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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)

**CONNECTED TRANSACTION
IN RELATION TO RENEWAL OF LEASE AGREEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 2 March 2022 in relation to the 2022 Lease Agreement.

The Group has been leasing certain premises from Changzhou Dongxia, which is a connected person of the Company, pursuant to the 2022 Lease Agreement for its production plant, warehouse, laboratory and administration and management office in the PRC. On 1 December 2023, the Group has entered into the 2024 Lease Agreement with Changzhou Dongxia to renew the 2022 Lease Agreement for a term of 24 months commencing from 1 January 2024 and ending on 31 December 2025 (both days inclusive) for the ongoing business operations and development of the Group.

LISTING RULES IMPLICATIONS

Since Mr. Xue is an executive Director and one of our Controlling Shareholders, and that Changzhou Dongxia is wholly-owned by Mr. Xue, Changzhou Dongxia is a connected person of our Company under the Listing Rules. As such, the transaction contemplated under the 2024 Lease Agreement constitutes connected transaction of our Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16, the Group recognised the rental transactions contemplated under the 2024 Lease Agreement as acquisition of right-of-use asset which constitutes one-off connected transaction for the Group under Chapter 14A of the Listing Rules.

The unaudited value of the right-of-use assets to be recognised under the 2024 Lease Agreement is approximately RMB6.0 million (equivalent to approximately HK\$6.5 million) in aggregate. As all of the applicable percentage ratio (as defined in the Listing Rules) in respect of the rental transactions contemplated under the 2024 Lease Agreement based on the aggregated value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 exceed 0.1% but are less than 5%, the rental transactions contemplated under the 2024 Lease Agreement constitutes a connected transaction of the Company that is subject to the reporting and announcement requirements but is exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

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THE 2024 LEASE AGREEMENT

Major terms of the 2024 Lease Agreement are set out below:

- Date** : 1 December 2023
- Parties** : (a) Changzhou Dongxia, as the lessor; and
(b) Yadong (Changzhou), as the lessee
- Premises** : Factory premises, office buildings, ancillary dormitory buildings and the underlying land located in No. 381, Laodong East Road, Tianning District, Changzhou city, Jiangsu province, the PRC (中國江蘇省常州市天寧區勞動東路381號)
- Approximate leased area** : 26,497.9 sq.m.
- Term** : 1 January 2024 to 31 December 2025
- Monthly rent** : RMB266,666 (equivalent to approximately HK\$290,666) per calendar month

BASIS FOR DETERMINATION OF THE RENT

The rent under the 2024 Lease Agreement was determined after arm's length negotiations between the parties, after taking into consideration the prevailing market rental values for comparable premises in the vicinity of the Premises.

The aggregate amount of rent payable under the 2024 Lease Agreement is approximately RMB6.4 million (equivalent to approximately HK\$7.0 million), which will be funded by internal resources of the Group. The unaudited value of the right-of-use assets to be recognised under the 2024 Lease Agreement is approximately RMB6.0 million (equivalent to approximately HK\$6.5 million) in aggregate, which is calculated with reference to the aggregate rent payable and discounted by a discount rate.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 LEASE AGREEMENT

The Group has been leasing the Premises from Changzhou Dongxia pursuant to the 2022 Lease Agreement for its production plant, warehouse, laboratory and administration and management office in the PRC. Following a recent review of the business strategy and development of the Group, the Group has been contemplating to continue to rent the Premises on the basis that the lease renewal will create synergy on the Group's operations of business. The Directors are of the view that it is beneficial for the Group to renew the lease in view of the location of the Premises being suitable to conduct business of the kind for the Group and the saving of relocation costs and the entering into of the 2024 Lease Agreement is in line with the Group's operational and business needs. In addition, the Directors (including the independent non-executive Directors) considered that the rental transactions contemplated under the 2024 Lease Agreement have been entered into in the ordinary course of the Group's business on normal commercial terms, and the terms of the 2024 Lease Agreement (including the rent) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Lessor

Changzhou Dongxia is a company established in the PRC with limited liability on 4 June 2002 and wholly-owned by Mr. Xue. Changzhou Dongxia is principally engaged in real estate property holding.

The Lessee

Yadong (Changzhou) is a company established in the PRC with limited liability on 27 March 2014 and an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in the design, process and sale of textile fabric products.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“ 2022 Lease Agreement ”	the lease agreement entered into between Changzhou Dongxia and Yadong (Changzhou) dated 1 March 2022 in respect of the Premises;
“ 2024 Lease Agreement ”	the lease agreement entered into between Changzhou Dongxia and Yadong (Changzhou) dated 1 December 2023 in respect of the Premises;
“ Board ”	the board of Directors;
“ business day ”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business;
“ Changzhou Dongxia ”	Changzhou Dongxia Real Estate Agency Ltd. (常州市東霞房地產代理有限公司) (formerly known as Changzhou Dongxia Printing & Dyeing Co., Ltd.* (常州市東霞紡織印染有限公司)), a company established in the PRC with limited liability on 4 June 2002 and wholly-owned by Mr. Xue;

“Company”	Yadong Group Holdings Limited (亞東集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 September 2016 and the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1795);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Xue”	Mr. Xue Shidong (薛士東), the chairman of the Board, an executive Director and a Controlling Shareholder;
“PRC”	the People’s Republic of China which, in this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Premises”	factory premises, office buildings, ancillary dormitory buildings and the underlying land located in No. 381, Laodong East Road, Tianning District, Changzhou city, Jiangsu province, the PRC (中國江蘇省常州市天寧區勞動東路381號);
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“sq.m.”	square metre(s);

“**Yadong (Changzhou)**” 亞東(常州)科技有限公司 (Yadong (Changzhou) Science & Technology Co., Ltd.), a company established in the PRC with limited liability on 27 March 2014 and an indirect wholly-owned subsidiary of the Company;

“%” per cent

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

Hong Kong, 12 December 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.