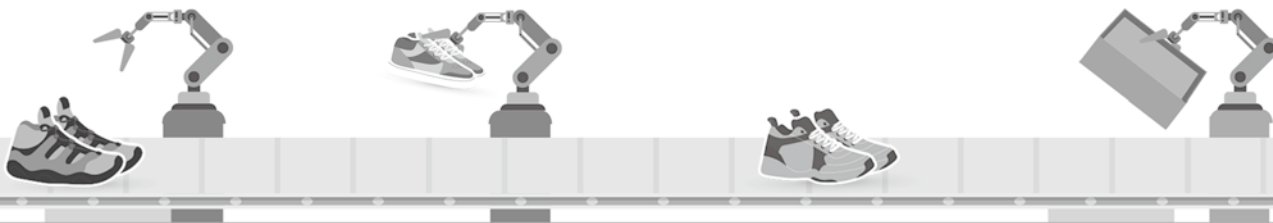
### **INTERIM DIVIDEND**

The board of directors of the Company (the “Board”) has resolved to declare an interim dividend of HK\$0.40 per share (2021: Nil) for the six months ended June 30, 2022 to shareholders whose names appear on the register of members of the Company on Thursday, September 15, 2022. The interim dividend will be paid on Thursday, October 6, 2022.

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 Thursday, September 15, 2022 to Monday, September 19, 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars 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 Wednesday, September 14, 2022.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at June 30, 2022, the interests or short positions of the Company's directors, chief executives and their associates in the shares and/or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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

Name of director	Capacity	Number of shares/ underlying shares held <i>(Long position)</i>	Percentage of the issued share capital of the Company <i>(Note 1)</i>
Lu Chin Chu	Beneficial owner	256,000	0.02%
Chan Lu Min	Beneficial owner	263,000	0.02%
Lin Cheng-Tien	Beneficial owner	165,000	0.01%
Hu Chia-Ho <i>(Note 2)</i>	Beneficial owner	273,000 <i>(Note 3)</i>	0.02%
Liu George Hong-Chih	Beneficial owner	336,000 <i>(Note 3)</i>	0.02%
Yu Huan-Chang	Beneficial owner	30,000 <i>(Note 3)</i>	0.00%

### (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 director	Capacity	Number of shares/ underlying shares held <i>(Long position)</i>	Percentage of the issued share capital of Pou Sheng <i>(Note 4)</i>
Tsai Pei Chun, Patty	Beneficial owner	19,523,000	0.37%
Chan Lu Min	Beneficial owner	851,250	0.02%
Liu George Hong-Chih	Interests of children under 18 and/or spouse	414,000	0.01%



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

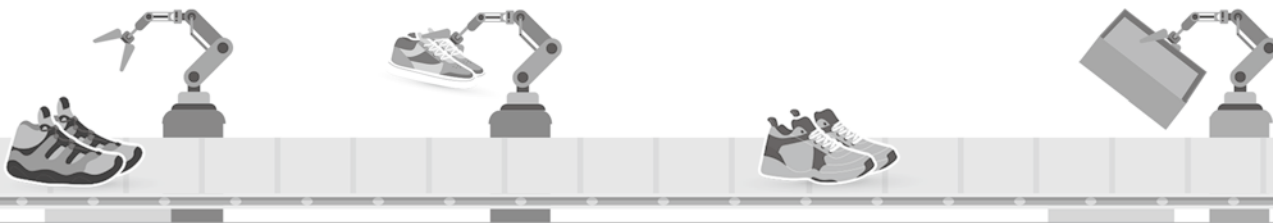
### (c) Interests in the ordinary shares and underlying shares of NT\$10.00 each of Pou Chen Corporation ("PCC"), an associated corporation of the Company within the meaning of Part XV of the SFO

Name of director	Capacity	Number of shares/ underlying shares held <i>(Long position)</i>	Percentage of the issued share capital of PCC <i>(Note 5)</i>
Lu Chin Chu	Beneficial owner	1,070,470	0.04%
Lu Chin Chu	Interests of children under 18 and/or spouse	73,300	0.00%
Tsai Pei Chun, Patty	Beneficial owner	4,177,779	0.14%
Chan Lu Min	Beneficial owner	366,452	0.01%
Lin Cheng-Tien	Beneficial owner	297,760	0.01%

*Notes:*

- The total issued share capital of the Company as at June 30, 2022 is 1,612,183,986 shares.
- Mr. Hu Chia-Ho resigned as an executive director of the Company on June 30, 2022.
- Each of Mr. Hu Chia-Ho and Mr. Liu George Hong-Chih is interested in 60,000 ordinary shares; Mr. Yu Huan-Chang is interested in 30,000 ordinary shares, which were granted by the Company with vesting conditions pursuant to the share award scheme of the Company adopted on January 28, 2014 and amended on March 23, 2016 and September 28, 2018.
- The total issued share capital of Pou Sheng as at June 30, 2022 is 5,326,179,615 shares.
- The total issued share capital of PCC as at June 30, 2022 is 2,946,787,213 shares.

Other than the interests disclosed above, none of the directors nor the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at June 30, 2022.



## SHARE INCENTIVE SCHEMES

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

The Company recognizes the importance of attracting talents and retaining employees and the contributions by other eligible participants by providing them with incentives and rewards through granting share-based incentives so as to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Company believes that this will align their interests with that of the Company. In this connection, the Company has adopted a share option scheme, the details of which are stipulated as follows:

On May 31, 2019, the Company adopted a new share option scheme (the “Yue Yuen Share Option Scheme”) under which the Board may at its discretion grant share options to any eligible participants, including directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The Yue Yuen Share Option Scheme is valid and effective for a period of ten years commencing from May 31, 2019 to May 30, 2029, after which no further options may be offered or granted.

As at 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 of the Company.

Without prior approval from the shareholders of the Company, the maximum number of shares issued and to be issued upon exercise of the options granted to each grantee under the Yue Yuen Share Option Scheme (including both exercised and outstanding options) in any twelve-month period must not exceed 1% of the shares of the Company in issue for the time being. Any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the twelve-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares of the Company in issue on the date of such grant and having an aggregate value in excess of HK\$5 million (equivalent to approximately US\$0.6 million), must be approved in advance by the shareholders of the Company.

The Board will specify the period within which the shares must be taken up under an option at the time of grant and such period shall not expire later than ten years from the date of grant.

The Board may, at its discretion, specify the minimum period for which an option must be held before it can be exercised at the time of grant.

A non-refundable consideration of HK\$10.00 shall be paid by each grantee on acceptance of the options within 14 days from the date of grant.

The exercise price shall be determined by the Board, but in any event must not be less than the highest of (i) the closing price of the Company’s shares on the date of grant, (ii) the average closing price of the Company’s shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share.

No share option has been granted under the Yue Yuen Share Option Scheme since its adoption.



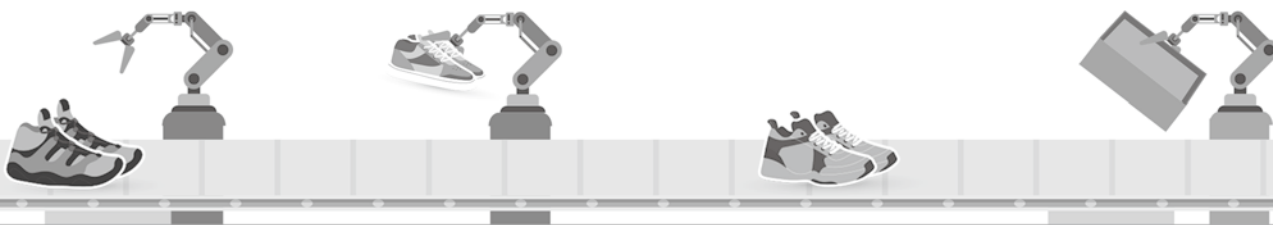
## SHARE INCENTIVE SCHEMES (continued)

### (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 by the Company to recognize the contributions by certain personnel of the Group (and/or any company in which the Group may have an investment and any company which is a controlling shareholder of the Company including subsidiaries of such controlling shareholder (“Associated Entity”)) and to attract suitable personnel for further development of the Group. 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 the total number of awarded shares shall not exceed 2% of the issued share capital of the Company as at the date of grant. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the issued share capital of the Company from time to time. Subject to early termination determined by the Board, the Yue Yuen Share Award Scheme is valid and effective for a period of ten years commencing on January 28, 2014, after which no further contribution to the trust fund will be made by the Company.

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).





## SHARE INCENTIVE SCHEMES (continued)

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

Details of the movements of the awards during the period ended June 30, 2022 are as follows:

	Date of grant	Vesting date	Number of awarded shares					Outstanding as at June 30, 2022
			Outstanding as at January 1, 2022	Granted during the period	Lapsed/Cancelled during the period	Vested during the period	Reclassified during the period	
<b>Directors of the Company</b>								
Lu Chin Chu	23.03.2022	01.06.2022	-	117,000	-	(117,000)	-	-
Chan Lu Min	23.03.2022	01.06.2022	-	146,000	-	(146,000)	-	-
Lin Cheng-Tien	23.03.2022	01.06.2022	-	66,000	-	(66,000)	-	-
Hu Chia-Ho (Note 1)	01.06.2021	31.05.2023	60,000	-	-	-	(60,000)	-
	23.03.2022	01.06.2022	-	57,000	-	(57,000)	-	-
Liu George Hong-Chih	01.06.2021	31.05.2023	60,000	-	-	-	-	60,000
	23.03.2022	01.06.2022	-	99,000	-	(99,000)	-	-
Yu Huan-Chang	01.06.2021	31.05.2023	30,000	-	-	-	-	30,000
Sub-total			150,000	485,000	-	(485,000)	(60,000)	90,000
<b>Employees of the Group and/or Associated Entities</b>								
	01.06.2021	31.05.2023	1,590,000	-	(180,000)	-	60,000	1,470,000
	27.01.2022	01.06.2022	-	354,000	-	(354,000)	-	-
	23.03.2022	01.06.2022	-	345,000	-	(345,000)	-	-
Sub-total			1,590,000	699,000	(180,000)	(699,000)	60,000	1,470,000
Total			1,740,000	1,184,000	(180,000)	(1,184,000)	-	1,560,000

**Notes:**

1. Mr. Hu Chia-Ho resigned as an executive director of the Company on June 30, 2022.
2. During the period ended June 30, 2022, the Group recognized a net expense of US\$2,939,000 as equity-settled share-based payments in the consolidated income statement under the Yue Yuen Share Award Scheme with reference to the share awards' respective vesting periods and the share awards lapsed/cancelled prior to their vesting dates after recognizing share award expenses.



## SHARE INCENTIVE SCHEMES (continued)

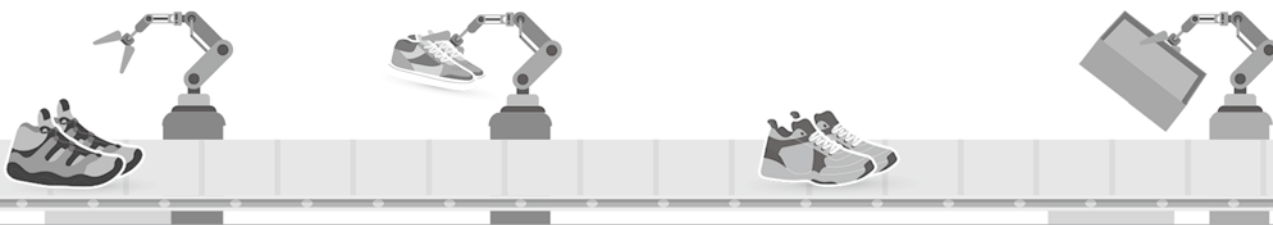
### (c) Share Award Scheme of Pou Sheng

The Pou Sheng share award scheme was adopted on May 9, 2014 and duly amended on November 11, 2016 (the “Pou Sheng Share Award Scheme”) for recognising the contributions by certain persons, including directors of Pou Sheng and employees of 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. The Pou Sheng Share Award Scheme is valid and effective for a term of 10 years commencing on May 9, 2014. No further share awards should be granted upon termination or expiry of the term 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 the Pou Sheng Board and approved by the Pou Sheng Board. All the share awards 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) as determined by the Pou Sheng Board.

The total number of Pou Sheng’s shares to be awarded under the Pou Sheng Share Award Scheme should not exceed 4% of the Pou Sheng’s issued shares as at the date of grant. The maximum number of Pou Sheng’s shares (including vested and non-vested shares) which may be awarded to a selected participant should not exceed 1% of the Pou Sheng’s issued shares from time to time.

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				
			Outstanding as at January 1, 2022	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	Outstanding as at June 30, 2022
<b>Director of Pou Sheng</b>							
Lee, Shao-Wu	23.03.2019	23.03.2019-22.03.2022	500,000	-	(500,000)	-	-
	31.03.2020	31.03.2020-30.03.2022	500,000	-	(500,000)	-	-
	31.03.2020	31.03.2020-30.03.2023	500,000	-	-	-	500,000
	24.03.2021	24.03.2021-23.09.2022	100,000	-	-	-	100,000
	24.03.2021	24.03.2021-23.09.2023	150,000	-	-	-	150,000
	24.03.2021	24.03.2021-23.03.2024	250,000	-	-	-	250,000
Sub-total			2,000,000	-	(1,000,000)	-	1,000,000
<b>Employees of Pou Sheng</b>							
	23.03.2019	23.03.2019-22.03.2022	4,520,500	-	(4,464,000)	(56,500)	-
	24.03.2021	24.03.2021-23.09.2022	1,441,400	-	-	(50,800)	1,390,600
	24.03.2021	24.03.2021-23.09.2023	2,162,100	-	-	(76,200)	2,085,900
	24.03.2021	24.03.2021-23.03.2024	3,603,500	-	-	(127,000)	3,476,500
	13.08.2021	13.08.2021-12.02.2023	448,000	-	-	(26,600)	421,400
	13.08.2021	13.08.2021-12.02.2024	672,000	-	-	(39,900)	632,100
	13.08.2021	13.08.2021-12.08.2024	1,120,000	-	-	(66,500)	1,053,500
Sub-total			13,967,500	-	(4,464,000)	(443,500)	9,060,000
Total			15,967,500	-	(5,464,000)	(443,500)	10,060,000



## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

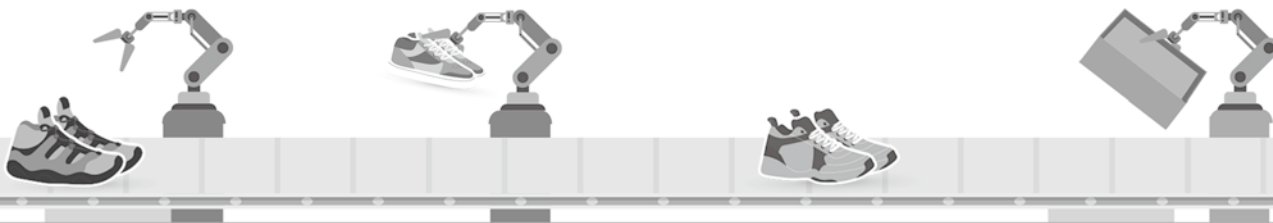
Save as disclosed in the “Share Incentive Schemes” above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures)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

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SECURITIES

As at June 30, 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, other than the interests disclosed in “Directors’ and Chief Executives’ Interests in Securities”, the following shareholders had notified the Company of their relevant interests in the ordinary shares and underlying shares of HK\$0.25 each of the Company, which represent 5% or more of the issued share capital of the Company:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of the issued share capital of the Company*
<i>Long position</i>			
Pou Chen Corporation (“PCC”)	(a)	824,143,835	51.11%
Wealthplus Holdings Limited (“Wealthplus”)	(a)	773,156,303	47.95%
Merrill Lynch & Co. Inc.	(b)	99,315,703	6.16%
Silchester International Investors LLP	(c)	97,081,000	6.02%
<i>Short Position</i>			
Merrill Lynch & Co. Inc.	(b)	109,341,792	6.78%

\* The total issued share capital of the Company as at June 30, 2022 is 1,612,183,986 shares.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

### Notes:

- (a) Of the 824,143,835 ordinary shares beneficially owned by PCC, 773,156,303 ordinary shares were held by Wealthplus and 50,987,532 ordinary 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, who are directors of the Company, 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 ordinary 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 ordinary shares (long position) and 2,620,000 ordinary 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 ordinary shares (long position) and 2,620,000 ordinary 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 ordinary shares (long position) and 2,620,000 ordinary shares (short position).

Merrill Lynch & Co. Inc. is also deemed to be interested in 93,294,918 ordinary shares (long position) and 106,721,792 ordinary 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.

- (c) Silchester International Investors LLP is interested in these 97,081,000 ordinary shares in its capacity as investment manager.

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at June 30, 2022.

## 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 of the Company since the date of the Company's 2021 annual report on March 15, 2022 are set out below:

1. Mr. Hu Chia-Ho resigned as an executive director of the Company on June 30, 2022.
2. Mr. Yu Huan-Chang was a director of Elitegroup Computer Systems Co., Ltd., a company listed on the Taiwan Stock Exchange, from April 1, 2022 to July 29, 2022.



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

During the six months ended June 30, 2022, 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 Scheme, pursuant to the terms of the trust deed of the Yue Yuen Share Award Scheme, purchased on the Stock Exchange a total of 1,500,000 shares in the Company at a total consideration of approximately HK\$18,516,000 (equivalent to approximately US\$2,366,000).

## **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, our auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the condensed consolidated interim financial information for the six months ended June 30, 2022 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 Company's shareholders. During the six months ended June 30, 2022, 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 14 to the Listing Rules.

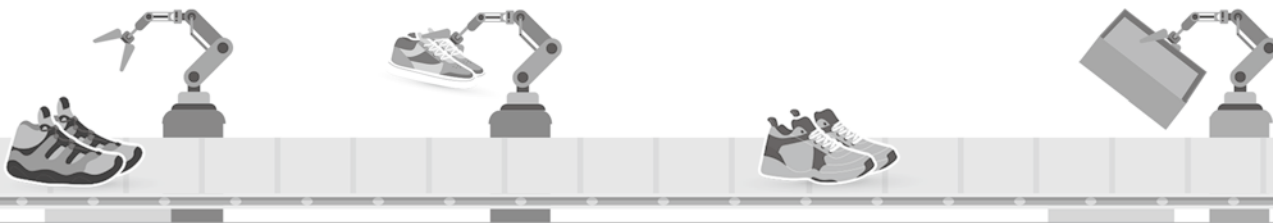
The general framework of the Company's corporate governance practices is set out in the corporate governance report in the Company's 2021 annual report, which is available on the Company's website.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiries with all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the six months ended June 30, 2022.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained sufficient public float throughout the six month period ended June 30, 2022.



## 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 of the Company 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. Yu Huan-Chang.

Independent Non-executive Directors:

Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Mr. Chen Chia-Shen.

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

Hong Kong, August 11, 2022

*Website: [www.yueyuen.com](http://www.yueyuen.com)*



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

[www.yueyuen.com](http://www.yueyuen.com)

