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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 2022**

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately RMB100.0 million or approximately 24.4% from approximately RMB409.5 million for the six months ended 30 June 2021 to approximately RMB509.5 million for the six months ended 30 June 2022.
- Gross profit increased by approximately RMB7.0 million or approximately 11.0% from approximately RMB63.5 million for the six months ended 30 June 2021 to approximately RMB70.5 million for the six months ended 30 June 2022.
- Gross profit margin decreased from approximately 15.5% for the six months ended 30 June 2021 to approximately 13.8% for the six months ended 30 June 2022.
- Profit increased by approximately RMB3.6 million or approximately 13.6% from approximately RMB26.5 million for the six months ended 30 June 2021 to approximately RMB30.2 million for the six months ended 30 June 2022.
- Basic earnings per share was approximately RMB4.8 cents for the six months ended 30 June 2022.
- The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2022.

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 2022, together with the comparative unaudited figures for the corresponding period in 2021.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		<i>RMB’000</i>	<i>RMB’000</i>
		(Unaudited)	(Unaudited)
Revenue		509,516	409,508
Cost of sales		<u>(439,041)</u>	<u>(345,972)</u>
Gross profit		70,475	63,536
Other income		2,907	6,407
Selling and distribution expenses		(12,382)	(11,880)
Administrative expenses		(17,331)	(19,723)
Finance costs		<u>(3,674)</u>	<u>(2,713)</u>
Profit before tax		39,995	35,627
Income tax expenses	7	<u>(9,825)</u>	<u>(9,096)</u>
Profit for the period	8	<u>30,170</u>	<u>26,531</u>
Other comprehensive (expense) income for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating a foreign operation		<u>(1,539)</u>	<u>790</u>
Total comprehensive income for the period attributable to owners of the Company		<u>28,631</u>	<u>27,321</u>
Earnings per share			
Basic and diluted (RMB cents)	10	<u>4.77</u>	<u>4.42</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		124,424	120,816
Right-of-use assets		6,228	6,313
Intangible assets		211	344
Earnest money paid		36,000	35,000
Deferred tax assets		835	880
		167,698	163,353
Current Assets			
Inventories		171,720	127,919
Trade and bills receivables	<i>11</i>	288,296	169,393
Prepayments and other receivables	<i>12</i>	5,288	89,724
Amount due from a related company		—	408
Time deposits		17,492	89,833
Bank balances and cash		107,693	32,476
		590,489	509,753
Current Liabilities			
Trade and bills payables	<i>13</i>	170,708	149,646
Accruals and other payables		8,027	41,563
Contract liabilities		139	9,579
Income tax payable		14,193	8,856
Lease liabilities		—	88
Borrowings		291,504	219,985
		484,571	429,717
Net current assets		105,918	80,036
Total assets less current liabilities		273,616	243,389

	As at 30 June 2022	As at 31 December 2021
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current liability		
Deferred tax liabilities	<u>16,716</u>	<u>15,120</u>
	<u>16,716</u>	<u>15,120</u>
Net assets	<u><u>256,900</u></u>	<u><u>228,269</u></u>
Capital and Reserves		
Share capital	5,035	5,035
Reserves	<u>251,865</u>	<u>223,234</u>
Total Equity	<u><u>256,900</u></u>	<u><u>228,269</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 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 2022:

Amendment to HKFRS16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of plain weave fabrics	340,534	261,701
Sales of corduroy fabrics	148,097	130,077
Provision of dyeing and processing services	20,885	17,730
	<u>509,516</u>	<u>409,508</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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The PRC	413,223	276,589
Japan	11,463	45,952
Others	84,830	86,967
	<u>509,516</u>	<u>409,508</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 2022 and 2021.

6. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	634	48
Exchange gain, net	1,885	1,001
Government subsidies (<i>Note i</i>)	271	5,202
Reversal of impairment loss on trade and bills receivables	—	66
Sundry income	117	90
	<u>2,907</u>	<u>6,407</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 2022 and 2021.

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	2,864	3,368
PRC Enterprise Income Tax (“EIT”)	5,320	4,463
	<u>8,184</u>	<u>7,831</u>
Deferred tax		
Current year	1,641	1,265
	<u>9,825</u>	<u>9,096</u>

8. PROFIT FOR THE PERIOD

Six months ended 30 June
2022 2021
RMB'000 **RMB'000**
(Unaudited) **(Unaudited)**

Profit for the period has been arrived at after charging:

Directors' emoluments	970	1,135
Salaries, allowances and other benefits (excluding directors' emoluments)	21,928	19,548
Contributions to retirement benefits scheme (excluding directors' emoluments)	1,342	1,793
	<hr/>	<hr/>
Total staff costs	24,240	22,476
	<hr/> <hr/>	<hr/> <hr/>
Auditor's remuneration	140	140
Amortisation of intangible assets	133	73
Loss on disposal of property, plant and equipment	—	50
Amount of inventories recognised as an expense	358,309	330,479
Depreciation of property, plant and equipment	6,606	3,626
Depreciation of right-of-use assets	85	2,045
	<hr/> <hr/>	<hr/> <hr/>

9. DIVIDENDS

During the six months ended 30 June 2021 and before Listing on the Stock Exchange, the Company declared dividend of RMB12,000,000 to the shareholder, which was settled through the current account with a related company.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this announcement.

During the six months ended 30 June 2021, the Company declared a final dividend in respect of the previous financial year, of HK3.0 cents per share and was approved on 28 June 2021.

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

10. EARNINGS PER SHARE

The calculation of the basic earnings per share during the six months ended 30 June 2022 and 2021 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period attributable to the owners of the Company)	<u>28,631</u>	<u>26,531</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>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2021 has been adjusted for the effect of the capitalisation issue.

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 2022 and 2021.

11. TRADE AND BILLS RECEIVABLES

	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	291,395	138,919
Bills receivables	—	33,573
Less: Impairment	<u>(3,099)</u>	<u>(3,099)</u>
	<u>288,296</u>	<u>169,393</u>

As at 30 June 2022, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB291,395,000 (2021: RMB172,492,000).

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 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 30 days	198,920	115,719
31 to 60 days	61,435	30,814
61 to 90 days	22,994	11,346
91 to 180 days	<u>4,947</u>	<u>11,514</u>
Total	<u>288,296</u>	<u>169,393</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 2022 and 31 December 2021.

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Prepayments	63	83,550
Other tax recoverables	1,168	4,925
Others	<u>4,057</u>	<u>1,249</u>
	<u>5,288</u>	<u>89,724</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 2022 and 31 December 2021.

13. TRADE AND BILLS PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	158,908	146,846
Bills payables	<u>11,800</u>	<u>2,800</u>
	<u>170,708</u>	<u>149,646</u>

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 30 days	108,191	100,360
31 to 60 days	25,726	21,116
61 to 90 days	17,353	7,433
91 to 180 days	14,030	20,267
181 to 365 days	5,210	432
Over 365 days	198	38
Total	<u>170,708</u>	<u>149,646</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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2022, the PRC economy steadily recovered from the continuous impact of the COVID-19 pandemic and the US-China trade war. According to the National Bureau of Statistics of China, the gross domestic product of the PRC reached RMB56,264.2 billion from January to June 2022, representing a year-on-year increase of 2.5%.

Notwithstanding the steady economic recovery in the first half of 2022, the outbreak of COVID-19 variant in various major cities in the PRC from March to May 2022 and uncertainties in the macro-economic environment impaired consumer sentiment and weakened consumer spending. In the first half of the year, the total retail sales of social consumer goods in the PRC was RMB21,043.2 billion, a year-on-year decrease of 0.7%. In particular, the total retail sales of garments, footwear, hats and knitwear from January to June 2022 was RMB6,282 million, a year-on-year decrease of 6.5%. Such decreasing trends have created downward pressure on the demand for the dyeing and finishing industry in the PRC.

BUSINESS OVERVIEW

In the first half of 2022, as the COVID-19 pandemic was generally brought under control in many countries around the globe, economic activities resumed and the overseas apparel market gradually recovered. On the other hand, the retail sales of apparel brands in the PRC market declined along with numerous rounds of haphazard outbreaks of COVID-19 in various PRC cities in the first half of 2022. In light of such circumstances, the Group increased sales and marketing efforts on and explored business opportunities in the overseas market, resulting in more orders received from overseas customers, and the demand from overseas customers remained stable. Meanwhile, the Group has received increasing orders for its new collection of functional fabrics products, which demonstrated the Group's ability in promptly responding to the latest market trends and meeting changing customers' needs.

Despite the challenging business environment, the Group recorded revenue of approximately RMB509.5 million for the six months ended 30 June 2022, representing an increase of approximately 24.4% as compared to approximately RMB409.5 million for the six months ended 30 June 2021, which was mainly attributable to the increase in purchase orders placed by customers of the Group. The Group's gross profit increased by approximately 11.0% from approximately RMB63.5 million for the six months ended 30 June 2021 to approximately RMB70.5 million for the six months ended 30 June 2022. The gross profit margin of the Group decreased from approximately 15.5% for the six months ended 30 June 2021 to approximately 13.8% for the six months ended 30 June 2022. The Group's profit increased by approximately 13.6% from approximately RMB26.5 million for the six months ended 30 June 2021 to approximately RMB30.2 million for the six months ended 30 June 2022.

PROSPECT

Stepping into the second half of 2022, with the effective control of COVID-19 pandemic in the PRC, the PRC economy is expected to recover gradually with stable growth momentum. Consumer activities is anticipated to become more active hence boosting the demand in the apparel and textile industries.

Looking ahead, the Group is positive about its prospects for the second half of 2022. As part of the Group's business strategies, it will further strengthen its product design and development on environmental-friendly textile fabric products in line with the increasing environmental awareness of customers. It is anticipated that cotton fabric products made of more sustainable raw materials will become a growth driver for the textile industry in 2023. As a leading manufacturer of cotton fabric products in the PRC, the Group is committed to seizing the market opportunities and growing with the momentum. The Group will continue to place great emphasis on developing high-quality products, which is conducive to its long-term development.

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

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately RMB100.0 million or approximately 24.4% from approximately RMB409.5 million for the six months ended 30 June 2021 to approximately RMB509.5 million for the six months ended 30 June 2022. Such increase was primarily attributable to the increase in purchase orders placed by customers of the Group.

Cost of Sales

The cost of sales of the Group increased by approximately RMB93.0 million or approximately 26.9% from approximately RMB346.0 million for the six months ended 30 June 2021 to approximately RMB439.0 million for the six months ended 30 June 2022. Such increase was in line with the increase in the revenue during the same period.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by approximately RMB7.0 million or approximately 11.0% from approximately RMB63.5 million for the six months ended 30 June 2021 to approximately RMB70.5 million for the six months ended 30 June 2022. Such increase was primarily attributable to the increase in both the revenue and the cost of sales of the Group as discussed above. The gross profit margin of the Group decreased from approximately 15.5% for the six months ended 30 June 2021 to

approximately 13.8% for the six months ended 30 June 2022. Such decrease was primarily attributable to the increase in cost of sales of the Group mainly due to the increase in utility costs during the same period.

Other Income

Other income of the Group decreased from approximately RMB6.4 million for the six months ended 30 June 2021 to approximately RMB2.9 million for the six months ended 30 June 2022. Such decrease was primarily attributable to the decrease in government subsidies from approximately RMB5.2 million to approximately RMB0.3 million during the same period.

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased from approximately RMB11.9 million for the six months ended 30 June 2021 to approximately RMB12.4 million for the six months ended 30 June 2022. Such increase was primarily attributable to increase in transportation expenses for the six months ended 30 June 2022.

Administrative Expenses

Administrative expenses of the Group decreased from approximately RMB19.7 million for the six months ended 30 June 2021 to approximately RMB17.3 million for the six months ended 30 June 2022. Such decrease was primarily attributable to purchase of management software for an amount of approximately RMB2.8 million for the purpose of enhancement of management level during the six months ended 30 June 2021.

Finance Costs

Finance costs of the Group increased from approximately RMB2.7 million for the six months ended 30 June 2021 to approximately RMB3.7 million for the six months ended 30 June 2022. Such increase was primarily attributable to the increase in the average banking borrowings during the same period.

Income Tax Expenses

Income tax expenses of the Group increased from approximately RMB9.1 million for the six months ended 30 June 2021 to approximately RMB9.8 million for the six months ended 30 June 2022. Such increase was primarily attributable to the increase in the current tax from approximately RMB7.8 million to approximately RMB8.2 million during the same period which was mainly due to the increase in the profit before tax leading to the increase in the taxable profit.

The effective income tax rate of the Group decreased from approximately 25.5% for the six months ended 30 June 2021 to approximately 24.6% for the six months ended 30 June 2022.

Profit

As a result of the foregoing, the profit for the six months ended 30 June 2022 of the Group increased by approximately RMB3.6 million or approximately 13.6% from approximately RMB26.5 million for the six months ended 30 June 2021 to approximately RMB30.2 million for the six months ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 14 January 2022, 亞東(常州)科技有限公司 (Yadong (Changzhou) Science & Technology Co., Ltd.*) (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company and HK Hua Hai Capital Investment Construction Management Limited (香港華海資本投資建設管理有限公司) (the “**Vendor**”) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire equity interest of 雄聯(常州)紡織印染有限公司 (Lion Union (Changzhou) Textile Dyeing Company Limited*) (the “**Target Company**”) at the consideration of RMB80.0 million (the “**Acquisition**”). Completion (“**Completion**”) of the Acquisition is conditional upon fulfilment of the conditions precedent set out in the Equity Transfer Agreement. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. Details of the Acquisition were set out in the announcement of the Company dated 14 January 2022. As at the date of this announcement, the Acquisition has not been completed.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and associated companies by the Group during the six months ended 30 June 2022.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had capital commitments of approximately RMB8.8 million, which were mainly related to the acquisition of the plant and machineries, and the development of the design and research centre.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (30 June 2021: 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.

* *for identification purpose only*

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 2022, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 66.1% (31 December 2021: approximately 66.1%).

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 2022, the Group had bank balances and cash of approximately RMB107.7 million (31 December 2021: approximately RMB32.5 million). As at 30 June 2022, the current ratio of the Group was approximately 1.2 times (31 December 2021: approximately 1.2 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 2022, 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 2022.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group amounted to approximately RMB291.5 million as at 30 June 2022 (31 December 2021: approximately RMB220.0 million).

As at 30 June 2022, the Group's assets amounted to approximately RMB68.6 million was charged (31 December 2021: approximately RMB76.4 million) to secure certain banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 516 full-time employees (31 December 2021: 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 2022, staff costs of the Group amounted to approximately RMB24.2 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 2022 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. An analysis of the utilisation of the revised allocation of the Net Proceeds from the Listing Date (i.e. 18 November 2020) up to 30 June 2022 is set out below:

	Revised allocation of Net Proceeds as disclosed in the UOP Announcement HK\$ million	Approximate actual amount utilised as at 30 June 2022 HK\$ million	Unutilised amount of Net Proceeds as at 30 June 2022 HK\$ million	Expected date to fully utilise the unutilised Net Proceeds (<i>Note</i>)
(i) Expansion of production capacity and product coverage by upgrading and improving our existing production lines and technical capabilities	18.9	18.9	—	N/A
(ii) Acquisition of the Target Company with the Properties	32.8	32.8	—	N/A
(iii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	22.0	—	22.0	By 31 December 2022
(iv) General corporate purposes and working capital	<u>8.2</u>	<u>8.2</u>	<u>—</u>	N/A
	<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.

During the period from the Listing Date to 30 June 2022, the Group has utilised approximately HK\$59.9 million, which is in line with the purposes shown above.

As at 30 June 2022, the unutilised proceeds were placed in interest-bearing deposits with licensed bank.

DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the 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 2022, 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, 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 2022 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 2022. 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) and the Company (www.yadongtextile.com), and the interim report of the Company for the six months ended 30 June 2022 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 2022

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.