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**亞東**

**Yadong Group Holdings Limited**

**亞東集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1795)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately RMB88.1 million or approximately 27.4% from approximately RMB321.4 million for the six months ended 30 June 2020 to approximately RMB409.5 million for the six months ended 30 June 2021.
- Gross profit increased by approximately RMB12.5 million or approximately 24.5% from approximately RMB51.0 million for the six months ended 30 June 2020 to approximately RMB63.5 million for the six months ended 30 June 2021.
- Gross profit margin decreased from approximately 15.9% for the six months ended 30 June 2020 to approximately 15.5% for the six months ended 30 June 2021.
- Profit increased by approximately RMB10.3 million or approximately 63.6% from approximately RMB16.2 million for the six months ended 30 June 2020 to approximately RMB26.5 million for the six months ended 30 June 2021.
- Basic earnings per share was approximately RMB4.42 cents for the six months ended 30 June 2021.
- The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Yadong Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021, together with the comparative unaudited figures for the corresponding period in 2020.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
		<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>409,508</b>	321,433
Cost of sales		<b><u>(345,972)</u></b>	<u>(270,448)</u>
Gross profit		<b>63,536</b>	50,985
Other income	6	<b>6,407</b>	2,219
Selling and distribution expenses		<b>(11,880)</b>	(8,661)
Administrative expenses		<b>(19,723)</b>	(17,716)
Finance costs		<b><u>(2,713)</u></b>	<u>(2,475)</u>
Profit before tax		<b>35,627</b>	24,352
Income tax expenses	7	<b><u>(9,096)</u></b>	<u>(8,115)</u>
Profit for the period	8	<b><u>26,531</u></b>	<u>16,237</u>
Other comprehensive (expense) income for the period:			
<i>Item that may be reclassified subsequently to     profit or loss</i>			
Exchange difference arising on translating a foreign operation		<b><u>790</u></b>	<u>(1,269)</u>
Total comprehensive income for the period attributable to owners of the Company		<b><u>27,321</u></b>	<u>14,968</u>
Earnings per share			
Basic and diluted (RMB cents)	10	<b><u>4.42</u></b>	<u>3.61</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		As at 30 June 2021	As at 31 December 2020
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment		82,149	73,170
Right-of-use assets		9,482	11,530
Intangible assets		405	415
Deposits paid for acquisition of property, plant and equipment		10,946	9,050
Deferred tax assets		<u>151</u>	<u>183</u>
		<u>103,133</u>	<u>94,348</u>
<b>Current Assets</b>			
Inventories		111,546	74,250
Trade and bills receivables	11	183,948	248,364
Prepayments and other receivables	12	55,449	18,853
Amount due from a related company		1,783	65
Time deposits		91,438	—
Bank balances and cash		<u>52,893</u>	<u>129,233</u>
		<u>497,057</u>	<u>470,765</u>
<b>Current Liabilities</b>			
Trade and bills payables	13	139,787	199,102
Accruals and other payables		20,239	34,873
Contract liabilities		1,482	1,467
Dividend payable		14,963	—
Income tax payable		9,330	10,729
Lease liabilities		924	898
Borrowings		<u>178,300</u>	<u>95,590</u>
		<u>365,025</u>	<u>342,659</u>
<b>Net current assets</b>		<u>132,032</u>	<u>128,106</u>
<b>Total assets less current liabilities</b>		<u>235,165</u>	<u>222,454</u>

	<b>As at 30 June 2021</b>	<b>As at 31 December 2020</b>
<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current Liabilities</b>		
Lease liabilities	—	864
Deferred tax liabilities	<u>14,301</u>	<u>13,084</u>
	<u>14,301</u>	<u>13,948</u>
<b>Net assets</b>	<u><u>220,864</u></u>	<u><u>208,506</u></u>
<b>Capital and Reserves</b>		
Share capital	5,035	5,035
Reserves	<u>215,829</u>	<u>203,471</u>
<b>Total Equity</b>	<u><u>220,864</u></u>	<u><u>208,506</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 1. CORPORATE INFORMATION

Yadong Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 22 September 2016 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 18 November 2020 (the “**Listing**”). Its immediate and ultimate holding company is Oriental Ever Holdings Limited (“**Oriental Ever Holdings**”), a company with limited liability incorporated in the British Virgin Islands (the “**BVI**”). Oriental Ever Holdings is wholly and directly owned by Mr. Xue Shidong, who is also a director of the Company (the “**Controlling Shareholder**”).

The address of the registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is located at No. 381 Laodong East Road, Tianning District, Changzhou, Jiangsu Province, China.

The Company is an investment holding company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in sales of fabrics products and provision of dyeing and processing services.

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”) which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis

In the current period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2021:

Amendment to HKFRS16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

#### 4. REVENUE

Revenue represents the amounts received and receivable arising from sales of fabric products and provision of dyeing and processing services, net of sales related taxes for the period. The Group's revenue is recognised at a point in time. An analysis of the Group's revenue disaggregated by major products or service lines is as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Sales of plain weave fabrics	261,701	185,280
Sales of corduroy fabrics	130,077	118,357
Provision of dyeing and processing services	17,730	17,796
	<u>409,508</u>	<u>321,433</u>

#### 5. SEGMENT INFORMATION

The directors of the Company, being the chief operating decision makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group is principally engaged in sales of fabrics products and provision of dyeing and processing services. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Company as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

##### Geographical information

The Group's manufacturing and operations are all located in the PRC. Non-current assets of the Group are all located in the PRC.

An analysis of the Group's revenue from external customers is presented based on the locations of customers.

	Revenue from external customers Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
The PRC	276,589	247,221
Japan	45,952	24,974
Others	86,967	49,238
	<u>409,508</u>	<u>321,433</u>

## Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group for the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	<u>N/A<sup>1</sup></u>	<u>35,475</u>

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 6. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	48	51
Exchange gain, net	1,001	1,510
Government subsidies (Note i)	5,202	289
Reversal of impairment loss on trade and bills receivables	66	270
Sundry income	<u>90</u>	<u>99</u>
	<u>6,407</u>	<u>2,219</u>

*Note:*

- (i) The government subsidies represent the one-off government subsidies that were received from local government authorities of which the entitlements were unconditional and under the discretion of the relevant authorities. The amounts were therefore immediately recognised as other income during the six months ended 30 June 2021 and 2020.

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	3,368	1,603
PRC Enterprise Income Tax (“EIT”)	<u>4,463</u>	<u>4,782</u>
	7,831	6,385
Deferred tax:		
Current year	<u>1,265</u>	<u>1,730</u>
	<u><u>9,096</u></u>	<u><u>8,115</u></u>

## 8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	1,135	637
Salaries, allowances and other benefits (excluding directors' emoluments)	19,548	15,159
Contributions to retirement benefits scheme (excluding directors' emoluments)	<u>1,793</u>	<u>1,536</u>
Total staff costs	<u><u>22,476</u></u>	<u><u>17,332</u></u>
Auditor's remuneration	140	—
Listing expenses	—	6,869
Amortisation of intangible assets	73	61
Loss on disposal of property, plant and equipment	50	—
Amount of inventories recognised as an expense	330,479	255,691
Depreciation of property, plant and equipment	3,626	3,730
Depreciation of right-of-use assets	<u>2,045</u>	<u>2,047</u>

## 9. DIVIDENDS

During the six months ended 30 June 2020 and before Listing on the Stock Exchange, the Company declared dividend of RMB12,000,000 to the shareholder, which was settled through the current account with a related company.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.



During the six months ended 30 June 2021, the Company declared a final dividend in respect of the previous financial year, of HK3.0 cents per share and was approved on 29 June 2021.

No interim dividend has been declared in respect of the six months ended 30 June 2021.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share during the six months ended 30 June 2021 and 2020 is based on the profit for the period attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings for the purpose of basic earnings per share (profit for the period attributable to the owners of the Company)	<u><b>26,531</b></u>	<u>16,237</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><b>600,000</b></u>	<u>450,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2020 has been adjusted for the effect of the capitalisation issue.

### Diluted earnings per share

Diluted earnings per share is as same as basic earnings per share as there were no dilutive potential ordinary shares outstanding for the six months ended 30 June 2021 and 2020.

## 11. TRADE AND BILLS RECEIVABLES

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	<b>175,086</b>	245,333
Bills receivables	<b>9,105</b>	3,340
Less: Impairment	<u><b>(243)</b></u>	<u>(309)</u>
	<u><b>183,948</b></u>	<u>248,364</u>

As at 30 June 2021, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB184,191,000 (2020: RMB248,673,000).

The Group allows credit period of up to 90 days to its trade customers. The Group does not hold any collateral over its trade and bills receivables. The following is an aged analysis of trade and bills receivables, net of impairment, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
Within 30 days	<b>138,595</b>	203,104
31 to 60 days	<b>28,325</b>	22,548
61 to 90 days	<b>15,075</b>	21,511
91 to 180 days	<b>1,517</b>	1,201
181 to 365 days	<b>436</b>	—
Total	<b><u>183,948</u></b>	<b><u>248,364</u></b>

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. The Group assessed the ECL for trade and bills receivables in grouped based on shared credit risk characteristics as at 30 June 2021 and 31 December 2020.

## 12. PREPAYMENTS AND OTHER RECEIVABLES

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
Prepayments	<b>54,704</b>	18,684
Others	<b>745</b>	169
	<b><u>55,449</u></b>	<b><u>18,853</u></b>

ECL on prepayments and other receivables are insignificant as they are low risk of default and no significant increase in credit risk as at 30 June 2021 and 31 December 2020.

### 13. TRADE AND BILLS PAYABLES

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables	<b>139,787</b>	194,552
Bills payables	<u>—</u>	<u>4,550</u>
	<b><u>139,787</u></b>	<b><u>199,102</u></b>

The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 30 days	<b>111,785</b>	138,601
31 to 60 days	<b>10,348</b>	34,125
61 to 90 days	<b>9,424</b>	17,409
91 to 180 days	<b>7,424</b>	8,173
181 to 365 days	<b>806</b>	231
Over 365 days	<u>—</u>	<u>563</u>
Total	<b><u>139,787</u></b>	<b><u>199,102</u></b>

The average credit period on purchases of goods is ranging from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY OVERVIEW**

The overall market value of the dyeing and finishing industry in the PRC is expected to increase in 2021, given that the COVID-19 pandemic is under control, and a recovery in retail market has been taking place in the domestic market in the PRC since last year. According to the statistics published by the National Bureau of Statistics of China, the total retail sales of social consumer goods reached RMB21,190.4 billion from January to June 2021, a year-on-year increase of 23.0%. The retail market of apparel (garments, footwear, hats, knitwear) in the PRC also witnessed a recovery, with the retail sales reaching approximately RMB673.8 billion during the period from January to June 2021, a year-on-year increase of 33.7%. It is expected that the market value of the dyeing and finishing industry in the PRC is recovering with a more positive outlook in 2021 and 2022, supported by the substantial domestic demand and the continued maturation and accelerated shift to the online retail channels across the world.

### **BUSINESS OVERVIEW**

2021 marks the milestone victory of the global fighting against the COVID-19 pandemic. Attributed to the high attention of the government and the concerted efforts in fighting against the pandemic nationwide, the pandemic has been under prior control since the mid 2020. As for the Group, the management team has adjusted the operating strategies promptly since the middle of the last year. The Group attaches great importance to both domestic and international market share by proactively collecting market information and selectively enhancing development efforts, while actively optimising the process solutions and eliminating the outdated production capacity for technological innovation and upgrade, so as to maximise the production capacity.

For the six months ended 30 June 2021, the Group recorded revenue and profit of approximately RMB409.5 million and approximately RMB26.5 million, representing an increase of approximately 27.4% and 63.6% from the six months ended 30 June 2020, respectively, which was mainly attributable to the market recovery during the six months ended 30 June 2021 due to the containment of COVID-19 pandemic.

Meanwhile, the Group attaches great importance to investment in the research and development of new technologies to satisfy the market needs. For the six months ended 30 June 2021, the Group had received recognition and numerous awards. For example:

- Certified by UNIQLO CO., LTD. as 2021 Trustworthy Business Partner and authorised to produce products bearing the UNIQLO trademark
- “Demonstration Enterprises of Changzhou” (常州市示範智能車間) by Jiangsu Provincial Department of Industry and Information Technology

- “Industrial Internet Demonstration Projects of Jiangsu Province-Star Cloud Enterprises” (江蘇省工業互聯網示範工程—星級上雲企業) by Jiangsu Provincial Department of Industry and Information Technology
- “Top 30 Enterprises of China’s Dyeing & Printing Industry in 2021” (2021年度中國印染行業30強企業) by China Dyeing and Printing Association (中國印染行業協會)
- “2020 Advanced Group Award” (2020年度先進集體獎) by Changzhou Textile Engineering Society (常州市紡織工程學會)

The adjustment of environmental policies and government’s develop strategies bring new opportunities as well as challenges to the Group, and the Group will try to seek emerging investment opportunities while remaining the healthy and stable development of its original business. The Group will assume more corporate social responsibilities in the interests of shareholders of the Company (the “Shareholders”) so as to make more contributions to national development and social progress.

## **PROSPECT**

2021 is a milestone victory for the control of the COVID-19 pandemic under the accelerated supply of vaccines. The global economy has gradually picked up, and the consumer activities become more active, resulting in a stable and upward demand in the textile industry. The Group will continue to focus on enhancing quality and efficiency, primarily implementing structural reform of the supply front, emphasising the “three qualities strategy (三品戰略)” (namely, increasing variety “品種”, improving quality “品質” and creating brand “品牌”), so as to strengthen industrial innovation, optimise industrial structure, implement intelligent manufacturing and green manufacturing, establish new momentum for development, create new competitive advantages and promote enterprises to explore a new scenario.

The Group will continue to commit to increasing the market share as well as exploring new opportunities and addressing new challenges, and strive to expand the production capacity in line with the established mid- to long-term goals to accommodate the core customer groups which will grow rapidly in the future.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue of the Group increased by approximately RMB88.1 million or approximately 27.4% from approximately RMB321.4 million for the six months ended 30 June 2020 to approximately RMB409.5 million for the six months ended 30 June 2021. Such increase was primarily attributable to the market recovery during the six months ended 30 June 2021 due to the containment of COVID-19 pandemic.

## **Cost of Sales**

The cost of sales of the Group increased by approximately RMB75.6 million or approximately 28.0% from approximately RMB270.4 million for the six months ended 30 June 2020 to approximately RMB346.0 million for the six months ended 30 June 2021. Such increase was in line with the increase in the revenue during the same period.

## **Gross Profit and Gross Profit Margin**

The gross profit of the Group increased by approximately RMB12.5 million or approximately 24.5% from approximately RMB51.0 million for the six months ended 30 June 2020 to approximately RMB63.5 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in both the revenue and the cost of sales of the Group as discussed above. The gross profit margin of the Group decreased from approximately 15.9% for the six months ended 30 June 2020 to approximately 15.5% for the six months ended 30 June 2021. Such decrease was primarily attributable to the fluctuation of raw materials leading to the decrease in the gross profit.

## **Other Income**

Other income of the Group increased from approximately RMB2.2 million for the six months ended 30 June 2020 to approximately RMB6.4 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in government subsidies from approximately RMB0.3 million to approximately RMB5.2 million during the same period.

## **Selling and Distribution Expenses**

The selling and distribution expenses of the Group increased from approximately RMB8.7 million for the six months ended 30 June 2020 to approximately RMB11.9 million for the six months ended 30 June 2021. Such increase was primarily attributable to the significant increase in the transportation expenses for the six months ended 30 June 2021.

## **Administrative Expenses**

Administrative expenses of the Group increased from approximately RMB17.7 million for the six months ended 30 June 2020 to approximately RMB19.7 million for the six months ended 30 June 2021. Such increase was primarily attributable to purchase of management software for an amount of approximately RMB2.8 million for the purpose of enhancement of management level.

## **Finance Costs**

Finance costs of the Group increased from approximately RMB2.5 million for the six months ended 30 June 2020 to approximately RMB2.7 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in the average banking borrowings during the same period.

## **Income Tax Expenses**

Income tax expenses of the Group increased from approximately RMB8.1 million for the six months ended 30 June 2020 to approximately RMB9.1 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in the current tax from approximately RMB6.4 million to approximately RMB7.8 million during the same period which was mainly due to the increase in the profit before tax leading to the increase in the taxable profit.

The effective income tax rate of the Group decreased from approximately 33.3% for the six months ended 30 June 2020 to approximately 25.5% for the six months ended 30 June 2021, which was primarily attributable to the listing expenses of approximately RMB6.9 million incurred in 2020 that could not be offset.

## **Profit**

As a result of the foregoing, the profit for the six months ended 30 June 2021 of the Group increased by approximately RMB10.3 million or approximately 63.6% from approximately RMB16.2 million for the six months ended 30 June 2020 to approximately RMB26.5 million for the six months ended 30 June 2021.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There were no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2021.

## **CAPITAL COMMITMENTS**

As at 30 June 2021, the Group had capital commitments of approximately RMB15.9 million, which were mainly related to the acquisition of the plant and machineries, and the development of the design and research centre.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group did not have any significant contingent liabilities (30 June 2020: nil). The Group is currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

## **FOREIGN EXCHANGE EXPOSURE**

The Group's major operating subsidiary has foreign currency sales, which expose the Group to foreign currency risk. The Group also exposes to foreign currency risk relates principally to its trade receivables, trade and bills payables, other payables and bank balances denominated in foreign currencies other than the functional currency of the relevant Group entities. Foreign currencies are also used to settle expenses for overseas operations, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **GEARING RATIO**

As at 30 June 2021, the gearing ratio of the Group (defined as borrowings and lease liabilities divided by total equity and multiplied by 100%) was approximately 81.1% (31 December 2020: approximately 46.7%). Such increase was mainly due to the increase in borrowings of the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group has principally funded the liquidity and capital requirements through capital contributions from the Shareholders, bank borrowings and net cash generated from operating activities. As at 30 June 2021, the Group had bank balances and cash of approximately RMB52.9 million (31 December 2020: approximately RMB129.2 million). As at 30 June 2021, the current ratio of the Group was approximately 1.4 times (31 December 2020: approximately 1.4 times). The financial resources are presently available to the Group including bank borrowings and the net proceeds from the Listing, the Directors believe that the Group have sufficient working capital for the future requirements.

As at 1 January 2021, the Company had an issued share capital of HK\$6,000,000 divided into 600,000,000 shares. There has been no change in the capital structure of the Group during the six months ended 30 June 2021.

## **DEBTS AND CHARGE ON ASSETS**

The total interest-bearing bank borrowings of the Group amounted to approximately RMB178.3 million as at 30 June 2021 (31 December 2020: approximately RMB95.6 million).

As at 30 June 2021, the Group's assets amounted to approximately RMB28.4 million was charged (31 December 2020: approximately RMB30.4 million) to secure certain banking facilities for the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2021, the Group had a total of 493 full-time employees (31 December 2020: 472). The Group believes that employees are valuable assets that are crucial to the success of the Group. The Group generally pays its employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. For the six months ended 30 June 2021, staff costs of the Group amounted to approximately RMB22.5 million, representing mainly salaries, allowances and other benefits, and contributions to retirement benefit scheme.

## **SUBSEQUENT EVENT AFTER REPORTING PERIOD**

As at the date of this announcement, the Group has no significant event occurred after the six months ended 30 June 2021 which require additional disclosures or adjustments.



## USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing received by the Company, after deducting the underwriting commissions and expenses paid by the Company, are approximately HK\$81.9 million (the “**Net Proceeds**”). The Net Proceeds are intended to be applied in accordance with the proposed application set out in the “Future plans and use of proceeds” in the prospectus of the Company dated 30 October 2020 (the “**Prospectus**”). The below table sets out the proposed application and actual usage of the Net Proceeds as at 30 June 2021:

			Percentage	Amount of	Balance of	Intended
Intended use of Net Proceeds	Allocation of Net Proceeds	of total Net Proceeds	Net Proceeds utilised up to 30 June 2021	Net Proceeds unutilised as at 30 June 2021	timetable for use of the unutilised Net Proceeds	
(i) Expansion of production capacity and product coverage by upgrading and improving the existing production lines and technical capabilities	HK\$51.7 million	63.1%	—	HK\$51.7 million	By 31 December 2021	
(ii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	HK\$22.0 million	26.9%	—	HK\$22.0 million	By 31 December 2021	
(iii) General corporate purposes and working capital	HK\$8.2 million	10%	—	HK\$8.2 million	By 31 December 2021	

Up to the date of this announcement, the Net Proceeds had not yet been utilised. The Group will utilise the Net Proceeds in accordance with the intended purposes as set out in the Prospectus.

## DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2021.

## CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has complied with all applicable code provisions of the CG Code during the six months ended 30 June 2021, except for deviation from code provision A.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

## **Chairman and Chief Executive Officer**

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. However, the Company at present does not have a chief executive officer.

The overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels and the Board believes that the current management structure enables effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended 30 June 2021.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group’s unaudited financial results for the six months ended 30 June 2021 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financing reporting matters with management including a review of the unaudited consolidated financial statements for the six months ended 30 June 2021. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.yadongtextile.com](http://www.yadongtextile.com)), and the interim report of the Company for the six months ended 30 June 2021 will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company according to the requirements of the Listing Rules.

By order of the Board  
**Yadong Group Holdings Limited**  
**XUE Shidong**  
*Chairman*

Hong Kong, 27 August 2021

*As at the date of this announcement, the Company has five executive Directors, namely Mr. Xue Shidong, Mr. Wang Bin, Mr. Qiu Jianyu, Ms. Zhang Yeping and Mr. Jin Rongwei; and three independent non-executive Directors, namely Mr. Zhu Qi, Mr. Ho Kin Cheong Kelvin and Mr. Wang Hongliang.*