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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)**

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately RMB42.3 million or approximately 5.5% from approximately RMB771.5 million for the year ended 31 December 2020 to approximately RMB813.8 million for the year ended 31 December 2021.
- Gross profit decreased by approximately RMB11.8 million or approximately 9.3% from approximately RMB126.9 million for the year ended 31 December 2020 to approximately RMB115.1 million for the year ended 31 December 2021.
- Gross profit margin decreased from approximately 16.4% for the year ended 31 December 2020 to approximately 14.1% for the year ended 31 December 2021.
- Profit decreased by approximately RMB0.8 million or approximately 2.2% from approximately RMB36.0 million for the year ended 31 December 2020 to approximately RMB35.2 million for the year ended 31 December 2021.
- Basic and diluted earnings per share was approximately RMB5.86 cents for the year ended 31 December 2021.
- The Board has proposed a final dividend of HK\$3.0 cents per share in respect of the year ended 31 December 2021, which is subject to the approval of the Shareholders at the AGM.

Reference is made to the announcement (the “**Announcement**”) of Yadong Group Holdings Limited (the “**Company**”) dated 28 March 2022 in relation to, among others, delay in publication of audited annual results announcement for the year ended 31 December 2021. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Announcement.

For the reasons explained in the Announcement, the audit procedures for the Group’s consolidated financial statements for FY2021 require additional time to be completed. In the meantime, the Board is pleased to announce the 2021 Unaudited Annual Results together with the audited comparative figures for the year ended 31 December 2020 (“**FY2020**”). The Board confirms that the 2021 Unaudited Annual Results are prepared on the same basis as used in the audited financial statements of the Group for FY2020. The unaudited annual results contained herein have not been agreed with the Auditor but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company. Unless otherwise stated, the financial data of the Company are presented in Renminbi (“**RMB**”).

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

*FOR THE YEAR ENDED 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Audited) RMB'000
Revenue	4	<b>813,810</b>	771,461
Cost of sales		<u><b>(698,669)</b></u>	<u>(644,525)</u>
Gross profit		<b>115,141</b>	126,936
Other income	6	<b>10,158</b>	6,685
Selling and distribution expenses		<b>(30,050)</b>	(23,582)
Administrative expenses		<b>(39,966)</b>	(47,553)
Finance costs	7	<u><b>(6,199)</b></u>	<u>(5,621)</u>
Profit before tax		<b>49,084</b>	56,865
Income tax expenses	8	<u><b>(13,917)</b></u>	<u>(20,873)</u>
Profit for the year	9	<u><b>35,167</b></u>	<u>35,992</u>
Other comprehensive expense for the year:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating a foreign operation		<u><b>(471)</b></u>	<u>(3,791)</u>
Total comprehensive income for the year attributable to owners of the Company		<u><b>34,696</b></u>	<u>32,201</u>
Earnings per share			
Basic and diluted (RMB cents)	11	<u><b>5.86</b></u>	<u>7.68</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Audited) RMB'000
<b>Non-current Assets</b>			
Property, plant and equipment		<b>120,816</b>	73,170
Right-of-use assets	<i>12</i>	<b>6,313</b>	11,530
Intangible asset		<b>344</b>	415
Deposits paid for acquisition of property, plant and equipment		<b>35,000</b>	9,050
Deferred tax assets		<b>880</b>	183
		<b><u>163,353</u></b>	<u>94,348</u>
<b>Current Assets</b>			
Inventories	<i>13</i>	<b>127,919</b>	74,250
Trade and bills receivables	<i>14</i>	<b>169,393</b>	248,364
Prepayments and other receivables	<i>15</i>	<b>89,724</b>	18,853
Amount due from a related company		<b>408</b>	65
Time deposits		<b>89,833</b>	—
Bank balances and cash		<b>32,476</b>	129,233
		<b><u>509,753</u></b>	<u>470,765</u>
<b>Current Liabilities</b>			
Trade and bills payables	<i>16</i>	<b>149,646</b>	199,102
Accruals and other payables	<i>17</i>	<b>41,563</b>	34,873
Contract liabilities	<i>18</i>	<b>9,579</b>	1,467
Income tax payable		<b>8,856</b>	10,729
Amount due to the controlling shareholder		—	—
Lease liabilities	<i>12</i>	<b>88</b>	898
Borrowings		<b>219,985</b>	95,590
		<b><u>429,717</u></b>	<u>342,659</u>
<b>Net current assets</b>		<b><u>80,036</u></b>	<u>128,106</u>
<b>Total assets less current liabilities</b>		<b><u>243,389</u></b>	<u>222,454</u>

	<i>Notes</i>	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Audited) RMB'000
<b>Non-current Liabilities</b>			
Lease liabilities	12	—	864
Deferred tax liabilities		<u>15,120</u>	<u>13,084</u>
		<u>15,120</u>	<u>13,948</u>
<b>Net assets</b>		<u><u>228,269</u></u>	<u><u>208,506</u></u>
<b>Capital and Reserves</b>			
Share capital		5,035	5,035
Reserves		<u>223,234</u>	<u>203,471</u>
<b>Total Equity</b>		<u><u>228,269</u></u>	<u><u>208,506</u></u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2021

### 1. CORPORATE INFORMATION

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. Its immediate and ultimate holding company is Oriental Ever Holdings Limited (“**Oriental Ever**”), a company with limited liability incorporated in the British Virgin Islands (the “**BVI**”). Oriental Ever is wholly and directly owned by Mr. Xue Shidong, who is also a director of the Company (the “**Controlling Shareholder**”).

The registered office of the Company 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 the Group is principally engaged in sales of fabrics products and provision of dyeing and processing services.

The unaudited consolidated financial statements are presented in RMB which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

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

The application of the amendments to HKFRSs in the current year 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 unaudited consolidated financial statements.

## New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendment to HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts and related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the unaudited consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

#### 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 year. 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:

	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Audited) RMB'000
Sale of plain weave fabrics	<b>592,310</b>	499,418
Sale of corduroy fabrics	<b>176,602</b>	229,369
Provision of dyeing and processing services	<b>44,898</b>	42,674
	<b><u>813,810</u></b>	<b><u>771,461</u></b>

#### 5. SEGMENT INFORMATION

The Directors, 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 People's Republic of China (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 location of customers.

	<b>Revenue from external customers</b>	
	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Audited) RMB'000
The PRC	<b>612,826</b>	622,769
Japan	<b>52,538</b>	49,959
Other	<b>148,446</b>	98,733
	<b><u>813,810</u></b>	<b><u>771,461</u></b>

##### Information about major customers

There are no customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020.



## 6. OTHER INCOME

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Bank interest income	56	130
Exchange gain, net	—	1,620
Government subsidies ( <i>Note i</i> )	9,378	3,723
Reversal of impairment loss on trade and bills receivables	—	160
Sundry income ( <i>Note ii</i> )	724	1,052
	<u>10,158</u>	<u>6,685</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 years ended 31 December 2021 and 2020.
- (ii) Sundry income in 2020 included the gain on early termination of a lease at approximately RMB5,000.

## 7. FINANCE COSTS

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Interests on:		
Borrowings	6,031	5,291
Lease liabilities	83	245
Guarantee fees	85	85
	<u>6,199</u>	<u>5,621</u>

## 8. INCOME TAX EXPENSES

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Current tax:		
Hong Kong Profits Tax	4,630	2,539
PRC Enterprise Income Tax (“EIT”)	7,948	14,602
	<u>12,578</u>	<u>17,141</u>
Deferred tax:		
Current year	1,339	3,732
	<u>13,917</u>	<u>20,873</u>

- (i) Pursuant to the rules and regulation of the BVI and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.
- (ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For the years ended 31 December 2021 and 2020, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.
- (iii) Under the Law of the PRC on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, Yadong (Changzhou) Science and Technology Co., Ltd., a subsidiary of the Group established in the PRC, the tax rate is 25% from 1 January 2008 onwards.

## 9. PROFIT FOR THE YEAR

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	3,276	2,158
Salaries, allowances and other benefits (excluding directors' emoluments)	38,169	33,687
Contributions to retirement benefits scheme (excluding directors' emoluments) (Note)	<u>4,008</u>	<u>3,297</u>
Total staff costs	<u><u>45,453</u></u>	<u><u>39,142</u></u>
Auditor's remuneration	1,282	818
Listing expenses	—	16,544
Amortisation of intangible assets	134	125
Loss on disposal of property, plant and equipment	300	—
Amount of inventories recognised as an expense	639,658	608,093
Depreciation of property, plant and equipment	7,684	7,972
Depreciation of right-of-use assets	4,090	4,233
Impairment loss/(reversal) of impairment loss on trade and bills receivables	2,790	(160)
Exchange losses/(gain), net	3,129	(1,620)
Loss (gain) on early termination of a lease	<u><u>349</u></u>	<u><u>(5)</u></u>

*Note:* According to the policies on reduction of social insurance fees announced by the Ministry of Human Resources and Social Security of the PRC during the year ended 31 December 2020, the Company's PRC subsidiary was entitled to waivers of the social insurance fees during February to December 2020.

## 10. DIVIDENDS

During the year ended 31 December 2021, a final dividend of Hong Kong dollars HK3.0 cents per ordinary share in respect of the year ended 31 December 2020 was declared and paid to the shareholders of the Company.

During the year ended 31 December 2020 and before listing of the shares of the Company 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.

Subsequent to the end of the reporting period, a final dividend of HK3.0 cents per share in respect of the year ended 31 December 2021 has been proposed by the Director and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

## 11. EARNINGS PER SHARE

The calculation of the basic earnings per share during the years ended 31 December 2021 and 2020 is based on the profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Audited) RMB'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	<u><b>35,167</b></u>	<u>35,992</u>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><b>600,000</b></u>	<u>468,443</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 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 years ended 31 December 2021 and 2020.

## 12. LEASES

### (i) Right-of-use assets

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Land	6,227	6,372
Factory, warehouse and office	<u>86</u>	<u>5,158</u>
	<u><b>6,313</b></u>	<u><b>11,530</b></u>

### (ii) Lease Liabilities

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Analysed as:		
Current portion	88	898
Non-current portion	<u>—</u>	<u>864</u>
	<u><b>88</b></u>	<u><b>1,762</b></u>

## 13. INVENTORIES

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Raw materials	28,467	17,707
Work in progress	35,256	16,744
Finished goods	<u>64,196</u>	<u>39,799</u>
	<u><b>127,919</b></u>	<u><b>74,250</b></u>

#### 14. TRADE AND BILLS RECEIVABLES

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Trade receivables	138,919	245,333
Bills receivables	33,573	3,340
Less: Impairment	<u>(3,099)</u>	<u>(309)</u>
	<u><b>169,393</b></u>	<u><b>248,364</b></u>

As at 31 December 2021, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB172,492,000 (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.

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Within 30 days	115,719	203,104
31 to 60 days	30,814	22,548
61 to 90 days	11,346	21,511
91 to 180 days	11,510	1,201
181 to 365 days	<u>4</u>	<u>—</u>
Total	<u><b>169,393</b></u>	<u><b>248,364</b></u>

#### 15. PREPAYMENTS AND OTHER RECEIVABLES

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Prepayments to suppliers	83,550	18,684
Other tax recoverables	4,925	—
Others	<u>1,249</u>	<u>169</u>
	<u><b>89,724</b></u>	<u><b>18,853</b></u>

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

## 16. TRADE AND BILLS PAYABLES

	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Audited) RMB'000
Trade payables	<b>146,846</b>	194,552
Bills payables	<b><u>2,800</u></b>	<u>4,550</u>
	<b><u><u>149,646</u></u></b>	<u><u>199,102</u></u>

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

	<b>2021</b> <b>(Unaudited)</b> <b>RMB'000</b>	2020 (Audited) RMB'000
Within 30 days	<b>100,360</b>	138,601
31 to 60 days	<b>21,116</b>	34,125
61 to 90 days	<b>7,433</b>	17,409
91 to 180 days	<b>20,267</b>	8,173
181 to 365 days	<b>432</b>	231
Over 365 days	<b><u>38</u></b>	<u>563</u>
Total	<b><u><u>149,646</u></u></b>	<u><u>199,102</u></u>

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.

## 17. ACCRUALS AND OTHER PAYABLES

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Accrued salaries ( <i>Note</i> )	11,937	10,917
Accrued expenses	27,813	16,022
Interest payables	396	138
Dividend payable	1,144	—
Other tax payables	—	7,419
Others	<u>273</u>	<u>377</u>
	<u><b>41,563</b></u>	<u><b>34,873</b></u>

*Note:* Accrued salaries included emoluments payable to the Directors amounting to approximately RMB2,949,000 (2020: RMB970,000) as at 31 December 2021.

## 18. CONTRACT LIABILITIES

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Contract liabilities	<u><b>9,579</b></u>	<u><b>1,467</b></u>

Contract liabilities represent advances received from customers related to sales of fabric products.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY REVIEW**

In 2021, the economy of the PRC demonstrated resilience although the COVID-19 pandemic remained a threat to the global economic recovery. With the launch of mass vaccination programme and other effective measures implemented by the PRC government, the pandemic was by and large brought under control in the PRC. The once declining economy in the PRC rapidly recovered and continued to remain robust with a gross domestic product (GDP) of approximately RMB114.4 trillion in 2021, representing a year-on-year growth of 8.1%, according to the statistics of the National Bureau of Statistics of China. The economic stimulus measures implemented by the PRC government has stimulated consumer sentiment and spending, which has in turn led to an increase in demand for apparel products. According to the statistics published by the National Bureau of Statistics of China, the total retail sales of consumer goods in the PRC amounted to approximately RMB44.1 trillion in 2021, representing a year-on-year increase of approximately 12.5%. The retail market of apparel in the PRC reached RMB148.7 billion in 2021 at an annual growth rate of approximately 12.7%.

The domestic apparel market is undergoing transformation in the midst of the pandemic. The rising consumer awareness of health and resumption of major international sports events have led to growing interest and participation in sports and outdoor activities among the public, creating strong demand for sportswear and functional clothing. In the meantime, more casual clothing has increasingly been accepted for work under the new form of working environment and flexible working hours resulting from the work-from-home policies adopted by many corporations. As people tend to spend more time staying at home, consumers are now focusing more on the level of comfort and practicality when purchasing clothing. Consequently, there is a shift in customer preference towards versatile, functional and comfortable clothing which can be worn both for exercising and as part of everyday outfit. Given the continuous impact of the pandemic, athleisure fashion is clearly gaining its popularity.

### **BUSINESS REVIEW**

The Group continued to focus on strengthening its core business of designing, processing and selling textile fabric products, while consistently makes efforts in diversifying its product portfolio to adapt to the latest market trends and changes in customers' preference. With the aim of strengthening its product design and development capabilities, the Group has expanded its design and development team by recruiting additional personnel including apparel designers who possess relevant technical knowledge and experience in the textile and apparel industries.

In response to the growing demand for more versatile, comfortable and stylish sportswear, the Group successfully launched a collection of high-performance athleisure fabrics products. For example, the Group developed a high-stretch cotton-like polyester material which combines the natural look and soft texture of cotton with superior properties of quick drying and high elasticity of polyester, making it suitable to be widely used for daily wear, work and light workout. The athleisure fabric products of the Group have currently been used for manufacturing apparel products for a number of leisure wear apparel brands. Meanwhile, the Group has tapped into the sportswear market. Various leading



sportswear companies in the PRC are selling apparel products made from the Group's athleisure fabric products. Taking advantage of the athleisure fabric collection, the Group is well positioned to further penetrate into the sportswear and outdoor sports market in the near future and capitalise on the new opportunities arising therefrom.

The Group recorded revenue of approximately RMB813.8 million for the year ended 31 December 2021, representing an increase of approximately 5.5% as compared to approximately RMB771.5 million for the year ended 31 December 2020, which was mainly attributable to the increase in production volume of the Group. The Group's gross profit decreased by approximately 9.3% from approximately RMB126.9 million for the year ended 31 December 2020 to approximately RMB115.1 million for the year ended 31 December 2021. The gross profit margin of the Group decreased from approximately 16.4% for the year ended 31 December 2020 to approximately 14.1% for the year ended 31 December 2021. The Group's total comprehensive income attributable to owners of the Company increased by approximately 7.7% from approximately RMB32.2 million for the year ended 31 December 2020 to approximately RMB34.7 million for the year ended 31 December 2021.

## **PROSPECT**

Stepping into 2022, the increasing vaccination rate around the globe gives hope that the pandemic will be brought under control and global economic recovery will commence. Consumer activities will become more active hence bringing an upward demand in the apparel and textile industries.

Looking ahead, the Group is positive about its prospects for 2022. It will strive to expand its market shares through diversification of its product portfolio and explore business opportunities in new markets with high growth potential, in particular, the sportswear market is accorded the highest priority. The Group also seeks to work in collaboration with other leading organisations in the textile industry with a view to keeping itself abreast of the latest industry development and market trend. Through active participation in major industry events, it opens opportunities for the Group to promote its new products and to attract new customers.

The Group is a forward-looking enterprise. It will continue to focus on and invest in product design and development as this will remain the foundation and catalyst for the Group's advancement. In 2022, the Group has successfully applied for the status of "Fabrics China Pioneer Plant" in the categories of corduroy fabrics and woven fabrics, which serves as a recognition of the strong product development capabilities of the Group. Moving forward, the Group will devote resources for the development of environmental-friendly textile fabrics products in line with its commitment to promoting environmental sustainability.

With its solid reputation, diversified product portfolio, strong product development capabilities and experienced management, the Group is confident that it can enhance its competitiveness and business stature and sustain development, leading ultimately to the delivery of maximum returns to its shareholders over the long term.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue of the Group increased by approximately RMB42.3 million or approximately 5.5% from approximately RMB771.5 million for the year ended 31 December 2020 to approximately RMB813.8 million for the year ended 31 December 2021. Such increase was primarily attributable to (i) increase in production volume of the Group during the year ended 31 December 2021; and (ii) market recovery resulting from the containment of COVID-19 pandemic.

### **Cost of Sales**

The cost of sales of the Group increased by approximately RMB54.2 million or approximately 8.4% from approximately RMB644.5 million for the year ended 31 December 2020 to approximately RMB698.7 million for the year ended 31 December 2021. Such increase was primarily attributable to (i) the increase in the cost of materials from approximately RMB524.0 million to approximately RMB545.0 million during the same period, which was in line with the increase in total sales; (ii) the increase in the subcontracting costs from approximately RMB17.7 million to approximately RMB28.5 million during the same period, which was due to a higher demand of subcontracting resulted from the increase in sales; (iii) the increase in the utility cost from approximately RMB50.9 million to approximately RMB61.3 million during the same period; and (iv) the increase in the direct labour cost from approximately RMB30.3 million to approximately RMB31.5 million during the same period, which was due to the higher level of production activities taken place for the textile fabric product.

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

The gross profit of the Group decreased by approximately RMB11.8 million or approximately 9.3% from approximately RMB126.9 million for the year ended 31 December 2020 to approximately RMB115.1 million for the year ended 31 December 2021. Such decrease was primarily attributable to the increase in the cost of sales of the Group as discussed above. The gross profit margin of the Group decreased from approximately 16.4% for the year ended 31 December 2020 to approximately 14.1% for the year ended 31 December 2021. Such decrease was primarily attributable to (i) the increase in the cost of sales of the Group as explained above; and (ii) decrease in average unit selling price of the textile fabric products of the Group during the same period.

### **Other Income**

Other income of the Group increased from approximately RMB6.7 million for the year ended 31 December 2020 to approximately RMB10.1 million for the year ended 31 December 2021. Such increase was primarily attributable to the increase in government subsidies to approximately RMB9.4 million from approximately RMB3.7 million during the same period, which was partially offset by the (i) decrease in bank interest income from approximately RMB130,000 to approximately RMB56,000; and (ii) decrease in sundry income from approximately RMB1.1 million to approximately RMB724,000 for the corresponding period. .

## **Selling and Distribution Expenses**

The selling and distribution expenses of the Group increased by approximately RMB6.5 million or approximately 27.5% from approximately RMB23.6 million for the year ended 31 December 2020 to approximately RMB30.1 million for the year ended 31 December 2021. Such increase was primarily attributable to the increase in costs for exploring new customers.

## **Administrative Expenses**

Administrative expenses of the Group decreased from approximately RMB47.6 million for year ended 31 December 2020 to approximately RMB40.0 million for the year ended 31 December 2021. Such decrease was primarily attributable to the decrease in the listing expenses of the Group from approximately RMB16.5 million to nil during the same period.

## **Finance Costs**

Finance costs of the Group increased from approximately RMB5.6 million for year ended 31 December 2020 to approximately RMB6.2 million for the year ended 31 December 2021. Such increase was primarily attributable to the increase in the average bank borrowings during the same period.

## **Income Tax Expenses**

Income tax expenses of the Group decreased from approximately RMB20.9 million for year ended 31 December 2020 to approximately RMB13.9 million for the year ended 31 December 2021. Such decrease was primarily attributable to the decrease in the current tax from approximately RMB17.1 million to approximately RMB12.6 million during the same period, which was mainly due to the decrease in the profit before tax leading to the decrease in the taxable profit.

The effective income tax rate of the Group decreased from approximately 36.7% for the year ended 31 December 2020 to approximately 28.4% for the year ended 31 December 2021, which was primarily attributable to the decrease in the non-tax deductible listing expenses from approximately RMB16.5 million to nil during the same period.

## **Profit**

As a result of the foregoing, the profit for the year of the Group decreased by approximately RMB0.8 million or approximately 2.2% from approximately RMB36.0 million for the year ended 31 December 2020 to approximately RMB35.2 million for the year ended 31 December 2021.

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

There were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2021.

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group had capital commitments of approximately RMB8.8 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 31 December 2021, the Group did not have any significant contingent liabilities (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 31 December 2021, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 66.1% (2020: approximately 63.1%). Such decrease was mainly due to the increase in bank borrowings of the Group. The basis of calculation of the gearing ratio of the Group adopted in the annual report of the Company dated 30 March 2021 (the “**Annual Report 2020**”) was borrowings and lease liabilities divided by total equity and multiplied by 100%.

## **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 31 December 2021, the Group had bank balances and cash of approximately RMB32.5 million (2020: approximately RMB129.2 million). As at 31 December 2021, the current ratio of the Group was approximately 1.2 times (2020: approximately 1.4 times). Such decrease was mainly due to increase in bank borrowings of the Group for the year ended 31 December 2021. 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.

Upon the Listing, the Company had an issued share capital of HK\$6,000,000 divided into 600,000,000 shares. The Company's shares were successfully listed on the Stock Exchange on 18 November 2020 (the “**Listing Date**”). There has been no change in the capital structure of the Group since the Listing Date up to the date of this announcement.

## **CHARGE ON ASSETS**

As at 31 December 2021, the Group's assets amounted to approximately RMB76.4 million was charged (2020: approximately RMB30.4 million) to secure certain banking facilities for the Group.

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Buildings — included in property, plant and equipment	<b>43,658</b>	—
Trade and bills receivables	<b>6,209</b>	—
Right-of-use assets	<b>6,227</b>	6,372
Machineries	<b>20,334</b>	24,038
	<b><u>76,428</u></b>	<u>30,410</u>

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group had a total of 482 full-time employees (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 year ended 31 December 2021, staff costs of the Group amounted to approximately RMB45.5 million, representing mainly salaries, allowances and other benefits, and contributions to retirement benefit scheme.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group's business is subject to the relevant national and local environmental laws and regulations in China, such as the Environmental Protection Law of the People's Republic of China. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous waste. A summary of the environmental protection laws and regulations applicable to the Group is set out in “Regulatory overview” in the prospectus of the Company dated 30 October 2020 (the “**Prospectus**”).

During the year ended 31 December 2021, the Group is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

## SUBSEQUENT EVENTS AFTER REPORTING PERIOD

- (i) On 14 January 2022, 亞東(常州)科技有限公司 (Yadong (Changzhou) Science & Technology Co., Ltd.) (“**Yadong (Changzhou)**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire 100% of the equity interest in 雄聯(常州)紡織印染有限公司 (Lion Union (Changzhou) Textile Dyeing Company Limited) from HK Hua Hai Capital Investment Construction Management Limited (香港華海資本投資建設管理有限公司) at a consideration of RMB80.0 million. Please refer to the announcement of the Company dated 14 January 2022 for further details. The completion of the transaction is conditional upon fulfillment of the conditions precedent pursuant to the equity transfer agreement, and the completion has not taken place as at the date of this announcement.
- (ii) On 1 March 2022, Yadong (Changzhou) entered into a lease agreement with Changzhou Dongxia Real Estate Agency Ltd. (常州市東霞房地產代理有限公司) for a term of 22 months commencing from 1 March 2022 and ending on 31 December 2023 (both days inclusive). The transactions contemplated under the lease agreement constitute connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 2 March 2022 for further details.

Save as disclosed above, there was no significant event that took place after the year ended 31 December 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**”). As disclosed in the announcement of the Company dated 14 January 2022 (the “**UOP Announcement**”), the Board has resolved to (i) change the use of Net Proceeds by reallocating approximately HK\$32.8 million of the Net Proceeds originally planned for expansion of production capacity and product coverage to acquisition of the Target Company with the Properties (as defined in

the UOP Announcement); and (ii) extend the expected timeline for fully utilising the unutilised Net Proceeds. The table below sets forth the original allocation of the Net Proceeds, the utilisation of the Net Proceeds as at the date of the UOP Announcement, revised allocation and revised timeline for fully utilising the unutilised Net Proceeds:

	Planned use of Net Proceeds as set out in the Prospectus <i>HK\$ million</i>	Utilised amount of the Net Proceeds as at the date of the UOP Announcement <i>HK\$ million</i>	Unutilised amount of the Net Proceeds as at the date of the UOP Announcement <i>HK\$ million</i>	Revised allocation <i>HK\$ million</i>	Revised timeline for fully utilising the unutilised Net Proceeds ( <i>Note</i> )
(i) Expansion of production capacity and product coverage by upgrading and improving our existing production lines and technical capabilities	51.7	Nil	51.7	18.9	By 30 June 2022
(ii) Acquisition of the Target Company with the Properties	Nil	Nil	Nil	32.8	By 30 June 2022
(iii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	22.0	Nil	22.0	22.0	By 31 December 2022
(iv) General corporate purposes and working capital	8.2	Nil	8.2	8.2	By 30 June 2022
	<u>81.9</u>	<u>Nil</u>	<u>81.9</u>	<u>81.9</u>	

*Note:* The expected timeline is based on the best estimation made by the Board which might be subject to changes depending on the market conditions from time to time.

Please refer to the UOP Announcement for details of the reasons for the change in use of Net Proceeds and information on the Target Company and Properties.

Up to the date of the UOP Announcement, the Net Proceeds had not yet been utilised. As at the date of the UOP Announcement, the unutilised proceeds were placed in interest-bearing deposits with licensed bank in Hong Kong. As mentioned in the Annual Report 2020, the business of the Group was adversely affected by the COVID-19 pandemic, as reflected by a decrease in revenue of the Group of approximately 11.0% from approximately RMB866.7 million for the year ended 31 December 2019 to approximately RMB771.5 million for FY2020. The operation of the Group's production plant was suspended for approximately a week after the Lunar Chinese New Year holiday in 2020. The pandemic also had adverse impact on the PRC and global economic environment, resulting in a decrease in consumer spending and demand for apparel products, which in turn led to a decrease in the sales of the Group in 2020. Even though the pandemic was under control in the PRC in the second half year of 2020, domestic demand in the PRC continued slowing down. It is expected that pandemic may still be fluctuating in the PRC and the world, and the PRC and global economic environment remains uncertain

and challenging. Accordingly, the Board is cautious in making any further expansion of the Group's business and has resolved to extend the expected timeline for utilising the utilised Net Proceeds for expansion of production capacity and product coverage from on or before 31 December 2021 to on or before 30 June 2022.

As disclosed in the Annual Report 2020, the Group originally intended to utilise the Net Proceeds allocated for acquisition of a company with existing production plant in Jiangsu province, the PRC by 31 December 2021. However, the Group requires more time than expected to identify suitable acquisition target at a reasonable price which matches the criteria set out in the Prospectus for utilising the allocated Net Proceeds. As at the date of this announcement, the Group had identified a potential acquisition target and has been negotiating with the vendor in relation to the proposed acquisition. The Company will make further announcement in accordance with the Listing Rules when definitive agreement has been entered into.

The Directors regularly evaluate the Group's business objectives and may change or modify plans against the changing market condition to ascertain the business growth of the Group. As at the date of this announcement, the Directors considered that no modification of the use of Net Proceeds described in the UOP Announcement was required.

## **DIVIDEND**

The Board recommended the payment of a final dividend of HK\$3.0 cents per share for the year ended 31 December 2021. The final dividend is subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company to be held on Tuesday, 28 June 2022 (the “**AGM**”) and the final dividend will be payable on Thursday, 18 August 2022 to the Shareholders whose names appear on the register of members of the Company on Thursday, 7 July 2022.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The Company will hold the AGM on Tuesday, 28 June 2022. The register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 22 June 2022.

The register of members of the Company will also be closed from Tuesday, 5 July 2022 to Thursday, 7 July 2022, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend, during which period no share transfers will be registered. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be



lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 4 July 2022.

## **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 Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the year ended 31 December 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 to 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 year ended 31 December 2021.

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

During the year ended 31 December 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 has reviewed the Group's unaudited consolidated financial statements for FY2021 contained in this announcement. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters together with the management of the Company.

## **FURTHER ANNOUNCEMENT**

Following the completion of the audit procedures for the Group's consolidated financial statements for FY2021, the Company will issue further announcement(s) in relation to (i) the 2021 Audited Annual Results as agreed by the Auditor and the material differences (if any) as compared with the 2021 Unaudited Annual Results contained herein; and (ii) circumstances arising from the audit of the Group or financial statements which constitute price sensitive information. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the audit procedures. The Company is currently working closely and actively communicating with the Auditor to assist it to complete the audit procedures, and the Company will use its best endeavours to publish the 2021 Audited Annual Results by April 2022.

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

This unaudited annual 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)). The annual report of the Company for the year ended 31 December 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.

**The financial information contained herein in respect of the consolidated annual results of the Group have not been audited and have not been agreed with the Auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 30 March 2022

*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.*