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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately RMB18.4 million or approximately 1.7% from approximately RMB1,060.2 million for the year ended 31 December 2022 to approximately RMB1,078.6 million for the year ended 31 December 2023.
- Gross profit decreased by approximately RMB4.0 million or approximately 2.8% from approximately RMB142.9 million for the year ended 31 December 2022 to approximately RMB138.9 million for the year ended 31 December 2023.
- Gross profit margin decreased from approximately 13.5% for the year ended 31 December 2022 to approximately 12.9% for the year ended 31 December 2023.
- Profit decreased by approximately RMB15.4 million or approximately 30.8% from approximately RMB49.9 million for the year ended 31 December 2022 to approximately RMB34.5 million for the year ended 31 December 2023.
- Basic and diluted earnings per share was approximately RMB5.76 cents for the year ended 31 December 2023.
- The Board has proposed a final dividend of HK3.0 cents per share in respect of the year ended 31 December 2023, which is subject to the approval of the Shareholders at the AGM.

The board (the “**Board**”) of directors (the “**Directors**”) of Yadong Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the corresponding year ended 31 December 2022. The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in relation to preliminary announcements of annual results which is prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and audited by SHINEWING (HK) CPA Limited, the auditor of the Company. Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise stated, the financial data of the Company are presented in Renminbi (“**RMB**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Revenue	4	1,078,628	1,060,218
Cost of sales		<u>(939,776)</u>	<u>(917,317)</u>
Gross profit		138,852	142,901
Other income	6	4,924	8,282
Selling and distribution expenses		(29,110)	(30,155)
Administrative expenses		(54,965)	(45,757)
Finance costs	7	<u>(15,214)</u>	<u>(11,970)</u>
Profit before tax		44,487	63,301
Income tax expenses	8	<u>(9,953)</u>	<u>(13,370)</u>
Profit for the year	9	<u>34,534</u>	<u>49,931</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>(1,166)</u>	<u>(3,610)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>33,368</u>	<u>46,321</u>
Earnings per share			
Basic and diluted (RMB cents)	11	<u>5.76</u>	<u>8.32</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		2023 (Audited) RMB'000	2022 (Audited) RMB'000
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment		145,930	127,431
Right-of-use assets	12	41,434	51,590
Intangible assets		222	223
Investment properties		46,824	48,351
Deferred tax assets		<u>480</u>	<u>1,191</u>
		<u>234,890</u>	<u>228,786</u>
Current Assets			
Inventories	13	122,312	188,961
Trade and bills receivables	14	274,116	182,104
Prepayments and other receivables	15	22,200	42,001
Time deposits		66,745	65,164
Bank balances and cash		<u>100,238</u>	<u>61,413</u>
		<u>585,611</u>	<u>539,643</u>
Current Liabilities			
Trade and bills payables	16	155,511	139,295
Accruals and other payables	17	44,775	50,410
Contract liabilities	18	2,976	1,663
Income tax payable		9,383	2,145
Amount due to a related company		241	2,310
Lease liabilities	12	1,023	7,584
Borrowings		<u>312,858</u>	<u>288,346</u>
		<u>526,767</u>	<u>491,753</u>
Net current assets		<u>58,844</u>	<u>47,890</u>
Total assets less current liabilities		<u>293,734</u>	<u>276,676</u>

	<i>Notes</i>	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Non-current Liabilities			
Borrowings		507	—
Lease liabilities	<i>12</i>	—	1,019
Deferred tax liabilities		<u>17,012</u>	<u>16,526</u>
		<u>17,519</u>	<u>17,545</u>
Net assets		<u>276,215</u>	<u>259,131</u>
Capital and Reserves			
Share capital		5,035	5,035
Reserves		<u>271,180</u>	<u>254,096</u>
Total Equity		<u>276,215</u>	<u>259,131</u>

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 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 following new and amendments to Hong Kong Financial Reporting Standards (“**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:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS17)	Insurance Contracts
Amendments to HKFRS 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 Reform-Pillar Two Model Rules

Except as disclosed below, the application of the new and 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 consolidated financial statements.

Impact on application of Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and

deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

There was no material impact on the consolidated statement of the Group.

Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)
	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company 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. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the 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 consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

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

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 at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

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:

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Sale of plain weave fabrics	875,010	811,752
Sale of corduroy fabrics	159,476	202,099
Provision of dyeing and processing services	44,142	46,367
	<u>1,078,628</u>	<u>1,060,218</u>

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.

	Revenue from external customers	
	2023 (Audited) RMB'000	2022 (Audited) RMB'000
The PRC	822,986	781,805
Japan	30,976	18,339
Other	224,666	260,074
	<u>1,078,628</u>	<u>1,060,218</u>

Information about major customers

There are no customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2023 and 2022.

6. OTHER INCOME

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Bank interest income	1,176	777
Exchange gain, net	1,319	4,252
Government subsidies (<i>Note i</i>)	733	1,081
Rental income (<i>Note ii</i>)	1,690	—
Reversal of impairment loss on trade and bills receivables	—	2,026
Gain on disposal of Property, Plant and Equipment (“PPE”)	—	145
Sundry income	6	1
	<u>4,924</u>	<u>8,282</u>

Notes:

(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 2023 and 2022.

(ii) An analysis of Group’s net rental income is as follows:

	2023 RMB'000	2022 RMB'000
Gross rental income from investment properties	1,690	—
Less:		
— direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	(491)	—
— direct operating expenses incurred for investment properties that did not generated rental income during the year (included in administrative expenses)	(288)	—
	<u>911</u>	<u>—</u>

7. FINANCE COSTS

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Interests on:		
Borrowings	14,927	11,054
Lease liabilities	287	916
	<u>15,214</u>	<u>11,970</u>

8. INCOME TAX EXPENSES

	2023	2022
	(Audited)	(Audited)
	RMB'000	RMB'000
Current tax:		
Hong Kong Profits Tax	6,220	5,955
PRC Enterprise Income Tax (“EIT”)	2,536	6,320
	<u>8,756</u>	<u>12,275</u>
Deferred tax:		
Current year	1,197	1,095
	<u>9,953</u>	<u>13,370</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) 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 2023 and 2022, 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.
- (iv) A tax concession of 100% was granted to the Group under Hong Kong tax jurisdiction which is subject to a ceiling of HK\$3,000 per company for the year ended 31 December 2023.

9. PROFIT FOR THE YEAR

	2023	2022
	(Audited)	(Audited)
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	3,257	2,889
Salaries, allowances and other benefits (excluding directors' emoluments)	56,801	53,730
Contributions to retirement benefits scheme (excluding directors' emoluments)	8,342	7,707
Total staff costs	68,400	64,326
Auditor's remuneration	1,249	1,142
Amortisation of intangible assets	138	121
Amount of inventories recognised as an expense	877,949	878,210
Loss on write off of property, plant and equipment	—	2,808
Depreciation of property, plant and equipment	15,752	11,053
Depreciation of right-of-use assets	10,165	5,708
Depreciation of investment properties	1,527	1,280
Impairment loss recognised on trade and bills receivables	357	—

10. DIVIDENDS

During the year ended 31 December 2023, a final dividend of HK3.0 (2022: HK3.0) cents per ordinary share, in an aggregate amount of HK\$18,000,000 (equivalent to approximately RMB16,284,000) (2022: HK\$18,000,000 (equivalent to approximately RMB15,459,000)) in respect of the year ended 31 December 2022 and 2021 was declared and paid to the shareholders of the 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 2023 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 2023 and 2022 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.

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	<u>34,534</u>	<u>49,931</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>600,000</u>	<u>600,000</u>

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 2023 and 2022.

12. LEASES

(i) Right-of-use assets

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Land	38,564	40,011
Factory, warehouse and office	130	3,350
Machineries	<u>2,740</u>	<u>8,229</u>
	<u>41,434</u>	<u>51,590</u>

(ii) Lease Liabilities

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Analysed as:		
Current portion	1,023	7,584
Non-current portion	<u>—</u>	<u>1,019</u>
	<u>1,023</u>	<u>8,603</u>

13. INVENTORIES

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Raw materials	33,887	60,095
Work in progress	46,900	51,359
Finished goods	<u>41,525</u>	<u>77,507</u>
	<u>122,312</u>	<u>188,961</u>

14. TRADE AND BILLS RECEIVABLES

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Trade receivables	255,540	144,553
Bills receivables	20,006	38,624
Less: Allowance for impairment of trade and bills receivables	<u>(1,430)</u>	<u>(1,073)</u>
	<u>274,116</u>	<u>182,104</u>

As at 31 December 2023, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB275,546,000 (2022: 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.

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Within 30 days	205,476	99,766
31 to 60 days	51,827	33,024
61 to 90 days	10,441	30,454
91 to 180 days	<u>6,372</u>	<u>18,860</u>
Total	<u>274,116</u>	<u>182,104</u>

15. PREPAYMENTS AND OTHER RECEIVABLES

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Prepayments to suppliers	17,684	31,548
Other tax recoverables	455	9,110
Others	<u>4,061</u>	<u>1,343</u>
	<u>22,200</u>	<u>42,001</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 2023 and 2022.

16. TRADE AND BILLS PAYABLES

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Trade payables	140,461	139,295
Bills payables	<u>15,050</u>	<u>—</u>
	<u>155,511</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.

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Within 30 days	106,959	87,507
31 to 60 days	19,820	15,523
61 to 90 days	9,427	13,320
91 to 180 days	14,407	20,928
181 to 365 days	3,647	1,746
Over 365 days	<u>1,251</u>	<u>271</u>
Total	<u>155,511</u>	<u>139,295</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

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Accrued salaries (<i>Note a</i>)	11,811	11,882
Consideration payable (<i>Note b</i>)	3,003	21,000
Accrued expenses	3,379	3,097
Interest payables	1,200	456
Dividend payable	24,605	13,620
Others	777	355
	<u>44,775</u>	<u>50,410</u>

Notes:

- (a) Accrued salaries included emoluments payable to the Directors amounting to approximately RMB1,222,000 (2022: RMB1,613,000) as at 31 December 2023.
- (b) It included consideration payable of approximately RMB3,003,000 which is due for payment pursuant to the sale and purchase agreement with the vendor of Lion Union. The remaining amounts of RMB3,003,000 will be settled within twelve months after reporting period.

18. CONTRACT LIABILITIES

	2023 (Audited) RMB'000	2022 (Audited) RMB'000
Contract liabilities	<u>2,976</u>	<u>1,663</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2023, as a result of the central government's efforts to strengthen macroeconomic regulation and to stimulate domestic demand, the overall economy in the PRC is recovering from the pandemic in a faster pace. According to the National Bureau of Statistics of China, the gross domestic product of the PRC was RMB126,058.2 billion in 2023, representing a year-on-year increase of 5.2%. The total retail sales of social consumer goods was RMB47,149.5 billion, representing a year-on-year increase of 7.2% while the total retail sales of apparel, footwear, headwear and knitwear was RMB1,409.5 billion, representing a year-on-year increase of 12.9%. Notwithstanding the steady economic recovery in 2023, the uncertainties in the macroeconomic environment, in particular the US-China Trade War, have created challenges to the dyeing and finishing industry in the PRC.

BUSINESS REVIEW

In 2023, despite the challenging business environment, the volume of orders received by the Group from customers remained largely stable. The Group recorded revenue of approximately RMB1,078.6 million for the year ended 31 December 2023, representing an increase of approximately 1.7% as compared to approximately RMB1,060.2 million for the year ended 31 December 2022. The Group's gross profit slightly decreased by approximately 2.8% from approximately RMB142.9 million for the year ended 31 December 2022 to approximately RMB138.9 million for the year ended 31 December 2023. The gross profit margin of the Group slightly decreased from approximately 13.5% for the year ended 31 December 2022 to approximately 12.9% for the year ended 31 December 2023. The Group's profit decreased by approximately RMB15.4 million from approximately RMB49.9 million for the year ended 31 December 2022 to approximately RMB34.5 million for the year ended 31 December 2023.

PROSPECT

Stepping to 2024, although the international environment continues to be uncertain, the overall economic landscape of the PRC is expected to experience a further recovery as a result of the central government's robust initiatives to stimulate the economy and to promote consumer spending, in particular, the Ministry of Commerce has designated the year 2024 as "The Year of Consumption Promotion".

Looking ahead, the Group is positive about its prospects for 2024. In terms of sales, the Group will increase its sales and marketing effort in the PRC with the aim of capitalising on business opportunities arising from the revival of domestic demand and expanding its sales and market share in the PRC market. Apart from seeking more orders from its existing customers, the Group will actively reach out to new customers so as to broaden its customer base.

In terms of production, under the influence of the US-China Trade War, an increasing number of international apparel brands have been focusing their production activities in Southeast Asia countries in recent years. Under such trend, the Group is looking into the feasibility of establishing a presence in Southeast Asia through collaborating with local partners and/or setting up our own production facilities,

which will enable the Group to maintain proximity to the production bases of apparel brand customers and benefit from the geographical advantages thereof, thereby obtaining more orders from branded customers. Besides, with the lower production costs in Southeast Asia compared to the PRC, the profitability of the Group is expected to be improved. The Group will closely monitor the demand from different geographical markets and explore suitable opportunities to expand overseas, in an effort to stimulate our long-term growth.

Going forward, the Group will strive to reduce its operating cost and enhance production efficiency and product quality by installing automation systems in its production process.

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.

CONNECTED TRANSACTION

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 Real Estate Agency Ltd. (常州市東霞房地產代理有限公司), 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. As disclosed in the announcement on 12 December 2023, the Group has entered into the 2024 Lease Agreement with Changzhou Dongxia on 1 December 2023 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.

For details, please refer to the announcements of the Company dated 2 March 2022 and 12 December 2023. Unless otherwise stated, capitalised terms used above shall have the same meanings as defined in the announcements dated 2 March 2022 and 12 December 2023.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately RMB18.4 million or approximately 1.7% from approximately RMB1,060.2 million for the year ended 31 December 2022 to approximately RMB1,078.6 million for the year ended 31 December 2023. Such increase was primarily attributable to increase in production volume of the Group during the year ended 31 December 2023.

Cost of Sales

The cost of sales of the Group increased by approximately RMB22.5 million or approximately 2.4% from approximately RMB917.3 million for the year ended 31 December 2022 to approximately RMB939.8 million for the year ended 31 December 2023. Such increase was primarily attributable to (i) the increase in the cost of materials from approximately RMB726.7 million to approximately RMB729.9 million during the same period, which was in line with the increase in total sales; (ii) the increase in the subcontracting costs from approximately RMB35.0 million to approximately RMB41.0 million during the same period, which was due to a higher demand of subcontracting resulted from the increase in sales; and (iii) the increase in the direct labour cost from approximately RMB38.8 million to approximately RMB40.6 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 RMB4.0 million or approximately 2.8% from approximately RMB142.9 million for the year ended 31 December 2022 to approximately RMB138.9 million for the year ended 31 December 2023. 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 13.5% for the year ended 31 December 2022 to approximately 12.9% for the year ended 31 December 2023. Such decrease was primarily attributable to (i) the decrease in the gross profit of the Group as explained above; and (ii) the 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 decreased from approximately RMB8.3 million for the year ended 31 December 2022 to approximately RMB4.9 million for the year ended 31 December 2023. Such decrease was primarily attributable to (i) the decrease in exchange gain from approximately RMB4.2 million to approximately RMB1.3 million during the same period; and (ii) the decrease in reversal of impairment loss on trade and bills receivables from approximately RMB2.0 million to nil for the corresponding period, which was partially offset by the increase in rental income from nil to approximately RMB1.6 million.

Selling and Distribution Expenses

The selling and distribution expenses of the Group decreased by approximately RMB1.0 million or approximately 3.5% from approximately RMB30.2 million for the year ended 31 December 2022 to approximately RMB29.1 million for the year ended 31 December 2023. Such decrease was primarily attributable to the decrease in consultation expenses on marketing.

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB 45.8 million for the year ended 31 December 2022 to approximately RMB 55.0 million for the year ended 31 December 2023. Such increase was primarily contributed to combining factors, (i) increase in amortization of land from approximately RMB 0.2 million to approximately RMB 1.4 million, (ii) increase in amortization of leasehold improvement from approximately RMB 1.7 million to approximately RMB 3.8 million, (iii) increase in salaries and allowance from approximately RMB 9.6 million to approximately RMB 11.3 million, (iv) increase in consultation expenses on corporate management from approximately RMB 1.4 million to approximately RMB 3.4 million for the corresponding period.

Finance Costs

Finance costs of the Group increased from approximately RMB12.0 million for the year ended 31 December 2022 to approximately RMB15.2 million for the year ended 31 December 2023. 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 RMB13.4 million for year ended 31 December 2022 to approximately RMB10.0 million for the year ended 31 December 2023. Such decrease was primarily attributable to the decrease in the profit before tax from approximately RMB63.3 million for the year ended 31 December 2022 to approximately RMB44.5 million for the year ended 31 December 2023.

Profit

As a result of the foregoing, the profit for the year of the Group decreased by approximately RMB15.4 million or approximately 30.9% from approximately RMB49.9 million for the year ended 31 December 2022 to approximately RMB34.5 million for the year ended 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries, associates or associated companies during the year ended 31 December 2023.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments of approximately RMB0.5 million, which were mainly related to the acquisition of the plant and machinery.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (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 is also exposed to foreign currency risk which 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 2023, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 66.3% (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 31 December 2023, the Group had bank balances and cash of approximately RMB100.2 million (2022: approximately RMB61.4 million). As at 31 December 2023, the current ratio of the Group was approximately 1.1 times (2022: approximately 1.1 times). Such decrease was mainly due to increase in bank borrowings of the Group for the year ended 31 December 2022. 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 has 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. The Company's shares were successfully listed on the Stock Exchange on 18 November 2020. There has been no change in the capital structure of the Group during the year ended 31 December 2023.

CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately RMB313.4 million as at 31 December 2023 (2022: approximately RMB288.3 million).

As at 31 December 2023, the Group's assets amounted to approximately RMB150.3 million was charged (2022: approximately RMB143.0 million) to secure certain banking facilities for the Group.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Buildings	38,048	39,477
Right-of-use assets	38,564	40,011
Investment properties	46,824	48,351
Machineries	<u>26,925</u>	<u>15,144</u>
	<u>150,361</u>	<u>142,983</u>

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 541 full-time employees (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 year ended 31 December 2023, staff costs of the Group amounted to approximately RMB68.4 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 2023, the Group is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

There was no significant event that took place after the year ended 31 December 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**”). Since the change in use of Net Proceeds as disclosed in the announcement dated 14 January 2022 (the “**2022 Announcement**”), the Board has resolved to (a) further change the use of Net Proceeds in the announcement dated 12 December 2023 (the “**2023 Announcement**”) by reallocating approximately HK\$22.0 million (the “**Unutilised Net Proceeds**”) 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; and (b) extend the expected timeline for fully utilising the Unutilised Net Proceeds. The table below sets forth the revised allocation of the Net Proceeds as disclosed in the 2022 Announcement, the further revised allocation as disclosed in the 2023 Announcement and the amount of the utilised Net Proceeds as at 31 December 2023:

	Revised allocation of the Net Proceeds as disclosed in the 2022 Announcement <i>HK\$ million</i>	Further revised allocation of the Net Proceeds as disclosed in the 2023 Announcement <i>HK\$ million</i>	Utilised Net Proceeds as at 31 December 2023 <i>HK\$ million</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
(ii) Acquisition of the Target Company with the Properties	32.8	32.8	32.8
(iii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	22.0	—	—
(iv) Acquisition of production machineries and equipment	—	10.3	10.3
(v) General corporate purposes and working capital	8.2	19.9	19.9
Total	<u>81.9</u>	<u>81.9</u>	<u>81.9</u>

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 the 2023 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.

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.

As of the date of this announcement, the Net Proceeds had been fully utilised.

Please refer to the 2023 Announcement for details of the reasons for the further change in use of Net Proceeds.

DIVIDEND

The Board recommended the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2023. 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 Friday, 28 June 2024 (the “**AGM**”) and the final dividend will be payable on Monday, 19 August 2024 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 9 July 2024.

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on Friday, 28 June 2024. The register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, 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 Monday, 24 June 2024.

The register of members of the Company will also be closed from Friday, 5 July 2024 to Tuesday, 9 July 2024, 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 Thursday, 4 July 2024.

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 C1 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 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 C3 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 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 has reviewed the Group's audited financial results for the year ended 31 December 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 audited consolidated financial statements for the year ended 31 December 2023.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yadongtextile.com). The annual report of the Company for the year ended 31 December 2023 will be disseminated to the Shareholders electronically (or in hard copy upon request) 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, 26 March 2024

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.