



亞東

Yadong Group Holdings Limited

亞東集團控股有限公司

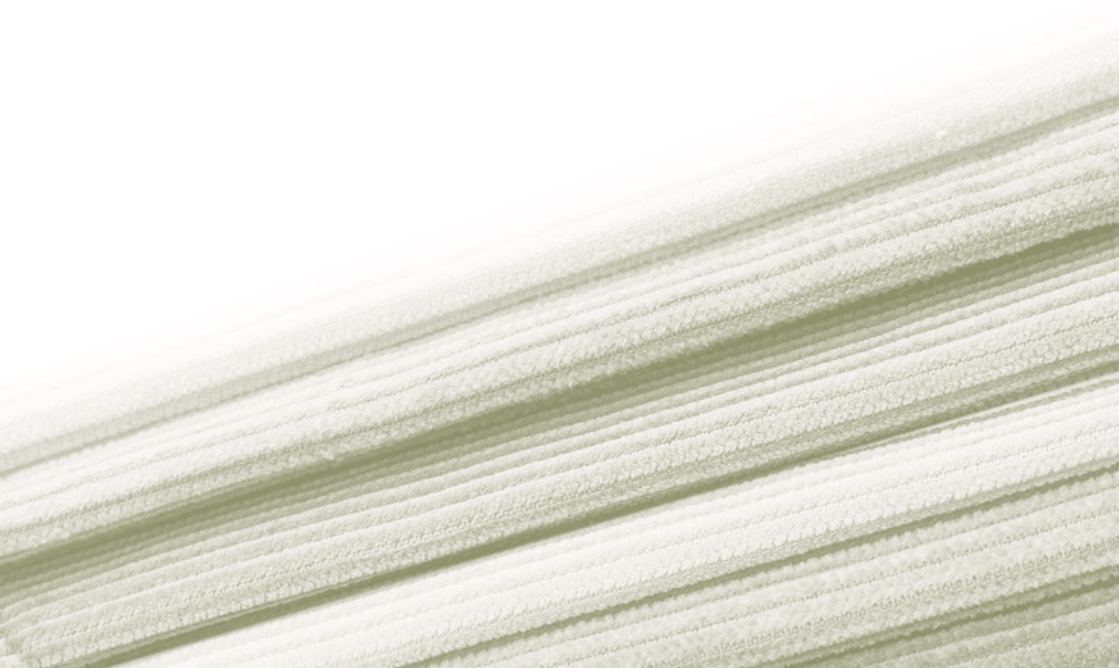
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1795

2024

INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Xue Shidong
(Chairman of the Board)
Mr. Wang Bin
Mr. Xiang Wenbin
Ms. Zhang Yeping
Mr. Jin Rongwei

Independent Non-Executive Directors

Mr. Zhu Qi
Mr. Ho Kin Cheong Kelvin
Mr. Wang Hongliang

Board Committees

Audit Committee

Mr. Ho Kin Cheong Kelvin *(Chairman)*
Mr. Zhu Qi
Mr. Wang Hongliang

Remuneration Committee

Mr. Zhu Qi *(Chairman)*
Mr. Xue Shidong
Mr. Ho Kin Cheong Kelvin

Nomination Committee

Mr. Xue Shidong *(Chairman)*
Mr. Zhu Qi
Mr. Wang Hongliang

Company Secretary

Ms. Li Ching Yi

Authorised Representatives

Mr. Xue Shidong
Ms. Li Ching Yi

Principal Place of Business in The People's Republic of China

No. 381 Laodong East Road
Tianning District, Changzhou
Jiangsu Province
The People's Republic of China

Headquarters and Principal Place of Business in Hong Kong

Unit B, 11/F
Eton Building
288 Des Voeux Road Central
Hong Kong

Registered Office in the Cayman Islands

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
17/F, Chubb Tower
Windsor House
311 Gloucester Road
Causeway Bay
Hong Kong

Legal Adviser

as to Hong Kong laws

David Fong & Co.
Solicitors, Hong Kong
Unit A, 12/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Principal Bank

Jiangnan Rural Commercial Bank

Stock Code

1795

Company Website

www.yadongtextile.com

MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile

Yadong Group Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is principally engaged in the design, process and sale of textile fabric products, which can be categorised into two broad types, namely (i) plain weave fabrics; and (ii) corduroy fabrics. These textile fabric products feature a variety of different colours, patterns, textures and functionalities. The Group sells its textile fabric products mainly to garment manufacturers as well as trading companies for further processing into finished garments for apparel brand operators. These textile fabric products are mainly sold or distributed in the People’s Republic of China (“**PRC**”), Japan and certain other markets in Asia, such as Taiwan, Vietnam, Bangladesh and Indonesia.

Industry Overview

Despite the continuing pressures asserted to the PRC consumer market by various factors such as rising youth unemployment, slower import growth and cooling property investments, the overall PRC economy has stabilised and improved during the first half of 2024. According to the National Bureau of Statistics of China, the GDP at constant price for the first half of 2024 increased by approximately 5.0% compared with the same period in 2023.

As a result of the central government’s robust initiatives to stimulate the economy and to promote consumer spending, domestic demand showed signs of recovery during the first half of 2024. The total retail sales of consumer goods increased by approximately 3.7% compared with the same period in 2023, of which the total retail sales of apparel, footwear, headwear and knitwear increased by approximately 1.3% compared with the same period in 2023.

Business Overview

During the first half of 2024, due to the strong encouragement of consumption by the central government, the increase in demand for the apparel and textiles industries in the PRC led to more orders from customers of the Group.

The Group recorded revenue of approximately RMB481.1 million for the six months ended 30 June 2024, representing an increase of approximately 7.0% as compared to approximately RMB449.6 million for the six months ended 30 June 2023, which was mainly attributable to the increase in purchase orders placed by customers of the Group. The Group's gross profit increased by approximately 18.0% from approximately RMB47.9 million for the six months ended 30 June 2023 to approximately RMB56.5 million for the six months ended 30 June 2024. The gross profit margin of the Group increased from approximately 10.7% for the six months ended 30 June 2023 to approximately 11.7% for the six months ended 30 June 2024. The Group's profit increased by approximately 122.5% from approximately RMB8.0 million for the six months ended 30 June 2023 to approximately RMB17.8 million for the six months ended 30 June 2024.

Prospect

Stepping into the second half of 2024, with the central government's strong promotion of consumer spending, the PRC domestic demand is expected to further improve. Consumer activities are 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 2024. 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 2024. 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 RMB31.5 million or approximately 7.0% from approximately RMB449.6 million for the six months ended 30 June 2023 to approximately RMB481.1 million for the six months ended 30 June 2024. 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 RMB22.9 million or approximately 5.7% from approximately RMB401.7 million for the six months ended 30 June 2023 to approximately RMB424.6 million for the six months ended 30 June 2024. 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 RMB8.6 million or approximately 18.0% from approximately RMB47.9 million for the six months ended 30 June 2023 to approximately RMB56.5 million for the six months ended 30 June 2024. Such increase was primarily attributable to the increase in revenue of the Group as discussed above. The gross profit margin of the Group increased from approximately 10.7% for the six months ended 30 June 2023 to approximately 11.7% for the six months ended 30 June 2024. Such increase was primarily attributable to the decrease in the average purchase price of raw materials for the six months ended 30 June 2024.

Other Income

Other income of the Group increased from approximately RMB2.2 million for the six months ended 30 June 2023 to approximately RMB4.8 million for the six months ended 30 June 2024. Such increase was primarily attributable to the increase in bank interest income from approximately RMB45,000 to approximately RMB1,045,000 during the same period.

Selling and Distribution Expenses

The selling and distribution expenses of the Group decreased from approximately RMB11.3 million for the six months ended 30 June 2023 to approximately RMB10.0 million for the six months ended 30 June 2024. Such decrease was primarily attributable to decrease in travelling, sampling and advertising expenses for the six months ended 30 June 2024.

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB21.1 million for the six months ended 30 June 2023 to approximately RMB24.6 million for the six months ended 30 June 2024. Such increase was primarily attributable to the increase in depreciation of right-of-use assets during the six months ended 30 June 2024.

Finance Costs

Finance costs of the Group decreased from approximately RMB7.1 million for the six months ended 30 June 2023 to approximately RMB5.6 million for the six months ended 30 June 2024. Such decrease was primarily attributable to the decrease in the principal amount and interest of borrowings during the same period.

Income Tax Expenses

Income tax expenses of the Group increased from approximately RMB2.6 million for the six months ended 30 June 2023 to approximately RMB3.3 million for the six months ended 30 June 2024. Such increase was primarily attributable to the increase in the current tax from approximately RMB2.6 million to approximately RMB3.3 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 24.6% for the six months ended 30 June 2023 to approximately 15.6% for the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit

As a result of the foregoing, the profit for the six months ended 30 June 2024 of the Group increased by approximately RMB9.8 million or approximately 122.5% from approximately RMB8.0 million for the six months ended 30 June 2023.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries and associated companies by the Group during the six months ended 30 June 2024.

Capital Commitments

As at 30 June 2024, the Group had capital commitments of approximately RMB0.5 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 2024, the Group did not have any significant contingent liabilities (30 June 2023: nil). The Group is currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

Foreign Exchange Exposure

The Group's major operating subsidiary has foreign currency sales, which expose the Group to foreign currency risk. The Group also exposes to foreign currency risk relates principally to its trade receivables, trade and bills payables, other payables and bank balances denominated in foreign currencies other than the functional currency of the relevant Group entities. Foreign currencies are also used to settle expenses for overseas operations, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Gearing Ratio

As at 30 June 2024, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 59.5% (31 December 2023: 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. The Group's borrowings and cash and cash equivalents are mainly denominated in Renminbi. As at 30 June 2024, the Group had bank balances and cash of approximately RMB65.7 million (31 December 2023: approximately RMB100.2 million). As at 30 June 2024, the current ratio of the Group was approximately 1.2 times (31 December 2023: approximately 1.1 times). The financial resources that are presently available to the Group include bank borrowings, the Directors believe that the Group have sufficient working capital for the future requirements.

As at 1 January 2024, 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 2024.

Debts and Charge on Assets

The total interest-bearing bank borrowings of the Group amounted to approximately RMB267.1 million as at 30 June 2024 (31 December 2023: approximately RMB313.4 million).

As at 30 June 2024, the Group's assets amounted to approximately RMB132.3 million was charged (31 December 2023: approximately RMB150.4 million) to secure certain banking facilities for the Group.

Significant Investments Held

Since the end of 2023, the Group has been actively communicating with representatives of the government of Tianning District, Changzhou, intelligent industry operators and leading technology enterprises (including Zhongzhong Smart Industrial Park, Yingzhi Future (an authorized partner of NVIDIA NPN), Shengcan Technology (a post-investment member of Tencent) and Tencent Cloud) on matters relating to the ecosystem of the artificial intelligence industry and investment cooperation in industrial parks. After consultation and discussion, all parties conducted in-depth discussions on the direction of government-enterprise cooperation in artificial intelligence public services in Tianning District, Changzhou and reached a preliminary consensus on some proposed cooperation directions.

For details, please refer to the announcement of the Company dated 9 February 2024.

Save as disclosed above, except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 30 June 2024.

In the future, the Group will continue to identify new opportunities for business development. As at 30 June 2024, the Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other future plans relating to material acquisitions, investments or capital asset. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

Employees and Remuneration Policies

As at 30 June 2024, the Group had a total of 560 full-time employees (31 December 2023: 541). 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 2024, staff costs of the Group amounted to approximately RMB35.0 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 the PRC, 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 six months ended 30 June 2024, the Group is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

Subsequent Event After Reporting Period

As at the date of this interim report, the Group has no significant event occurred after the six months ended 30 June 2024 which require additional disclosures or adjustments.

MANAGEMENT DISCUSSION AND ANALYSIS

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 annual results announcement of the Company for the year ended 31 December 2023, the Net Proceeds had been fully utilised.

Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 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 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 2024, 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 six months ended 30 June 2024.

The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

OTHER INFORMATION

Change in Directors' and the Senior Management's Information

There is no change in the information of the Directors and senior management of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

On 7 June 2024, as part of family wealth planning arrangement, Mr. Xue Shidong, the chairman and executive director of the Company transferred his entire shareholding interests in Oriental Ever Holdings Limited, a controlling shareholder of the Company to his son, Mr. Xue Liang, at a nominal consideration (the "**Share Transfer**"). Immediately prior to the Share Transfer, Mr. Xue Shidong was the sole director and sole shareholder of Oriental Ever Holdings Limited, which in turn held 450,000,000 Shares, representing 75% of the total issued share capital of the Company. Immediately upon completion of the Share Transfer, Mr. Xue Liang is deemed to be interested in 450,000,000 Shares, representing 75% of the total issued share capital of the Company, in place of Mr. Xue Shidong.

For details of the Share Transfer, please refer to the announcement of the Company dated 7 June 2024.

As at 30 June 2024, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2024, to the best knowledge of the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/ underlying Shares held ⁽¹⁾	Approximate percentage of shareholding interest in the Company (%) ⁽¹⁾
Oriental Ever Holdings Limited	Beneficial interest	450,000,000 (L)	75%
Mr. Xue Liang	Interest in a controlled corporation ⁽²⁾	450,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Oriental Ever Holdings Limited, which is owned as to 100% by Mr. Xue Liang, directly held 450,000,000 Shares. By virtue of the SFO, Mr. Xue Liang was deemed to have an interest in the Shares held by Oriental Ever Holdings Limited.

Save as disclosed above, as at 30 June 2024, the Company had not been notified by any other persons (other than the Directors) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION

Share Option Scheme

The Company has adopted the share option scheme on 21 October 2020 (the “**Share Option Scheme**”). No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and up to the date of this interim report.

Directors’ Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2024, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Purchase, Sale or Redemption of Listed Securities or Sale of Treasury Shares

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities or sold any treasury Shares (as defined under the Listing Rules). As at 30 June 2024, the Company did not hold any treasury Shares (as defined under the Listing Rules).

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 2024 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 2024. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

On behalf of the Board

Mr. XUE Shidong

Chairman of the Board

Hong Kong, 28 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	481,054	449,603
Cost of sales		(424,554)	(401,670)
Gross profit		56,500	47,933
Other income	6	4,776	2,219
Selling and distribution expenses		(9,966)	(11,262)
Administrative expenses		(24,560)	(21,128)
Finance costs	7	(5,635)	(7,127)
Profit before tax		21,115	10,635
Income tax expenses	8	(3,286)	(2,617)
Profit for the period	9	17,829	8,018
Other comprehensive expense for the period: <i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating a foreign operation		(1,741)	(2,453)
Total comprehensive income for the period attributable to owners of the Company		16,088	5,565
Earnings per share			
Basic and diluted (RMB cents)	11	2.97	1.34

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	12	150,075	145,930
Right-of-use assets		42,555	41,434
Intangible assets		164	222
Investment properties		46,057	46,824
Deferred tax assets		480	480
		239,331	234,890
Current Assets			
Inventories		120,036	122,312
Trade and bills receivables	13	267,500	274,116
Prepayments and other receivables	14	10,060	22,200
Time deposits	16	19,218	66,745
Amounts due from a related company	15	265	—
Bank balances and cash		65,738	100,238
		482,817	585,611
Current Liabilities			
Trade and bills payables	17	118,934	155,511
Accruals and other payables		9,495	44,775
Contract liabilities	18	4,426	2,976
Income tax payable		9,687	9,383
Amounts due to a related company	15	—	241
Lease liabilities		3,157	1,023
Borrowings	19	267,134	312,858
		412,833	526,767
Net current assets		69,984	58,844
Total assets less current liabilities		309,315	293,734

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at 30 June 2024

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current Liabilities		
Borrowings	—	507
Deferred tax liabilities	17,012	17,012
	17,012	17,519
Net assets	292,303	276,215
Capital and Reserves		
Share capital	5,035	5,035
Reserves	287,268	271,180
Total Equity	292,303	276,215

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company						
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024 (Audited)	5,035	41,670	(4,313)	(3,698)	20,320	217,201	276,215
Profit for the period	—	—	—	—	—	17,829	17,829
Exchange difference arising on translating a foreign operation	—	—	—	(1,741)	—	—	(1,741)
Total comprehensive income for the period	—	—	—	(1,741)	—	17,829	16,088
Appropriation to statutory reserve	—	—	—	—	120	(120)	—
At 30 June 2024 (Unaudited)	5,035	41,670	(4,313)	(5,439)	20,440	234,910	292,303
At 1 January 2023 (Audited)	5,035	57,954	(4,313)	(2,532)	19,592	183,395	259,131
Profit for the period	—	—	—	—	—	8,018	8,018
Exchange difference arising on translating a foreign operation	—	—	—	(2,453)	—	—	(2,453)
Total comprehensive income for the period	—	—	—	(2,453)	—	8,018	5,565
Appropriation to statutory reserve	—	—	—	—	—	—	—
At 30 June 2023 (Unaudited)	5,035	57,954	(4,313)	(4,985)	19,592	191,413	264,696

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	10,182	(11,414)
INVESTING ACTIVITIES		
Placement in deposits	(19,218)	(66,001)
Payments for purchase of property, plant and equipment ("PPE")	(14,403)	(12,710)
Advances to a related company	(241)	(2,310)
Payments for purchase of intangible assets	—	(137)
Interest received	1,045	45
Withdrawal of deposits	66,745	65,164
NET CASH FROM (USED IN) INVESTING ACTIVITIES	33,928	(15,949)
FINANCING ACTIVITIES		
New borrowings raised	267,134	299,216
Government subsidies received	77	80
Payments of lease liabilities	(4,113)	(2,390)
Interest paid	(5,575)	(7,067)
Dividend paid	(21,027)	—
Repayments of borrowings	(313,365)	(288,346)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(76,869)	1,493
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,759)	(25,870)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	100,238	61,413
Effect of foreign exchange rate changes	(1,741)	(2,453)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	65,738	33,090

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2023 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

2. Basis of Preparation

The condensed consolidated financial statements of the Group for the six months ended 30 June 2024 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 D2 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.

These condensed consolidated financial statements should be read in conjunction with the 2023 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023.

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 2024:

Amendments to HKFRS 16
Amendments to HKAS 1

Lease Liability in a Sale and Leaseback
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

Amendments to HKAS 1
Amendments to HKAS 7 and HKFRS 7

Non-current Liabilities with Covenants
Supplier Finance Arrangement

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For the six months ended 30 June 2024

3. Principal Accounting Policies (Continued)

The application of the new and amendments to HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. Revenue

Revenue represents the amounts received and receivable arising from sales of fabric products and provision of dyeing and processing services, net of sales related taxes for the period. The Group's revenue is recognised at a point in time. An analysis of the Group's revenue disaggregated by major products or service lines is as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Sales of plain weave fabrics	361,600	321,566
Sales of corduroy fabrics	99,231	107,782
Provision of dyeing and processing services	20,223	20,255
	481,054	449,603

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.

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5. Segment Information (Continued)

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	340,688	428,865
Japan	17,643	7,985
Others	122,723	12,753
	481,054	449,603

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 2024 and 2023.

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For the six months ended 30 June 2024

6. Other Income

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Bank interest income	1,045	45
Exchange gain, net	2,396	1,627
Government subsidies (Note i)	77	80
Rental income	1,192	315
Sundry income	66	152
	4,776	2,219

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 2024 and 2023.

7. Finance Costs

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interests on:		
Borrowings	5,553	6,151
Lease liabilities	82	656
Guarantee fees	—	320
	5,635	7,127

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For the six months ended 30 June 2024

8. Income Tax Expenses

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	3,286	2,617
PRC Enterprise Income Tax ("EIT")	—	—
	3,286	2,617
Deferred tax		
Current year	—	—
	3,286	2,617

8. Income Tax Expenses (Continued)

- (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) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. 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 six months ended 30 June 2024 and 2023, 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. (“Yadong (Changzhou)”), 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 (six months ended 30 June 2023: HK\$6,000) per company for the six months ended 30 June 2024.

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9. Profit for the Period

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging :		
Directors' emoluments	1,269	1,292
Salaries, allowances and other benefits (excluding directors' emoluments)	29,306	24,169
Contributions to retirement benefits scheme (excluding directors' emoluments)	4,431	4,190
Total staff costs	35,006	29,651
Auditor's remuneration	149	149
Amortisation of intangible assets	58	69
Amount of inventories recognised as an expense	394,911	381,989
Depreciation of property, plant and equipment	9,765	4,819
Depreciation of investment properties	767	767
Depreciation of right-of-use assets	5,126	5,064

10. Dividends

No interim dividend has been declared in respect of the six months ended 30 June 2024 and 2023.

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For the six months ended 30 June 2024

11. Earnings Per Share

The calculation of the basic earnings per share during the six months ended 30 June 2024 and 2023 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period attributable to the owners of the Company)	17,829	8,018
Weighted average number of ordinary shares for the purpose of basic earnings per share	'000 600,000	'000 600,000

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 six months ended 30 June 2024 and 2023.

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For the six months ended 30 June 2024

12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2024, the Group has addition of property, plant and equipment of approximately RMB12,710,000 (six months ended 30 June 2023: RMB10,214,000).

13. Trade and Bills Receivables

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	255,418	255,540
Bills receivables	13,512	20,006
Less: Impairment	(1,430)	(1,430)
	267,500	274,116

As at 30 June 2024, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB268,930,000 (2023: RMB275,546,000).

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13. Trade and Bills Receivables (Continued)

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 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 30 days	217,793	205,476
31 to 60 days	44,242	51,827
61 to 90 days	2,291	10,441
91 to 180 days	3,174	6,372
Total	267,500	274,116

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 grouped based on shared credit risk characteristics as at 30 June 2024 and 31 December 2023.

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13. Trade and Bills Receivables (Continued)

Impairment assessment on trade and bills receivables subject to ECL model

The Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECL. The ECL on trade and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due ageing status is not further distinguished between the Group's different customer bases.

There has been no change in the estimation techniques or significant assumption made during the six months ended 30 June 2024 and year ended 31 December 2023.

The movement in the impairment losses of trade and bills receivables during the six months ended 30 June 2024 and year ended 31 December 2023 is as follows:

	Impairment loss allowance RMB'000
Balance as at 1 January 2023 (Audited)	1,073
Impairment loss recognised	357
Balance as at 31 December 2023 (Audited)	1,430
Impairment loss recognised	—
Balance as at 30 June 2024 (Unaudited)	1,430

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For the six months ended 30 June 2024

14. Prepayments and Other Receivables

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Prepayments	7,971	17,684
Other tax recoverables	302	455
Others	1,787	4,061
	10,060	22,200

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 2024 and 31 December 2023.

15. Amount Due from (to) a Related Company

The amount due from (to) a related company is unsecured, non-interest bearing, repayable on demand and non-trade in nature.

16. Time Deposits

As at 30 June 2024, the Group had fixed-term time deposits in banks in the PRC with maturities of one year. The deposits carry fixed interests rate at 0.35% to 2.10% (31 December 2023: 0.35% to 2.10%) per annum.

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17. Trade and Bills Payables

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	115,834	140,461
Bills payables	3,100	15,050
	118,934	155,511

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 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 30 days	84,342	106,959
31 to 60 days	23,156	19,820
61 to 90 days	4,548	9,427
91 to 180 days	1,705	14,407
181 to 365 days	3,688	3,647
Over 365 days	1,495	1,251
Total	118,934	155,511

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.

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For the six months ended 30 June 2024

18. Contract Liabilities

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Contract liabilities	4,426	2,976

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

19. Movements in Borrowings

During the current interim period, the Group raised borrowings of approximately RMB267,134,000 (six months ended 30 June 2023: approximately RMB299,216,000) and repaid borrowings of approximately RMB313,365,000 (six months ended 30 June 2023: approximately RMB288,346,000).

The weighted average effective interest rate of borrowings for the six months ended 30 June 2024 was 4.1% per annum (six months ended 30 June 2023: 4.2% per annum).

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For the six months ended 30 June 2024

20. Pledge of Assets

At 30 June 2024 and 31 December 2023, the Group had pledged the following assets to secure banking facilities granted to the Group:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Building	37,337	38,048
Machineries	11,108	26,925
Right-of-use assets	37,837	38,564
Investment properties	46,057	46,824
	132,339	150,361

21. Share-Based Payment Transactions

Share-option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") upon Listing. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The maximum number of unexercised share options issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from 21 October 2020 (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) (the "Adoption Date") must not in aggregate exceed 10% of all the shares in issue as at the Listing. Therefore, it is expected that the Company may grant options in respect of up to 60,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 60,000,000 shares from time to time) to the participants under the Share Option Scheme.

21. Share-Based Payment Transactions (Continued)

Share-option scheme (Continued)

Share options granted to a Director, chief executive or substantial shareholder (or any of their respective close associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option). In addition, any grant of share options to a substantial shareholder or an independent non-executive Director (or any of their respective close associates), in excess of 0.1% of the shares of the Company in issue on the date of offer with an aggregate value (based on the closing price of the Company's shares quoted on the Stock Exchange at the date of grant) in excess of HK\$5 million made within any 12-month period from the date of grant (inclusive) would be subject to shareholders' approval in a general meeting.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option of the Company. During the six months ended 30 June 2024, no options were granted under the Share Option Scheme.

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For the six months ended 30 June 2024

22. Related Party Transactions

- (a) Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following balances with related parties during the six months ended 30 June 2024 and year ended 31 December 2023:

Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Amount due from (to) a related party		
Changzhou Dongxia Real Estate Agency Ltd. (常州市東霞房地產代理有限公司) (“Dongxia”) (i), (ii)	265	(241)
Maximum amount outstanding during the period/year		
Dongxia	265	2,310

Notes:

- (i) The balances are unsecured, interest free, repayable on demand and non-trade in nature.
- (ii) Dongxia is a related company incorporated in the PRC and is beneficially owned by Mr. Xue Shidong, the Controlling Shareholder of the Company.

22. Related Party Transactions (Continued)

(b) Compensation of key management personnel

The emoluments of the directors of the Company and other members of key management during the six months ended 30 June 2024 and 2023 were as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 30 June 2023 RMB'000 (Unaudited)
Short-term benefits	1,996	1,735
Post-employment benefits	90	127
	2,086	1,862

The emoluments of key management personnel are determined by the remuneration committee having regard to the performance of the individuals and market trends.

(c) Right-of-use assets

Certain right-of-use assets are leased from a related company. For the six months ended 30 June 2024, the amount of rent payable by the Group under the lease is RMB3,200,000 (2023: nil).

As at 30 June 2024, the carrying amount of the related lease liabilities was RMB3,123,000 (2023: nil).

(d) Guarantee

Certain of the Group's banking facilities were granted from pledged assets or guarantees given by the related party.

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23. Capital Commitments

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment and construction in progress contracted for but not provided in the condensed consolidated financial statements	533	533