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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)**

## **FURTHER CHANGE IN USE OF PROCEEDS**

References are made to the (i) prospectus of Yadong Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 30 October 2020 (the “**Prospectus**”) in relation to, amongst others, the proposed use of the net proceeds from the Share Offer (the “**Net Proceeds**”); (ii) the announcement of the Company dated 14 January 2022 (the “**Announcement**”) in relation to the change in use of the Net Proceeds; and (iii) the interim report of the Group for the six months ended 30 June 2023 (the “**Interim Report**”) in relation to, amongst others, the utilisation of the Net Proceeds from the Listing Date up to 30 June 2023. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus and the Announcement.

## **PREVIOUS CHANGE IN USE OF NET PROCEEDS**

As disclosed in the Announcement, the unutilised Net Proceeds amounted to approximately HK\$81.9 million as at 14 January 2022 and the Board has resolved to change the use of Net Proceeds by reallocating approximately HK\$32.8 million of the Net Proceeds originally planned for the expansion of production capacity and product coverage by upgrading and improving the Group’s existing production lines and technical capabilities to the acquisition of the Target Company with the Properties. Please refer to the Announcement for a detailed breakdown of the revised use of Net Proceeds.

## **FURTHER CHANGE IN USE OF NET PROCEEDS**

According to the Interim Report, the unutilised Net Proceeds amounted to approximately HK\$22.0 million (the “**Unutilised Net Proceeds**”) as at 30 June 2023. After due and careful consideration of the prevailing business environment and operating needs of the Group, the Board has resolved to further change the use of the Unutilised Net Proceeds by reallocating approximately HK\$22.0 million originally designated for the acquisition of a company with existing production plant in Jiangsu province, the PRC, to (i) approximately HK\$10.3 million for enhancing the Group’s production capacity through the acquisition of production machineries and equipment; and (ii) approximately HK\$11.7 million for the Group’s general corporate purposes and working capital.

Set forth below are details of the revised allocation of the Net Proceeds as disclosed in the Announcement, the amount of the utilised and unutilised Net Proceeds as at the date of this announcement, the further revised allocation of the Unutilised Net Proceeds and the revised timeline for fully utilising the Unutilised Net Proceeds:

	Revised allocation of the Net Proceeds as disclosed in the Announcement <i>HK\$ million</i>	Further revised allocation of the Net Proceeds as disclosed in this announcement <i>HK\$ million</i>	Utilised Net Proceeds up to the date of this announcement <i>HK\$ million</i>	Unutilised Net Proceeds up to the date of this announcement <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 the Group's existing production lines and technical capabilities	18.9	18.9	18.9	—	N/A
(ii) Acquisition of the Target Company with the Properties	32.8	32.8	32.8	—	N/A
(iii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	22.0	—	—	—	N/A
(iv) Acquisition of production machineries and equipment	—	10.3	—	10.3	On or before 30 June 2024
(v) General corporate purposes and working capital	8.2	19.9	8.2	11.7	N/A
<b>Total</b>	<u>81.9</u>	<u>81.9</u>	<u>59.9</u>	<u>22.0</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.

## REASONS FOR FURTHER CHANGE IN USE OF PROCEEDS

As disclosed in the Prospectus, the Group intended to expand its production capacity partly through the acquisition of a company with existing production plant, with annual production capacity of textile fabric products of approximately 10 to 15 million metres, located in Jiangsu province, the PRC (the “**Proposed Acquisition**”). Since the Listing, the Group has continually endeavoured to identify suitable targets for the Proposed Acquisition. Nonetheless, despite the efforts made by the Group, as at the date of this announcement, the Group has yet to identify suitable targets for the Proposed Acquisition, taking into consideration factors including the amount of consideration for the Proposed Acquisition, the scale, location, historical financial performance and production capacity of the identified targets.

In light of the above, the Board has resolved to change the use of the Unutilised Net Proceeds having considered the following factors:

**(a) Increase in demand for the Group’s textile fabric products amid the recovery from the impact of the COVID-19 pandemic**

As disclosed in the Interim Report, the global economy is gradually recovering from the impact of COVID-19 pandemic. The PRC and other nations have reopened their borders and economic activities have begun to return to normal. The retail and sales markets of the major economies have shown signs of revival in the second half of 2023, thereby rejuvenating the consumption industries, which would also benefit the apparel and textile industries.

During the second half of 2023, the Group has recorded an 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 Board considers that there is an imminent need for the Group to further expand its production capacity and enhance its product quality through the acquisition of machineries and equipment with lower energy consumption, thereby allowing the Group to capitalise on more business opportunities in anticipation of additional orders to be placed by customers of the Group as driven by the rebound in retail sales of apparel during the post-pandemic era along with the economic recovery in the PRC and other countries.

Further, the acquisition of machineries and equipment with lower energy consumption adheres to the Group’s commitment to environmental protection by saving energy and reducing emissions and enables the Group to enjoy greater production efficiency and reduce production costs.

**(b) Increasing needs for strengthening the Group’s general working capital**

As mentioned in the Interim Report, global inflation has contributed to higher raw material prices, which led to an increase in production costs. Taking into consideration the increase in demand for the Group’s textile fabric products amid the recovery from the impact of the COVID-19 pandemic as aforementioned and the increase in operating costs resulting therefrom as well as the increase in raw material prices caused by global inflation, the Board believes that it is financially prudent for the Group to maintain additional working capital and strengthen its liquidity management so as to meet its operation needs.

The Board considers that the further change in the use of the Net Proceeds is fair and reasonable, which allows the Group to meet its financial needs more efficiently and flexibly. The Board is of the view that the business development direction of the Group is still in line with the disclosure in the Prospectus in spite of such change in the use of Net Proceeds as stated above. The aforesaid change in the use of the Net Proceeds from the Share Offer is in the interests of the Group and the Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group. The Board will continuously assess the plans for the use of the Net Proceeds and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group.

The Board confirms that, save as disclosed in the Announcement and set out above in this announcement, there are no other changes to the use of the Net Proceeds.

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.*