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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 2023**

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately RMB59.9 million or approximately 11.8% from approximately RMB509.5 million for the six months ended 30 June 2022 to approximately RMB449.6 million for the six months ended 30 June 2023.
- Gross profit decreased by approximately RMB22.6 million or approximately 32.1% from approximately RMB70.5 million for the six months ended 30 June 2022 to approximately RMB47.9 million for the six months ended 30 June 2023.
- Gross profit margin decreased from approximately 13.8% for the six months ended 30 June 2022 to approximately 10.7% for the six months ended 30 June 2023.
- Profit decreased by approximately RMB22.2 million or approximately 73.5% from approximately RMB30.2 million for the six months ended 30 June 2022 to approximately RMB8.0 million for the six months ended 30 June 2023.
- Basic earnings per share was approximately RMB1.34 cents for the six months ended 30 June 2023.
- The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2023.

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 2023, together with the comparative unaudited figures for the corresponding period in 2022.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue		<b>449,603</b>	509,516
Cost of sales		<b><u>(401,670)</u></b>	<u>(439,041)</u>
Gross profit		<b>47,933</b>	70,475
Other income		<b>2,219</b>	2,907
Selling and distribution expenses		<b>(11,262)</b>	(12,382)
Administrative expenses		<b>(21,128)</b>	(17,331)
Finance costs		<b><u>(7,127)</u></b>	<u>(3,674)</u>
Profit before tax		<b>10,635</b>	39,995
Income tax expenses	7	<b><u>(2,617)</u></b>	<u>(9,825)</u>
Profit for the period	8	<b><u>8,018</u></b>	<u>30,170</u>
Other comprehensive expense 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>(2,453)</u></b>	<u>(1,539)</u>
Total comprehensive income for the period attributable to owners of the Company		<b><u>5,565</u></b>	<u>28,631</u>
Earnings per share			
Basic and diluted (RMB cents)	10	<b><u>1.34</u></b>	<u>4.77</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		As at 30 June 2023	As at 31 December 2022
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment		135,322	127,431
Right-of-use assets		46,526	51,590
Intangible assets		291	223
Investment properties		47,584	48,351
Deferred tax assets		<u>1,191</u>	<u>1,191</u>
		<u>230,914</u>	<u>228,786</u>
<b>Current Assets</b>			
Inventories		151,647	188,961
Trade and bills receivables	<i>11</i>	236,612	182,104
Prepayments and other receivables	<i>12</i>	59,892	42,001
Time deposits		66,001	65,164
Bank balances and cash		<u>33,090</u>	<u>61,413</u>
		<u>547,242</u>	<u>539,643</u>
<b>Current Liabilities</b>			
Trade and bills payables	<i>13</i>	136,744	139,295
Accruals and other payables		45,947	50,410
Contract liabilities		5,195	1,663
Income tax payable		3,619	2,145
Amounts due to a related company		—	2,310
Lease liabilities		6,174	7,584
Borrowings		<u>299,216</u>	<u>288,346</u>
		<u>496,895</u>	<u>491,753</u>
<b>Net current assets</b>		<u>50,347</u>	<u>47,890</u>
<b>Total assets less current liabilities</b>		<u>281,261</u>	<u>276,676</u>

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</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	39	1,019
Deferred tax liabilities	<u>16,526</u>	<u>16,526</u>
	<u>16,565</u>	<u>17,545</u>
<b>Net assets</b>	<u><u>264,696</u></u>	<u><u>259,131</u></u>
<b>Capital and Reserves</b>		
Share capital	5,035	5,035
Reserves	<u>259,661</u>	<u>254,096</u>
<b>Total Equity</b>	<u><u>264,696</u></u>	<u><u>259,131</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2023

### 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 2023 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 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Return-Pillar Two Model Rules

The application of the new and 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of plain weave fabrics	321,566	340,534
Sales of corduroy fabrics	107,782	148,097
Provision of dyeing and processing services	20,255	20,885
	<u>449,603</u>	<u>509,516</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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The PRC	428,865	413,223
Japan	7,985	11,463
Others	12,753	84,830
	<u>449,603</u>	<u>509,516</u>

##### Information about major customers

No revenue from customers contributing over 10% of the total revenue of the Group for the six months ended 30 June 2023 and 2022.

## 6. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	45	634
Exchange gain, net	1,627	1,885
Government subsidies ( <i>Note i</i> )	80	271
Rental income	315	—
Sundry income	152	117
	<u>2,219</u>	<u>2,907</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 2023 and 2022.

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	2,617	2,864
PRC Enterprise Income Tax (“EIT”)	—	5,320
	<u>2,617</u>	<u>8,184</u>
Deferred tax		
Current year	—	1,641
	<u>2,617</u>	<u>9,825</u>

## 8. PROFIT FOR THE PERIOD

**Six months ended 30 June**  
**2023**                      2022  
**RMB'000**                      **RMB'000**  
**(Unaudited)**                      **(Unaudited)**

Profit for the period has been arrived at after charging:

Directors' emoluments	<b>1,292</b>	970
Salaries, allowances and other benefits (excluding directors' emoluments)	<b>24,169</b>	21,928
Contributions to retirement benefits scheme (excluding directors' emoluments)	<b>4,190</b>	1,342
	<hr/>	<hr/>
Total staff costs	<b>29,651</b>	24,240
	<hr/> <hr/>	<hr/> <hr/>
Auditor's remuneration	<b>149</b>	140
Amortisation of intangible assets	<b>69</b>	133
Amount of inventories recognised as an expense	<b>381,989</b>	358,309
Depreciation of property, plant and equipment	<b>4,819</b>	6,606
Depreciation of investment properties	<b>767</b>	—
Depreciation of right-of-use assets	<b>5,064</b>	85
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## 9. DIVIDENDS

No interim dividend has been declared in respect of the six months ended 30 June 2023 and 2022.



## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share during the six months ended 30 June 2023 and 2022 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.

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period attributable to the owners of the Company)	<u><b>8,018</b></u>	<u>28,631</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>600,000</u>

### Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

## 11. TRADE AND BILLS RECEIVABLES

	As at	As at
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	<b>209,477</b>	144,553
Bills receivables	<b>28,208</b>	38,624
Less: Impairment	<u><b>(1,073)</b></u>	<u>(1,073)</u>
	<u><b>236,612</b></u>	<u>182,104</u>

As at 30 June 2023, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB237,685,000 (2022: approximately RMB183,177,000).

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.

	As at <b>30 June</b> 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 30 days	187,384	99,766
31 to 60 days	36,267	33,024
61 to 90 days	11,004	30,454
91 to 180 days	<u>1,957</u>	<u>18,860</u>
Total	<u><b>236,612</b></u>	<u>182,104</u>

The Group applies simplified approach to provide for expected credit loss (“ECL”) prescribed by HKFRS 9. The Group assessed the ECL for trade and bills receivables in group based on shared credit risk characteristics as at 30 June 2023 and 31 December 2022.

## 12. PREPAYMENTS AND OTHER RECEIVABLES

	As at <b>30 June</b> 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Prepayments	42,413	31,548
Other tax recoverables	6,388	9,110
Others	<u>11,091</u>	<u>1,343</u>
	<u><b>59,892</b></u>	<u>42,001</u>

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 2023 and 31 December 2022.

## 13. TRADE AND BILLS PAYABLES

	As at <b>30 June</b> 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade payables	131,394	139,295
Bills payables	<u>5,350</u>	<u>—</u>
	<u><b>136,744</b></u>	<u>139,295</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>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Within 30 days	<b>101,416</b>	87,507
31 to 60 days	<b>15,595</b>	15,523
61 to 90 days	<b>16,017</b>	13,320
91 to 180 days	<b>2,352</b>	20,928
181 to 365 days	<b>841</b>	1,746
Over 365 days	<b>523</b>	271
	<hr/>	<hr/>
Total	<b><u>136,744</u></b>	<b><u>139,295</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**

In the first half of 2023, the global economy remained burdened by uncertainties such as tense geopolitical situations, inflationary spikes, disrupted supply chain and interest rate hikes by central banks around the world, hindering the recovery of the global market, as well as weakening consumer sentiment and market demand.

In the meantime, while the PRC economy was gradually recovering from the outbreak of the COVID-19 pandemic and US-China trade war, the uncertain economic outlook has undermined consumer confidence and weakened consumer spending in the PRC. Such unstable economic environment has created downward pressure on the demand for the dyeing and finishing industry in the PRC.

### **BUSINESS OVERVIEW**

During the first half of 2023, due to the combined impacts of high global inflation and aggressive interest rates by central banks, consumer sentiment was weakened, which in turn led to a decrease in demand for the apparel and textiles industries in the PRC, resulting in less orders from customers of the Group. Besides, global inflation contributed to higher raw material prices, which led to an increase in production costs and hence adversely affected the profitability of the Group.

Faced with the challenging business environment, the Group recorded revenue of approximately RMB449.6 million for the six months ended 30 June 2023, representing a decrease of approximately 11.8% as compared to approximately RMB509.5 million for the six months ended 30 June 2022, which was mainly attributable to the decline in purchase orders placed by customers of the Group. The Group's gross profit decreased by approximately 32.1% from approximately RMB70.5 million for the six months ended 30 June 2022 to approximately RMB47.9 million for the six months ended 30 June 2023. The gross profit margin of the Group decreased from approximately 13.8% for the six months ended 30 June 2022 to approximately 10.7% for the six months ended 30 June 2023. The Group's profit decreased by approximately 73.5% from approximately RMB30.2 million for the six months ended 30 June 2022 to approximately RMB8.0 million for the six months ended 30 June 2023.

### **PROSPECT**

Looking forward into the second half of 2023, the global market will continue to be troubled by uncertainties such as volatile economic activities, intense geopolitical situation, rate hikes and high inflation level. However, as the PRC and other nations reopened their borders and economic activities began to return to normal, the retail and sales markets of the major economies may show signs of revival in the second half of the year, rejuvenating the consumption industries, which would also benefit the apparel and textile industries.

The Group is cautiously optimistic toward its prospects for the second half of the year. In particular, the Group has recorded a recent uptick in the volume of orders placed by customers. With a view to grasp opportunities arising from the rebound in retail sales of apparel during the post-pandemic era, the Group acquired additional machineries and equipment for production during the first half of 2023. The machineries and equipment with lower energy consumption will enable the Group to enjoy greater production efficiency and reduce its production costs. Also, the machineries and equipment will enhance product quality and expand production capacity of the Group, so that it can capitalise on more business opportunities in anticipation of more orders from customers of the Group driven by the increase in demand for the apparel and textile industries along with economic recovery in the PRC and other countries.

In addition, the Group will continue to invest in product design and development, enhance its sales efforts and explore new opportunities, so as to diversify its income sources and drive sustainable long-term business growth. With the above business strategies, the Group prepares itself to respond to market changes and seize market opportunities that emerge while maximising its use of resources and production capacity, thereby generating greater value and return to the shareholders of the Company.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue of the Group decreased by approximately RMB59.9 million or approximately 11.8% from approximately RMB509.5 million for the six months ended 30 June 2022 to approximately RMB449.6 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in purchase orders placed by customers of the Group.

### **Cost of Sales**

The cost of sales of the Group decreased by approximately RMB37.3 million or approximately 8.5% from approximately RMB439.0 million for the six months ended 30 June 2022 to approximately RMB401.7 million for the six months ended 30 June 2023. Such decrease was in line with the decrease in the revenue during the same period.

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

The gross profit of the Group decreased by approximately RMB22.6 million or approximately 32.1% from approximately RMB70.5 million for the six months ended 30 June 2022 to approximately RMB47.9 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in revenue of the Group as discussed above. The gross profit margin of the Group decreased from approximately 13.8% for the six months ended 30 June 2022 to approximately 10.7% for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in average unit selling price for the six months ended 30 June 2023.

## **Other Income**

Other income of the Group decreased from approximately RMB2.9 million for the six months ended 30 June 2022 to approximately RMB2.2 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in bank interest income from approximately RMB634,000 to approximately RMB45,000 during the same period.

## **Selling and Distribution Expenses**

The selling and distribution expenses of the Group decreased from approximately RMB12.4 million for the six months ended 30 June 2022 to approximately RMB11.3 million for the six months ended 30 June 2023. Such decrease was primarily attributable to decrease in transportation expenses for the six months ended 30 June 2023.

## **Administrative Expenses**

Administrative expenses of the Group increased from approximately RMB17.3 million for the six months ended 30 June 2022 to approximately RMB21.1 million for the six months ended 30 June 2023. Such increase was primarily attributable to the increase in depreciation of right-of-use assets during the six months ended 30 June 2023.

## **Finance Costs**

Finance costs of the Group increased from approximately RMB3.7 million for the six months ended 30 June 2022 to approximately RMB7.1 million for the six months ended 30 June 2023. Such increase was primarily attributable to the increase in the principal amount and interest of borrowings during the same period.

## **Income Tax Expenses**

Income tax expenses of the Group decreased from approximately RMB9.8 million for the six months ended 30 June 2022 to approximately RMB2.6 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in the current tax from approximately RMB8.2 million to approximately RMB2.6 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 remained stable at approximately 24.6% for the six months ended 30 June 2022 and the six months ended 30 June 2023.

## **Profit**

As a result of the foregoing, the profit for the six months ended 30 June 2023 of the Group decreased by approximately RMB22.2 million or approximately 73.5% from approximately RMB30.2 million for the six months ended 30 June 2022 to approximately RMB8.0 million for the six months ended 30 June 2023.

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

There were no material acquisitions or disposals of subsidiaries and associated companies by the Group during the six months ended 30 June 2023.

## **CAPITAL COMMITMENTS**

As at 30 June 2023, the Group had capital commitments of approximately RMB0.9 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 2023, the Group did not have any significant contingent liabilities (30 June 2022: 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 2023, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 66.0% (31 December 2022: approximately 66.3%).

## **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 2023, the Group had bank balances and cash of approximately RMB33.1 million (31 December 2022: approximately RMB61.4 million). As at 30 June 2023, the current ratio of the Group was approximately 1.1 times (31 December 2022: approximately 1.1 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 2023, 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 2023.

## **DEBTS AND CHARGE ON ASSETS**

The total interest-bearing bank borrowings of the Group amounted to approximately RMB299.2 million as at 30 June 2023 (31 December 2022: approximately RMB288.3 million).

As at 30 June 2023, the Group's assets amounted to approximately RMB139.4 million was charged (31 December 2022: approximately RMB143.0 million) to secure certain banking facilities for the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had a total of 508 full-time employees (31 December 2022: 482). 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 2023, staff costs of the Group amounted to approximately RMB29.7 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 2023 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 revised allocation of the Net Proceeds, the approximate actual amount of utilised Net Proceeds as at 30 June 2023, the unutilised amount of Net Proceeds as at 30 June 2023 and revised timeline for fully utilising the unutilised Net Proceeds:

	<b>Revised allocation of Net Proceeds as disclosed in the UOP Announcement</b> <i>HK\$ million</i>	<b>Approximate actual amount utilised as at 30 June 2023</b> <i>HK\$ million</i>	<b>Unutilised amount of Net Proceeds as at 30 June 2023</b> <i>HK\$ million</i>	<b>Revised timeline for fully utilising the unutilised Net Proceeds (Note)</b>
(i) Expansion of production capacity and product coverage by upgrading and improving our existing production lines and technical capabilities	18.9	18.9	Nil	N/A
(ii) Acquisition of the Target Company with the Properties	32.8	32.8	Nil	N/A
(iii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	22.0	Nil	22.0	By 31 December 2024
(iv) General corporate purposes and working capital	<u>8.2</u>	<u>8.2</u>	<u>Nil</u>	N/A
	<u><u>81.9</u></u>	<u><u>59.9</u></u>	<u><u>22.0</u></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.

Up to the date of this announcement, the Net Proceeds had not yet been fully utilised. As at the date of this announcement, the unutilised proceeds were placed in interest-bearing deposits with licensed bank in Hong Kong.

As disclosed in the Annual Report 2022, the Board decided to extend the expected timeline for utilising the unutilised Net Proceeds for the acquisition of a company with existing production plant in Jiangsu Province, the PRC to 31 December 2023 since the Group requires more time than expected to identify suitable acquisition target. The COVID-19 pandemic and US-China trade war had created headwinds in the economic growth of the Asia-Pacific region in recent years and considerable uncertainties in the global financial market conditions. In particular, the outbreak of COVID-19 pandemic had given rise to

challenges in the business environment of the domestic apparel and textile industries. Under such circumstances, the Board decided to take time to observe the development or changes in the operating environment in the post-COVID-19 era before proceeding with any significant investment decisions. Further, as at the date of this announcement, the Group has not yet identified suitable targets for acquisition that the Board considers to be beneficial to the Group and its shareholders as a whole. Accordingly, the Board resolved to further extend the expected timeline for the use of the unutilised Net Proceeds to 31 December 2024.

The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan where necessary to respond to the changing market conditions and strive for better business performance of the Group.

## **DIVIDEND**

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2023.

## **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 2023, except for deviation from code provision C.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

### **Chairman and Chief Executive Officer**

Code provision C.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 2023.

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

During the six months ended 30 June 2023, 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 2023 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 2023. 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 2023 will be despatched 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, 30 August 2023

*As at the date of this announcement, the Company has five executive Directors, namely Mr. Xue Shidong, Mr. Wang Bin, Mr. Xiang Wenbin, 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.*