



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 REPORT  
2021**

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# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Mr. Xue Shidong  
*(Chairman of the Board)*  
Mr. Wang Bin  
Mr. Qiu Jianyu  
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. Chou Kwai Wah

## Authorised Representatives

Mr. Qiu Jianyu  
Ms. Chou Kwai Wah

## 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

## CORPORATE INFORMATION

### 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

### Compliance Adviser

Fortune Financial Capital Limited  
Unit No. 4102–06, 41/F, Cosco Tower  
183 Queen's Road Central  
Central  
Hong Kong

### Auditor

SHINEWING (HK) CPA Limited  
*Certified Public Accountants*  
43/F., Lee Garden One  
33 Hysan Avenue  
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](http://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

The overall market value of the dyeing and finishing industry in the PRC is expected to increase in 2021, given that the COVID-19 pandemic is under control, and a recovery in retail market has been taking place in the domestic market in the PRC since last year. According to the statistics published by the National Bureau of Statistics of China, the total retail sales of social consumer goods reached RMB21,190.4 billion from January to June 2021, a year-on-year increase of 23.0%. The retail market of apparel (garments, footwear, hats, knitwear) in the PRC also witnessed a recovery, with the retail sales reaching approximately RMB673.8 billion during the period from January to June 2021, a year-on-year increase of 33.7%. It is expected that the market value of the dyeing and finishing industry in the PRC is recovering with a more positive outlook in 2021 and 2022, supported by the substantial domestic demand and the continued maturation and accelerated shift to the online retail channels across the world.

### Business Overview

2021 marks the milestone victory of the global fighting against the COVID-19 pandemic. Attributed to the high attention of the government and the concerted efforts in fighting against the pandemic nationwide, the pandemic has been under prior control since the mid 2020. As for the Group, the management team has adjusted the operating strategies promptly since the middle of the last year. The Group attaches great importance to both domestic and international market share by proactively collecting market information and selectively enhancing development efforts, while actively optimising the process solutions and eliminating the outdated production capacity for technological innovation and upgrade, so as to maximise the production capacity.

For the six months ended 30 June 2021, the Group recorded revenue and profit of approximately RMB409.5 million and approximately RMB26.5 million, representing an increase of approximately 27.4% and 63.6% from the six months ended 30 June 2020, respectively, which was mainly attributable to the market recovery during the six months ended 30 June 2021 due to the containment of COVID-19 pandemic.

Meanwhile, the Group attaches great importance to investment in the research and development of new technologies to satisfy the market needs. For the six months ended 30 June 2021, the Group had received recognition and numerous awards. For example:

- Certified by UNIQLO CO., LTD. as 2021 Trustworthy Business Partner and authorised to produce products bearing the UNIQLO trademark
- “Demonstration Enterprises of Changzhou” (常州市示範智能車間) by Jiangsu Provincial Department of Industry and Information Technology
- “Industrial Internet Demonstration Projects of Jiangsu Province-Star Cloud Enterprises” (江蘇省工業互聯網示範工程—星級上雲企業) by Jiangsu Provincial Department of Industry and Information Technology

## MANAGEMENT DISCUSSION AND ANALYSIS

- “Top 30 Enterprises of China’s Dyeing & Printing Industry in 2021” (2021年度中國印染行業30強企業) by China Dyeing and Printing Association (中國印染行業協會)
- “2020 Advanced Group Award” (2020年度先進集體獎) by Changzhou Textile Engineering Society (常州市紡織工程學會)

The adjustment of environmental policies and government’s develop strategies bring new opportunities as well as challenges to the Group, and the Group will try to seek emerging investment opportunities while remaining the healthy and stable development of its original business. The Group will assume more corporate social responsibilities in the interests of shareholders of the Company (the “**Shareholders**”) so as to make more contributions to national development and social progress.

### Prospect

2021 is a milestone victory for the control of the COVID-19 pandemic under the accelerated supply of vaccines. The global economy has gradually picked up, and the consumer activities become more active, resulting in a stable and upward demand in the textile industry. The Group will continue to focus on enhancing quality and efficiency, primarily implementing structural reform of the supply front, emphasising the “three qualities strategy (三品戰略)” (namely, increasing variety “品種”, improving quality “品質” and creating brand “品牌”), so as to strengthen industrial innovation, optimise industrial structure, implement intelligent manufacturing and green manufacturing, establish new momentum for development, create new competitive advantages and promote enterprises to explore a new scenario.

The Group will continue to commit to increasing the market share as well as exploring new opportunities and addressing new challenges, and strive to expand the production capacity in line with the established mid- to long-term goals to accommodate the core customer groups which will grow rapidly in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### Revenue

The revenue of the Group increased by approximately RMB88.1 million or approximately 27.4% from approximately RMB321.4 million for the six months ended 30 June 2020 to approximately RMB409.5 million for the six months ended 30 June 2021. Such increase was primarily attributable to the market recovery during the six months ended 30 June 2021 due to the containment of COVID-19 pandemic.

#### Cost of Sales

The cost of sales of the Group increased by approximately RMB75.6 million or approximately 28.0% from approximately RMB270.4 million for the six months ended 30 June 2020 to approximately RMB346.0 million for the six months ended 30 June 2021. 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 RMB12.5 million or approximately 24.5% from approximately RMB51.0 million for the six months ended 30 June 2020 to approximately RMB63.5 million for the six months ended 30 June 2021. 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 15.9% for the six months ended 30 June 2020 to approximately 15.5% for the six months ended 30 June 2021. Such decrease was primarily attributable to the fluctuation of raw materials leading to the decrease in the gross profit.

#### Other Income

Other income of the Group increased from approximately RMB2.2 million for the six months ended 30 June 2020 to approximately RMB6.4 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in government subsidies from approximately RMB0.3 million to approximately RMB5.2 million during the same period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Selling and Distribution Expenses

The selling and distribution expenses of the Group increased from approximately RMB8.7 million for the six months ended 30 June 2020 to approximately RMB11.9 million for the six months ended 30 June 2021. Such increase was primarily attributable to the significant increase in the transportation expenses for the six months ended 30 June 2021.

### Administrative Expenses

Administrative expenses of the Group increased from approximately RMB17.7 million for the six months ended 30 June 2020 to approximately RMB19.7 million for the six months ended 30 June 2021. Such increase was primarily attributable to purchase of management software for an amount of approximately RMB2.8 million for the purpose of enhancement of management level.

### Finance Costs

Finance costs of the Group increased from approximately RMB2.5 million for the six months ended 30 June 2020 to approximately RMB2.7 million for the six months ended 30 June 2021. 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 RMB8.1 million for the six months ended 30 June 2020 to approximately RMB9.1 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in the current tax from approximately RMB6.4 million to approximately RMB7.8 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 33.3% for the six months ended 30 June 2020 to approximately 25.5% for the six months ended 30 June 2021, which was primarily attributable to the listing expenses of approximately RMB6.9 million incurred in 2020 that could not be offset.

### Profit

As a result of the foregoing, the profit for the six months ended 30 June 2021 of the Group increased by approximately RMB10.3 million or approximately 63.6% from approximately RMB16.2 million for the six months ended 30 June 2020 to approximately RMB26.5 million for the six months ended 30 June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Material Acquisitions and Disposal of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2021.

### Capital Commitments

As at 30 June 2021, the Group had capital commitments of approximately RMB15.9 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 2021, the Group did not have any significant contingent liabilities (30 June 2020: 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gearing Ratio

As at 30 June 2021, the gearing ratio of the Group (defined as borrowings and lease liabilities divided by total equity and multiplied by 100%) was approximately 81.1% (31 December 2020: approximately 46.7%). Such increase was mainly due to the increase in borrowings of the Group.

### 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 2021, the Group had bank balances and cash of approximately RMB52.9 million (31 December 2020: approximately RMB129.2 million). As at 30 June 2021, the current ratio of the Group was approximately 1.4 times (31 December 2020: approximately 1.4 times). The financial resources are presently available to the Group including bank borrowings and the net proceeds from the listing (the “**Listing**”) of the Company’s shares (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the directors of the Company (the “**Directors**”) believe that the Group have sufficient working capital for the future requirements.

As at 1 January 2021, 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 2021.

### Debts and Charge on Assets

The total interest-bearing bank borrowings of the Group amounted to approximately RMB178.3 million as at 30 June 2021 (31 December 2020: approximately RMB95.6 million).

As at 30 June 2021, the Group’s assets amounted to approximately RMB28.4 million was charged (31 December 2020: approximately RMB30.4 million) to secure certain banking facilities for the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Significant Investments Held

Except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 30 June 2021.

### Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 493 full-time employees (31 December 2020: 472). 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 2021, staff costs of the Group amounted to approximately RMB22.5 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 2021, 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 2021 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**”). The Net Proceeds are intended to be applied in accordance with the proposed application set out in the “Future plans and use of proceeds” in the Prospectus. The below table sets out the proposed application and actual usage of the Net Proceeds as at 30 June 2021:

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net Proceeds	Amount of Net Proceeds utilised up to 30 June 2021	Balance of	Intended timetable for use of the unutilised Net Proceeds
				Net Proceeds unutilised as at 30 June 2021	
(i) Expansion of production capacity and product coverage by upgrading and improving the existing production lines and technical capabilities	HK\$51.7 million	63.1%	—	HK\$51.7 million	By 31 December 2021
(ii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	HK\$22.0 million	26.9%	—	HK\$22.0 million	By 31 December 2021
(iii) General corporate purposes and working capital	HK\$8.2 million	10%	—	HK\$8.2 million	By 31 December 2021

Up to the date of this interim report, the Net Proceeds had not yet been utilised. The Group will utilise the Net Proceeds in accordance with the intended purposes as set out in the Prospectus. As at 30 June 2021, save as disclosed in the Prospectus, the Group did not have other future plans for material investments and capital assets.

### Dividend

The board of the Directors (the “**Board**”) has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2021.

## OTHER INFORMATION

### 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 2021, except for deviation from code provision A.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

### Chairman and Chief Executive Officer

Code provision A.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 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 2021.

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 the senior management 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

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which had been 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 recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares/underlying Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the interest in the Company (%) <sup>(1)</sup>
Mr. Xue Shidong	Interest in a controlled corporation <sup>(2)</sup>	450,000,000 (L)	75%

## OTHER INFORMATION

### Interests in associated corporation of the Company

<b>Name of Director</b>	<b>Associated Corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares held/ interested</b>	<b>Percentage of shareholding</b>
Mr. Xue Shidong	Oriental Ever Holdings Limited	Beneficial interest	1	100%

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 Shidong, directly held 450,000,000 Shares. By virtue of the SFO, Mr. Xue Shidong was deemed to have an interest in the Shares held by Oriental Ever Holdings Limited.

Save as disclosed above, as at 30 June 2021, 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.



## OTHER INFORMATION

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

As at 30 June 2021, 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 <sup>(1)</sup>	Approximate percentage of shareholding interest in the Company (%) <sup>(1)</sup>
Oriental Ever Holdings Limited	Beneficial interest	450,000,000 (L)	75%
Ms. Hu Beixia	Interest of spouse <sup>(2)</sup>	450,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Ms. Hu Beixia is the spouse of Mr. Xue Shidong. By virtue of the SFO, Ms. Hu Beixia is deemed to be interested in all the Shares held by Mr. Xue Shidong.

Save as disclosed above, as at 30 June 2021, 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.

#### 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.

## OTHER INFORMATION

### 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 2021, 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

During the six months ended 30 June 2021, 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 2021 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 2021. 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*

PRC, 27 August 2021

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

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	409,508	321,433
Cost of sales		(345,972)	(270,448)
Gross profit		63,536	50,985
Other income	6	6,407	2,219
Selling and distribution expenses		(11,880)	(8,661)
Administrative expenses		(19,723)	(17,716)
Finance costs	7	(2,713)	(2,475)
Profit before tax		35,627	24,352
Income tax expenses	8	(9,096)	(8,115)
Profit for the period	9	26,531	16,237
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		790	(1,269)
Total comprehensive income for the period attributable to owners of the Company		27,321	14,968
Earnings per share			
Basic and diluted (RMB cents)	11	4.42	3.61

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment	12	82,149	73,170
Right-of-use assets		9,482	11,530
Intangible assets		405	415
Deposits paid for acquisition of property, plant and equipment		10,946	9,050
Deferred tax assets		151	183
		<b>103,133</b>	94,348
<b>Current Assets</b>			
Inventories		111,546	74,250
Trade and bills receivables	13	183,948	248,364
Prepayments and other receivables	14	55,449	18,853
Amount due from a related company	15	1,783	65
Time deposits	16	91,438	—
Bank balances and cash		52,893	129,233
		<b>497,057</b>	470,765
<b>Current Liabilities</b>			
Trade and bills payables	17	139,787	199,102
Accruals and other payables		20,239	34,873
Contract liabilities	18	1,482	1,467
Dividend payable		14,963	—
Income tax payable		9,330	10,729
Lease liabilities		924	898
Borrowings	19	178,300	95,590
		<b>365,025</b>	342,659
<b>Net current assets</b>		<b>132,032</b>	128,106
<b>Total assets less current liabilities</b>		<b>235,165</b>	222,454

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
<b>Non-current Liabilities</b>		
Lease liabilities	—	864
Deferred tax liabilities	<b>14,301</b>	13,084
	<b>14,301</b>	13,948
<b>Net assets</b>	<b>220,864</b>	208,506
<b>Capital and Reserves</b>		
Share capital	<b>5,035</b>	5,035
Reserves	<b>215,829</b>	203,471
<b>Total Equity</b>	<b>220,864</b>	208,506

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	5,035	88,346	(4,313)	1,549	14,912	102,977	208,506
Profit for the period	—	—	—	—	—	26,531	26,531
Exchange difference arising on translating a foreign operation	—	—	—	790	—	—	790
Total comprehensive income for the period	—	—	—	790	—	26,531	27,321
Appropriation to statutory reserve	—	—	—	—	1,344	(1,344)	—
Dividends declared (Note 10)	—	—	—	—	—	(14,963)	(14,963)
As at 30 June 2021 (Unaudited)	5,035	88,346	(4,313)	2,339	16,256	113,201	220,864
At 1 January 2020	1	—	(1)	5,340	10,370	79,215	94,925
Profit for the period	—	—	—	—	—	16,237	16,237
Exchange difference arising on translating a foreign operation	—	—	—	(1,269)	—	—	(1,269)
Total comprehensive income for the period	—	—	—	(1,269)	—	16,237	14,968
Appropriation to statutory reserve	—	—	—	—	1,432	(1,432)	—
Dividends paid (Note 10)	—	—	(4,312)	—	—	(7,688)	(12,000)
As at 30 June 2020 (Unaudited)	1	—	(4,313)	4,071	11,802	86,332	97,893

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(52,277)</b>	<b>(21,605)</b>
<b>INVESTING ACTIVITIES</b>		
Placement in deposits	<b>(91,438)</b>	—
Payments for purchase of property, plant and equipment (“PPE”)	<b>(12,293)</b>	(4,576)
Payments for deposits paid for PPE	<b>(2,347)</b>	(3,883)
Advances to a related company	<b>(1,818)</b>	(10,998)
Payments for purchase of intangible assets	<b>(63)</b>	(132)
Interest received	<b>48</b>	51
Proceeds received from disposal of PPE	<b>89</b>	—
Repayments from a related company	<b>100</b>	548
Advances to the controlling shareholder	<b>—</b>	300
Repayments from the controlling shareholder	<b>—</b>	(4,563)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(107,722)</b>	<b>(23,253)</b>
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	<b>178,300</b>	95,590
Government subsidies received	<b>5,202</b>	289
Payments of lease liabilities	<b>(838)</b>	(770)
Interest paid	<b>(2,575)</b>	(2,343)
Repayments of borrowings	<b>(95,590)</b>	(70,590)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>84,499</b>	<b>22,176</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(75,500)</b>	<b>(22,682)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>129,233</b>	<b>62,124</b>
Effect of foreign exchange rate changes	<b>(840)</b>	502
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>52,893</b>	<b>39,944</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 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 2021 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”).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 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 2021:

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of plain weave fabrics	261,701	185,280
Sales of corduroy fabrics	130,077	118,357
Provision of dyeing and processing services	17,730	17,796
	409,508	321,433

### 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 5. Segment Information (Continued)

#### Geographical information (Continued)

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	276,589	247,221
Japan	45,952	24,974
Others	86,967	49,238
	409,508	321,433

#### Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group for the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	N/A <sup>1</sup>	35,475

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 6. Other Income

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	48	51
Exchange gain, net	1,001	1,510
Government subsidies (Note i)	5,202	289
Reversal of impairment loss on trade and bills receivables	66	270
Sundry income	90	99
	6,407	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 2021 and 2020.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 7. Finance Costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interests on:		
Borrowings	2,617	2,342
Lease liabilities	54	91
Guarantee fees	42	42
	<b>2,713</b>	2,475

### 8. Income Tax Expenses

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	3,368	1,603
PRC Enterprise Income Tax ("EIT")	4,463	4,782
	<b>7,831</b>	6,385
Deferred tax		
Current year	1,265	1,730
	<b>9,096</b>	8,115

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 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 2021 and 2020, 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\$10,000 (six months ended 30 June 2020: HK\$20,000) per company for the six months ended 30 June 2021.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 9. Profit for the Period

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	1,135	637
Salaries, allowances and other benefits (excluding directors' emoluments)	19,548	15,159
Contributions to retirement benefits scheme (excluding directors' emoluments)	1,793	1,536
<b>Total staff costs</b>	<b>22,476</b>	<b>17,332</b>
Auditor's remuneration	140	—
Listing expenses	—	6,869
Amortisation of intangible assets	73	61
Loss on disposal of property, plant and equipment	50	—
Amount of inventories recognised as an expense	330,479	255,691
Depreciation of property, plant and equipment	3,626	3,730
Depreciation of right-of-use assets	2,045	2,047

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 10. Dividends

During the six months ended 30 June 2020 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 report.

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 29 June 2021.

No interim dividend has been declared in respect of the six months ended 30 June 2021.

### 11. Earnings Per Share

The calculation of the basic earnings per share during the six months ended 30 June 2021 and 2020 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	
	2021	2020
	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)	26,531	16,237
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	600,000	450,000



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 11. Earnings Per Share (Continued)

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2020 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 2021 and 2020.

### 12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2021, the Group has addition of property, plant and equipment of approximately RMB12,293,000 (six months ended 30 June 2020: RMB4,576,000).

### 13. Trade and Bills Receivables

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	175,086	245,333
Bills receivables	9,105	3,340
Less: Impairment	(243)	(309)
	<b>183,948</b>	248,364

As at 30 June 2021, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB184,191,000 (2020: RMB248,673,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 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.

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Within 30 days	138,595	203,104
31 to 60 days	28,325	22,548
61 to 90 days	15,075	21,511
91 to 180 days	1,517	1,201
181 to 365 days	436	—
Total	<b>183,948</b>	248,364

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 2021 and 31 December 2020.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 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 2021 and year ended 31 December 2020.

The movement in the impairment losses of trade and bills receivables during the six months ended 30 June 2021 and year ended 31 December 2020 is as follows:

	<b>Impairment loss allowance</b>
	RMB'000
Balance as at 1 January 2020	469
Reversal of impairment losses	(160)
Balance as at 31 December 2020	309
Reversal of impairment losses	(66)
Balance as at 30 June 2021 (Unaudited)	243

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 14. Prepayments and Other Receivables

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Prepayments	54,704	18,684
Others	745	169
	<b>55,449</b>	18,853

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 2021 and 31 December 2020.

### 15. Amount Due from a Related Company

The assessment of ECL is based on historical individual default experience and adjusted for forward-looking information. The amount due from a related company is not past due and, there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

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

During the six months ended 30 June 2021, the Company declared dividends of approximately RMB Nil (2020: RMB12,000,000) to the shareholder, to which was settled through the current account of a related company. Details of the amount due from a related company are set out in Note 22(a).

### 16. Time Deposits

As at 30 June 2021, the Group had fixed-term time deposits in banks in the PRC with maturities of one year. The deposits carry fixed interests rate at 0.63% to 0.70% per annum (2020: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 17. Trade and Bills Payables

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Trade payables	139,787	194,552
Bills payables	—	4,550
	<b>139,787</b>	199,102

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

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Within 30 days	111,785	138,601
31 to 60 days	10,348	34,125
61 to 90 days	9,424	17,409
91 to 180 days	7,424	8,173
181 to 365 days	806	231
Over 365 days	—	563
Total	<b>139,787</b>	199,102

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 18. Contract Liabilities

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Contract liabilities	<b>1,482</b>	1,467

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 RMB178,300,000 (six months ended 30 June 2020: approximately RMB95,590,000) and repaid borrowings of approximately RMB95,590,000 (six months ended 30 June 2020: approximately RMB70,590,000).

The weighted average effective interest rate of borrowings for the six months ended 30 June 2021 was 4.2% per annum (six months ended 30 June 2020: 6.1% per annum).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 20. Pledge of Assets

At 30 June 2021 and 31 December 2020, the Group had pledged the following assets to secure banking facilities granted to the Group:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Right-of-use assets	6,301	6,372
Machineries	22,097	24,038
	<b>28,398</b>	30,410

### 21. Share-based Payment Transactions

#### Share-option scheme

During the year ended 31 December 2020, 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 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 2021, no options were granted under the Share Option Scheme.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 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 2021 and year ended 31 December 2020:

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Amount due from a related party</b>			
Changzhou Dongxia Real Estate Agency Ltd. (常州市東霞地產代理有限公司) ("Dongxia")	(i), (ii)	1,783	65
<b>Maximum amount outstanding during the period/year</b>			
Dongxia		1,783	3,428

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 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 2021 and 2020 were as follows:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 30 June 2020 RMB'000 (Unaudited)
Short-term benefits	1,308	801
Post-employment benefits	61	69
	<b>1,369</b>	870

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 2021, the amount of rent payable by the Group under the lease is RMB2,000,000 (2020: RMB4,000,000 per year).

As at 30 June 2021, the carrying amount of the related lease liabilities was RMB747,000 (2020: RMB1,496,000).

During the six months ended 30 June 2021, the Group has made lease payments of RMB2,000,000 (2020: RMB4,000,000), to the related party.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

### 22. Related Party Transactions (Continued)

#### (d) Guarantee

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

### 23. Capital Commitments

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 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	<b>15,856</b>	12,917