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

2022
Annual Report

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Xue Shidong *(Chairman of the Board)*
Mr. Wang Bin
Mr. Qiu Jianyu (resigned on 26 April 2022)
Mr. Xiang Wenbin (appointed on 26 April 2022)
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 (appointed on 30 March 2023)
Ms. Chou Kwai Wah (resigned on 30 March 2023)

Authorised Representatives

Mr. Xue Shidong
Ms. Li Ching Yi (appointed on 30 March 2023)
Ms. Chou Kwai Wah (resigned on 30 March 2023)

Principal Place of Business in the PRC

No. 381 Laodong East Road
Tianning District, Changzhou
Jiangsu Province
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 Advisers

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

FINANCIAL SUMMARY

Results

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,060,218**	813,810	771,461	866,674	861,477
Cost of sales	**(917,317)**	(698,669)	(644,525)	(737,131)	(748,293)
Gross profit	**142,901**	115,141	126,936	129,543	113,184
Profit before tax	**63,301**	49,084	56,865	73,909	65,104
Profit for the year	**49,931**	35,167	35,992	52,664	49,085
Profit attributable to owners of the Company	**49,931**	35,167	35,992	52,664	49,085

Assets and Liabilities

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**768,429**	673,106	565,113	395,835	411,985
Total liabilities	**(509,298)**	(444,837)	(356,607)	(300,910)	(257,458)
Equity attributable to owners of the Company	**259,131**	228,269	208,506	94,925	154,527

Notes:

(a) The financial figures for the year ended/as at 31 December 2022 were extracted from the consolidated financial statements in this annual report.

(b) The financial figures for the years ended/as at 31 December 2020 and 2021 were extracted from the consolidated financial statements in the annual report of the Group for the year ended 31 December 2020 and 2021, respectively.

(c) The financial figures for each of the two years ended 31 December 2019/as at the respective year-end were extracted from the prospectus dated 30 October 2020 (the "**Prospectus**").

The summary above does not form part of the audited consolidated financial statements.

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Yadong Group Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2022.

Results of Operation

In 2022, as the COVID-19 pandemic was gradually brought under control, and with national and local governments implementing a series of policies to stabilise growth, protect jobs and stimulate consumption, economic activities resumed and the PRC economy steadily recovered from the continuous impact of the COVID-19 pandemic and the US-China trade war. Notwithstanding the steady economic recovery in 2022, the haphazard recurrence of COVID-19 across the PRC during the first half of the year and uncertainties in the macro-economic environment impaired consumer sentiment and hindered consumer spending, which placed the dyeing and finishing industry in the PRC under pressure.

In 2022, despite the challenging business environment, the operating results of the Group has continued to improve remarkably. The Group recorded revenue of approximately RMB1,060.2 million for the year ended 31 December 2022, representing an increase of approximately 30.3% as compared to approximately RMB813.8 million the year ended 31 December 2021. The Group's gross profit increased by approximately 24.2% from approximately RMB115.1 million for the year ended 31 December 2021 to approximately RMB142.9 million for the year ended 31 December 2022. The gross profit margin of the Group slightly decreased from approximately 14.1% for the year ended 31 December 2021 to approximately 13.5% for the year ended 31 December 2022. The Group's profit increased by approximately RMB14.7 million from approximately RMB35.2 million for the year ended 31 December 2021 to approximately RMB49.9 million for the year ended 31 December 2022.

Outlook

Going forward, our business growth is expected to be driven by rising disposable income, growing retailing value of apparel in the PRC and global economic recovery. The Group is positive about its prospects for 2023. In terms of sales, the Group will increase its sales and marketing effort in the PRC with the aim of capitalising on business opportunities arising from the revival of domestic demand and expanding its sales and market share in the PRC market. Apart from seeking more orders from its existing customers, the Group will actively reach out to new customers so as to broaden its customer base.

In terms of production, under the influence of the US-China trade war, an increasing number of international apparel brands have been focusing their production activities in Southeast Asia countries in recent years. Under such trend, the Group is looking into the feasibility of establishing a presence in Bangladesh through collaborating with local partners and/or setting up our own production facilities, which will enable the Group to maintain proximity to the production bases of apparel brand customers and benefit from the geographical advantages thereof, thereby obtaining more orders from branded customers. Besides, with the lower production costs in Bangladesh compared to the PRC, the profitability of the Group is expected to be improved. The Group will closely monitor the demand from different geographical markets and explore suitable opportunities to expand overseas, in an effort to stimulate our long-term growth.

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

Lastly, the Group believes that, with the implementation of its business strategies and the continuous enhancement of its product development capabilities and marketing efforts, it can create long-term values for all shareholders of the Company.

Appreciation

On behalf of the Board, I wish to take this opportunity to extend my sincere appreciation to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my heartfelt gratitude to all of our business partners, customers, suppliers and shareholders for their continuous support.

Mr. Xue Shidong
Chairman of the Board
PRC, 30 March 2023

Company Profile

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 PRC, Japan and certain other markets in Asia, such as Taiwan, Vietnam, Bangladesh and Indonesia.

Industry Review

In 2022, the PRC economy steadily recovered from the continuous impact of the COVID-19 pandemic and the US-China trade war. According to the National Bureau of Statistics of China, the gross domestic product of the PRC reached RMB121,020.7 billion in 2022, representing a year-on-year increase of 3%.

Notwithstanding the steady economic recovery in 2022, the haphazard recurrence of COVID-19 and uncertainties in the macro-economic environment impaired consumer sentiment and weakened consumer spending. In 2022, the total retail sales of social consumer goods was RMB43,973.3 billion, representing a year-on-year decrease of 0.2%. In particular, the total retail sales of garments, footwear, hats and knitwear in 2022 was RMB1,300.3 billion, representing a year-on-year decrease of 6.5%. Such downward trends have created challenges to the dyeing and finishing industry in the PRC.

Business Review

In 2022, despite the challenging business environment, the operating results of the Group has continued to improve remarkably. The Group recorded revenue of approximately RMB1,060.2 million for the year ended 31 December 2022, representing an increase of approximately 30.3% as compared to approximately RMB813.8 million the year ended 31 December 2021. The Group's gross profit increased by approximately 24.2% from approximately RMB115.1 million for the year ended 31 December 2021 to approximately RMB142.9 million for the year ended 31 December 2022. The gross profit margin of the Group slightly decreased from approximately 14.1% for the year ended 31 December 2021 to approximately 13.5% for the year ended 31 December 2022. The Group's profit increased by approximately 41.8% from approximately RMB35.2 million for the year ended 31 December 2021 to approximately RMB49.9 million for the year ended 31 December 2022.

Prospect

Stepping into 2023, as the COVID-19 is generally brought under control around the globe, the global economy is expected to recover gradually with stable growth momentum. Consumer activities are expected to become more active hence boosting the demand in the apparel and textile industries.

Looking ahead, the Group is positive about its prospects for 2023. In terms of sales, the Group will increase its sales and marketing effort in the PRC with the aim of capitalising on business opportunities arising from the revival of domestic demand and expanding its sales and market share in the PRC market. Apart from seeking more orders from its existing customers, the Group will actively reach out to new customers so as to broaden its customer base.

In terms of production, under the influence of the US-China trade war, an increasing number of international apparel brands have been focusing their production activities in Southeast Asia countries in recent years. Under such trend, the Group is looking into the feasibility of establishing a presence in Bangladesh through collaborating with local partners and/or setting up our own production facilities, which will enable the Group to maintain proximity to the production bases of apparel brand customers and benefit from the geographical advantages thereof, thereby obtaining more orders from branded customers. Besides, with the lower production costs in Bangladesh compared to the PRC, the profitability of the Group is expected to be improved. The Group will closely monitor the demand from different geographical markets and explore suitable opportunities to expand overseas, in an effort to stimulate our long-term growth.

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

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

Financial Review

Revenue

The revenue of the Group increased by approximately RMB246.4 million or approximately 30.3% from approximately RMB813.8 million for the year ended 31 December 2021 to approximately RMB1,060.2 million for the year ended 31 December 2022. Such increase was primarily attributable to (i) increase in production volume of the Group during the year ended 31 December 2022; and (ii) market recovery resulting from the containment of COVID-19 pandemic.

Cost of Sales

The cost of sales of the Group increased by approximately RMB218.6 million or approximately 31.3% from approximately RMB698.7 million for the year ended 31 December 2021 to approximately RMB917.3 million for the year ended 31 December 2022. Such increase was primarily attributable to (i) the increase in the cost of materials from approximately RMB545.0 million to approximately RMB726.7 million during the same period, which was in line with the increase in total sales; (ii) the increase in the subcontracting costs from approximately RMB28.5 million to approximately RMB35.0 million during the same period, which was due to a higher demand of subcontracting resulted from the increase in sales; (iii) the increase in the utility cost from approximately RMB61.3 million to approximately RMB76.1 million during the same period; and (iv) the increase in the direct labour cost from approximately RMB31.5 million to approximately RMB38.8 million during the same period, which was due to the higher level of production activities taken place for the textile fabric product.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by approximately RMB27.8 million or approximately 24.2% from approximately RMB115.1 million for the year ended 31 December 2021 to approximately RMB142.9 million for the year ended 31 December 2022. Such increase was primarily attributable to the increase in the revenue of the Group as discussed above. The gross profit margin of the Group decreased from approximately 14.1% for the year ended 31 December 2021 to approximately 13.5% for the year ended 31 December 2022. Such decrease was primarily attributable to (i) the increase in the cost of sales of the Group as explained above; and (ii) decrease in average unit selling price of the textile fabric products of the Group during the same period.

Other Income

Other income of the Group decreased from approximately RMB10.2 million for the year ended 31 December 2021 to approximately RMB8.3 million for the year ended 31 December 2022. Such decrease was primarily attributable to (i) the decrease in government subsidies to approximately RMB1.1 million from approximately RMB9.4 million during the same period; and (ii) decrease in sundry income from approximately RMB724,000 to approximately RMB1,000 for the corresponding period, which was partially offset by the increase in bank interest income from approximately RMB56,000 to approximately RMB777,000.

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased by approximately RMB0.1 million or approximately 0.3% from approximately RMB30.1 million for the year ended 31 December 2021 to approximately RMB30.2 million for the year ended 31 December 2022. Such increase was primarily attributable to the increase in costs for exploring new customers.

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB40.0 million for year ended 31 December 2021 to approximately RMB45.8 million for the year ended 31 December 2022. Such increase was primarily attributable to the acquisition of machineries and equipment during the same period.

Finance Costs

Finance costs of the Group increased from approximately RMB6.2 million for year ended 31 December 2021 to approximately RMB12.0 million for the year ended 31 December 2022. Such increase was primarily attributable to the increase in the average bank borrowings during the same period.

Income Tax Expenses

Income tax expenses of the Group decreased from approximately RMB13.9 million for year ended 31 December 2021 to approximately RMB13.4 million for the year ended 31 December 2022. Such decrease was primarily attributable to the decrease in the deferred tax from approximately RMB1.3 million to approximately RMB1.1 million during the same period.

The effective income tax rate of the Group decreased from approximately 28.4% for the year ended 31 December 2021 to approximately 21.1% for the year ended 31 December 2022, which was primarily attributable to the decrease in income tax expenses mainly due to the decrease in deferred tax during the same period as explained above.

Profit

As a result of the foregoing, the profit for the year of the Group increased by approximately RMB14.7 million or approximately 41.8% from approximately RMB35.2 million for the year ended 31 December 2021 to approximately RMB49.9 million for the year ended 31 December 2022.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

On 14 January 2022, 亞東(常州)科技有限公司* (Yadong (Changzhou) Science & Technology Co., Ltd.) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HK Hua Hai Capital Investment Construction Management Limited (香港華海資本投資建設管理有限公司) (the "**Vendor**"), an independent third party, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 100% equity interest in 雄聯(常州)紡織印染有限公司* (Lion Union (Changzhou) Textile Dyeing Company Limited) at a consideration of RMB80.0 million (the "**Acquisition**").

* for identification purpose only

The Acquisition was completed on 27 October 2022. Please refer to the announcement of the Company dated 14 January 2022 for further details.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries, associates or associated companies during the year ended 31 December 2022.

Capital Commitments

As at 31 December 2022, the Group had capital commitments of approximately RMB0.9 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 31 December 2022, the Group did not have any significant contingent liabilities (2021: nil). The Group is currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

Foreign Exchange Exposure

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

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

Gearing Ratio

As at 31 December 2022, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 66.3% (2021: approximately 66.1%). Such increase was mainly due to the increase in bank 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 31 December 2022, the Group had bank balances and cash of approximately RMB61.4 million (2021: approximately RMB32.5 million). As at 31 December 2022, the current ratio of the Group was approximately 1.1 times (2021: approximately 1.2 times). Such decrease was mainly due to increase in bank borrowings of the Group for the year ended 31 December 2022. The financial resources are presently available to the Group including bank borrowings and the net proceeds from the Listing, the Directors believe that the Group have sufficient working capital for the future requirements.

Upon the Listing, the Company had an issued share capital of HK$6,000,000 divided into 600,000,000 shares. The Company's shares were successfully listed on the Stock Exchange on 18 November 2020 (the "**Listing Date**"). There has been no change in the capital structure of the Group since the Listing Date up to the date of this annual report.

Charge on Assets

As at 31 December 2022, the Group's assets amounted to approximately RMB143.0 million was charged (2021: approximately RMB76.4 million) to secure certain banking facilities for the Group.

	2022 **RMB'000** **(Audited)**	2021 RMB'000 (Audited)
Buildings — included in property, plant and equipment	**39,477**	43,658
Trade and bills receivables	**—**	6,209
Right-of-use assets	**40,011**	6,227
Investment properties	**48,351**	—
Machineries	**15,144**	20,334
	142,983	76,428

Significant Investments Held

Except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 31 December 2022.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, during the year ended 31 December 2022, the Group had no future plan for material investments and capital assets.

Employees and Remuneration Policies

As at 31 December 2022, the Group had a total of 482 full-time employees (2021: 482). The Group believes that employees are valuable assets that are crucial to the success of the Group. The Group generally pays its employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. For the year ended 31 December 2022, staff costs of the Group amounted to approximately RMB64.3 million, representing mainly salaries, allowances and other benefits, and contributions to retirement benefit scheme.

Dividend

The Board recommended the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2022. The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held on Wednesday, 28 June 2023 (the "**AGM**") and the final dividend will be payable on Friday, 18 August 2023 to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 July 2023.

Subsequent Events after Reporting Period

There was no significant event that took place after the year ended 31 December 2022 which require additional disclosures or adjustments.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out as follows:

Executive Directors

Mr. Xue Shidong (薛士東), aged 60, is the founder of our Group. Mr. Xue was appointed as a Director on 22 September 2016 and re-designated as the chairman of our Board and an executive Director on 22 November 2019. He is mainly responsible for formulating the overall corporate directions, development strategies and business plans and overseeing the operations of our Group.

Mr. Xue had accumulated years of experience in the textile dyeing and finishing industry prior to the forming of our Group in 2011. He currently is a director of each subsidiary of our Group.

Mr. Wang Bin (王斌), aged 52, has joined our Group since April 2016. Mr. Wang was appointed as an executive Director on 22 November 2019. He is mainly responsible for operations and production management of our Group.

From April 1998 to January 2001, he worked for Jiangyin Kangyuan Printing & Dyeing Company Limited (江陰市康源印染有限公司) as a workshop manager. From February 2001 to December 2003, he worked for Changzhou Dongheng Weaving and Dyeing Group Company Limited (常州東恒染織集團有限公司) as a workshop manager. From April 2004 to February 2016, he worked for Changzhou Shengyu Textile Printing and Dyeing Company Limited (常州市盛宇紡織印染有限公司) as the head of production department. In April 2016, Mr. Wang joined our Group and worked as the vice production manager of Yadong (Changzhou) Science & Technology Co., Ltd. ("**Yadong (Changzhou)**"). He currently is a director of Ya Dong (Hong Kong) International Trading Company Limited ("**Yadong (Hong Kong)**") and Yadong (Changzhou).

Mr. Xiang Wenbin (香文斌), aged 45, was appointed as an executive Director on 26 April 2022.

Mr. Xiang has more than 21 years of experience in information technology. From February 2001 to November 2012, Mr. Xiang worked for Tencent Technology (Shenzhen) Co., Ltd.* ("**Tencent Technology**") (騰訊科技(深圳)有限公司), being a subsidiary of Tencent Holdings Limited (stock code: 700), the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, with his last position as a senior management staff of Tencent Technology. Since 2015, Mr. Xiang has acted as the chief executive officer of Shenzhen Shengshi Liuyi Network Technology Co., Ltd.* (深圳市盛世六一網路科技有限公司), which is principally engaged in the development of online games and software and provision of information technology services, and he is primarily responsible for overall business management, strategic planning and daily operation. Since 2018, Mr. Xiang has also been a director of Chengdu Tengyun Yixiang Technology Co., Ltd.* (成都騰雲憶想科技有限公司), which is principally engaged in the provision of information system integration services. Besides, he is currently a director of Tencent Cloud (Chongqing) Intelligent Technology Co., Ltd.* (騰訊雲(重慶)智能科技有限公司), which is principally engaged in the development of software and provision of information technology services.

Ms. Zhang Yeping (張葉萍), aged 53, has joined our Group since March 2014. Ms. Zhang was appointed as an executive Director on 22 November 2019. She is mainly responsible for marketing and sales and customer relationship management of our Group.

Ms. Zhang completed the professional studies in weaving at Jiangsu Changzhou Textile Industry School (江蘇省常州紡織工業學校) in July 1988 and the professional studies in computer information management at Nanjing University (南京大學) in the PRC in July 2001. Prior to joining our Group, Ms. Zhang has worked for Changzhou Dongxia as a sales manager since April 2004. Ms. Zhang has concurrently served as a director and a vice sales manager of Yadong (Changzhou) since March 2014 and January 2015, respectively. Ms. Zhang currently is also a director of Yadong (Hong Kong).

Mr. Jin Rongwei (金榮偉), aged 48, has joined our Group since January 2015. Mr. Jin was appointed as an executive Director on 22 November 2019. He is mainly responsible for procurement and fixed assets management and maintenance of our Group.

From May 2004 to December 2014, he worked for Changzhou Dongxia as the head of electrical and mechanical department. In January 2015, Mr. Jin joined our Group and has been the vice administrative manager of Yadong (Changzhou) since then. He currently is also the supervisor of Yadong (Changzhou).

Independent Non-Executive Directors

Mr. Zhu Qi (朱旗), aged 51, was appointed as an independent non-executive Director on 21 October 2020. He is responsible for supervising and providing independent judgment to our Board.

Mr. Zhu obtained a university diploma in economic management from Nanjing Institute of Politics (南京政治學院) in the PRC in June 2007. Since February 2010, he has worked for Changzhou Sheng Rui Tax Advisory Company Limited (常州市升瑞稅務師事務所有限公司) as an executive director and general manager. Mr. Zhu was an independent director of Jiangsu Lidao New Material Co., Ltd. (江蘇麗島新材料股份有限公司) (stock code: 603937) from 29 January 2015 to 2 February 2021, the shares of which are listed on the Shanghai Stock Exchange.

Mr. Zhu was admitted as member of The Chinese Institute of Certified Public Accountants in November 2009.

Mr. Ho Kin Cheong Kelvin (何建昌), aged 55, was appointed as an independent non-executive Director on 21 October 2020. He is responsible for supervising and providing independent judgment to our Board.

Mr. Ho obtained a bachelor degree of business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in November 1990. From December 2000 to October 2003, he worked for Hanny Magnetics Limited, a subsidiary of Hanny Holdings Limited (currently known as Master Glory Group Limited) (stock code: 0275) at which his last position was financial analyst. From April 2004 to September 2005, he worked for Garron International Limited (currently known as China Investment and Finance Group Limited) (stock code: 1226) as the company secretary and financial controller. From August 2008 to January 2010, he worked for FU JI Food and Catering Services Holdings Limited (currently known as Fresh Express Delivery Holdings Group Co., Ltd) (stock code: 1175) as company secretary and chief financial officer. From April 2010 to March 2012 and from May 2012 to December 2014, he worked for Greens Holdings Ltd (stock code: 1318) at which his last position was company secretary and chief financial officer. From January 2016 to December 2017, he worked for Sand River Golf Club Limited as chief financial officer. From April 2019 to May 2020, he worked for Richly Field China Development Limited (stock code: 0313) as company secretary and chief financial officer. Since August 2020, Mr. Ho has been the company secretary and chief financial officer of HongDa Financial Holding Limited (currently known as China Wood International Holding Co., Limited) (stock code: 1822).

Mr. Ho was an independent non-executive director of Cheung Tai Hong Holdings Limited (currently known as ITC Properties Group Limited) (stock code: 0199) from October 2001 to May 2003 and a non-executive director of HongDa Financial Holding Limited (currently known as China Wood International Holding Co., Limited) (stock code: 1822) from April 2016 to April 2017. Mr. Ho was an independent non-executive director of CECEP COSTIN New Materials Group Limited (previous stock code: 2228) from 6 August 2018 to 8 February 2022 and Rosan Resources Holdings Limited (previous stock code: 0578) from 1 July 2020 to 1 November 2022, both were delisted from the Stock Exchange. Since 5 August 2020, he has been an independent non-executive director of Green Leader Holdings Group Limited (stock code: 0061), the shares of which are listed on the Stock Exchange. Since 22 October 2020, he has been an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (stock code: 2126), the shares of which are listed on the Stock Exchange. Since 21 April 2021, he has been an independent non-executive director of MicroTech Medical (Hangzhou) Co., Ltd. (stock code: 2235), the shares of which are listed on the Stock Exchange.

Mr. Ho was admitted as an associate member of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) in June 1997 and a fellow member of The Association of Chartered Certified Accountants in the United Kingdom in April 2002.

Mr. Wang Hongliang (王洪亮), aged 50, was appointed as an independent non-executive Director on 21 October 2020. He is responsible for supervising and providing independent judgment to our Board.

Mr. Wang obtained a bachelor degree in law from Northwest University of Political Science and Law (西北政法大學) in the PRC in July 1995. He subsequently obtained a master degree and a doctoral degree in law from China University of Political Science and Law (中國政法大學) in the PRC in July 1998 and July 2001, respectively. He obtained a doctoral degree in law from Albert Ludwig University of Freiburg in Germany in July 2004. Since October 2004, he has worked for School of law of Tsinghua University and currently is a professor. From June 2016 to March 2021, Mr. Wang had been an independent director of CITIC Guoan Information Industry Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 000839). Since October 2018, Mr. Wang has been an independent director of Inner Mongolia First Machinery Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600967). Since January 2020, Mr. Wang has been an independent director of Guangxi Wuzhou Zhongheng Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600252).

Senior Management

Mr. Lu Jigang (魯積剛), aged 51, is the head of our technical department. He is mainly responsible for overseeing textile dyeing, printing and finishing processes of our Group in the PRC.

Mr. Lu completed the professional studies in dyeing works at Hubei Textile Industrial School (湖北省紡織工業學校) in July 1992. From March 2006 to December 2014, he worked for Changzhou Dongxia as the head of technical department. In January 2015, Mr. Lu joined our Group and has worked as the head of technical department of Yadong (Changzhou) since then.

Ms. Zhou Jie (周潔), aged 46, is the head of our administration department. She is mainly responsible for overseeing the administration and human resources management of our Group.

Ms. Zhou attended the Chinese Trainee Senior Technical Institute (中國研修生高等技能學院) in Japan between 1999 and 2002. From June 2007 to December 2011, she worked for Changzhou Mingqi Garment Company Limited* (常州茗企服飾有限公司) as a manager. From February 2012 to December 2014, she worked for Changzhou Dongxia as a management associate. In January 2015, Ms. Zhou joined our Group and has worked as the head of administration department of Yadong (Changzhou) since then.

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2022.

Principal Business

Our Group principally engage in the design, process and sale of textile fabric products. Our textile fabric products can be categorised into two broad types, namely (i) plain weave fabrics; and (ii) corduroy fabrics. Our textile fabric products feature a variety of different colours, patterns, textures and functionalities. We sell our textile fabric products mainly to garment manufacturers as well as trading companies. To the best of our knowledge, during the year ended 31 December 2022, most, if not all, of our textile fabric products were purchased by our customers for further processing into finished garments for apparel brand operators. During the year ended 31 December 2022, our textile fabric products were mainly sold or distributed in the PRC, Japan and certain other markets in Asia, such as Taiwan, Vietnam, Bangladesh and Indonesia.

Results

The results of the Group for the year ended 31 December 2022 are set out in the consolidated financial statements on pages 90 to 150 of this annual report.

Dividends Distribution

The Company has adopted a dividend policy (the "**Dividend Policy**") on 21 October 2020. The Company currently does not have any predetermined dividend payout ratio. The Board shall take into account the followings when proposing any dividend payout as written in the Dividend Policy:

- the actual and expected financial performance of the Group;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group;
- business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future operations, liquidity position and capital requirements of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems appropriate.

In accordance with the articles of association of the Company (the "**Articles of Association**"), dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed.

The Board has resolved to declare a final dividend of HK3.0 cents per Share for the year ended 31 December 2022. The proposed final dividend is subject to the consideration and approval by the Shareholders at the AGM. The final dividend is payable to the Shareholders whose names are listed in the register of members of the Company on Thursday, 6 July 2023, in an aggregate amount of approximately HK$18.0 million. Once approved by the AGM, the final dividend is expected to be distributed on or before Friday, 18 August 2023.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Annual General Meeting

The AGM will be held on Wednesday, 28 June 2023. The notice of the AGM will be published and despatched to the Shareholders in due course in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Closure of Register of Members

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified to attend and vote at the AGM, all completed transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 21 June 2023.

In order to determine the entitlement to the proposed final dividends, subject to the approval of the Shareholders at the AGM, the register of members of the Company will be closed from Tuesday, 4 July 2023 to Thursday, 6 July 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to be qualified to obtain final dividends, all completed transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 3 July 2023.

Business Review

A fair review of the business and a discussion and analysis of the Group's performance during the year ended 31 December 2022 and the material factors underlying its results and financial position as well as the outlook of the Group's business are provided in the "Management Discussion and Analysis" on pages 7 to 11 of this annual report. Description of the principal risks and uncertainties faced the Group can be found throughout this annual report. Particulars of important events affecting the Group that have occurred after 31 December 2022, if any, can also be found in the notes to the consolidated financial statements in this annual report.

In addition, more details regarding the Group's performance by reference to financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the "Management Discussion and Analysis" of this annual report. Each of the above-mentioned relevant contents form an integral part of this Report of Directors.

Environmental Policy

With an aim to improve our sewage treatment efficiency, uphold our values in maintaining an environmentally friendly manufacturing process, and reduce our sewage treatment fees, we carried out technical upgrade of our on-site sewage treatment system. Such technical upgrade mainly involved the acquisition of sewage treatment equipment and upgrade of technology. Such upgrade of our sewage treatment system had not caused any major interruption to our operations and production. As advised by our Directors, our business operations have had no significant adverse impact on the surrounding environment during the year ended 31 December 2022, which our Directors believe is mainly attributable to the implementation of the aforesaid environmental policies and measures and the effectiveness of the continuous technical upgrade carried out to our on-site sewage treatment system and our adherence to our environmental policies and measures.

Financial Summary

A summary of the Company's results, assets and liabilities for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

Compliance with Laws and Regulations

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the year ended 31 December 2022.

Relationship with Stakeholders

Employees

As at the date of this annual report, we had a total of 499 employees, of which 498 were based in the PRC and 1 was based in Hong Kong. We generally pay our employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. We recruit our employees through external recruitment and internal referral based on a number of factors such as their experience in the textiles and dyeing industry, their educational background, our operational needs and vacancies available. In particular, we require our accounting and finance, technical support personnel to have the relevant qualifications, certificates and/or licences requisite to discharge the job duties prior to joining our Group.

We have a labour union to protect our employees' interest and benefits, assist us in attaining our economic objectives, encourage employees to participate in management decisions and assist us in resolving disputes, if any, with the union members.

We generally enter into employment contracts with each of our employees covering matters such as wages, employee benefits, employment scope and grounds for termination. We also enter into confidentiality and non-compete agreements with members of our senior management, personnel responsible for the design and development activities and/or other employees who have access to secrets or confidential information of our Group.

Our employees undergo internal training to enhance, among others, their technical skills, knowledge of industry quality standards, procedures and protocols relating to quality control, environmental protection, production safety, occupational health and safety standards and the applicable laws and regulations.

We believe that we have maintained a good working relationship with our employees. We do not outsource our labour services. During the year ended 31 December 2022 and up to the date of this annual report, we did not experience any major labour disputes with our employees, disruption to our operations due to labour disputes, work stoppages or strikes, or work safety-related incidents that led to disruptions in our Group's operations, or receive any notices or orders from relevant government authorities or third parties, or receive any claims from our employees.

Customers

Our customers purchasing our textile fabric products principally consisted of garment manufacturers as well as trading companies. Our customers were mainly textile manufacturers and trading companies. We have established stable relationships with our major customers.

We have established good business relationships with some apparel brand operators that are internationally or nationally well-known. Some of our customers (including major customers) are the designated garment manufacturers or the designated trading companies of apparel brand operators who procure raw materials from us at the instructions of such apparel brand operators.

For the year ended 31 December 2022, the Group's sales to its five largest customers accounted for 32.8% of the Group's total sales and sales to the largest customer accounted for 7.2%.

Suppliers

The principal raw materials for our production process comprise two broad categories, namely (i) greige fabrics; and (ii) textile dyes and additives such as colourants and dyeing auxiliaries. We purchase our raw materials from local suppliers in the PRC. Our principal raw materials are available from a large number of local suppliers and we have more than one supplier for each type of raw material to reduce reliance on any single supplier.

We consider that it is commercially beneficial to maintain a stable and close business relationship with our suppliers. We have maintained stable business relationships with our top five suppliers during the year ended 31 December 2022.

While it is our strategy to concentrate our purchases of raw materials from a few reliable suppliers so as to ensure the quality and reliability of our raw materials, we generally obtain price quotations from at least three potential suppliers and compare the pricing and terms offered by such suppliers before we place our purchases. We also maintain a list of readily available alternative suppliers for each type of raw materials to reduce over-reliance on any one supplier and to avoid having any disruptions to our supply of raw materials. To avoid any reliance on any one supplier, it is our policy that we generally will not procure from any one single supplier for more than 30% of our total purchasing needs at any one time.

Since 2018, we had been engaging a supplier (a group of companies whose holding company is listed on the Stock Exchange and whose permitted scope of business includes the manufacturing and sales of yarns, greige fabrics, garment fabrics as well as garments, with production facilities located in the PRC and Vietnam) as a supplier to supply the raw materials and manufacture the textile fabric products. Such supplier sources raw materials on its own and manufactures textile fabric products in accordance with our specifications.

For the year ended 31 December 2022, purchases from the Group's five largest suppliers accounted for 62.8% of the Group's total purchases and purchases from the largest supplier accounted for 23.5%.

Save as disclosed in this annual report, during the year ended 31 December 2022, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in the Company's five largest customers and suppliers.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 33 to the consolidated financial statements.

As at 31 December 2022, the issued share capital of the Company was 600,000,000 Shares.

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2022 are set out in note 42(c) to the consolidated financial statements.

Distributable Reserves

As at 31 December 2022, pursuant to the relevant laws and regulations, the Company has distributable reserves of RMB234.5 million in total available for distribution, of which RMB16.0 million has been proposed as final dividend payment for the year ended 31 December 2022.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company as at 31 December 2022 are set out in note 28 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 15 to the consolidated financial statements.

Sufficiency of Public Float

As at the date of this annual report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Directors and Senior Management

The Directors and senior management of the Company during the year ended 31 December 2022 and up to the date of this annual report are set out below:

Name	Position in the Company
Directors	
Mr. Xue Shidong	Chairman and executive Director
Mr. Wang Bin	Executive Director
Mr. Qiu Jianyu (resigned on 26 April 2022)	Executive Director
Mr. Xiang Wenbin (appointed on 26 April 2022)	Executive Director
Ms. Zhang Yeping	Executive Director
Mr. Jin Rongwei	Executive Director
Mr. Zhu Qi	Independent non-executive Director
Mr. Ho Kin Cheong Kelvin	Independent non-executive Director
Mr. Wang Hongliang	Independent non-executive Director
Senior management	
Mr. Lu Jigang	Head of technical department
Ms. Zhou Jie	Head of administration department

To the best of the Board's knowledge, information and belief, the Directors and senior management do not have any relationship amongst them.

In accordance with article 84(1) of the Articles of Association, Mr. Jin Rongwei, Mr. Zhu Qi and Mr. Ho Kin Cheong Kelvin will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the AGM.

None of the retiring Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Biographical details of the Directors and senior management are set out on pages 12 to 14 of this annual report.

Directors' Service Contracts and Appointment Letters

Each of the executive Directors, Mr. Xue Shidong, Mr. Wang Bin, Mr. Xiang Wenbin, Ms. Zhang Yeping and Mr. Jin Rongwei, has entered into a service agreement with the Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date and 26 April 2022 (for Mr. Xiang Wenbin), which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company. The appointment of Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors has or is proposed to have a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent and remain so as of the date of this annual report.

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

As at 31 December 2022, 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 for Securities Transactions by Directors of Listed Issuers (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[(1)]	Approximate percentage of shareholding interest in the Company (%)[(1)]
Mr. Xue Shidong	Interest in a controlled corporation[(2)]	450,000,000 (L)	75%

Interests in associated corporation of the Company

Name of Director	Associated Corporation	Capacity/Nature of interest	Number of shares held/ interested	Percentage of shareholding
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 31 December 2022, 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 31 December 2022, 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%
Ms. Hu Beixia	Interest of spouse[2]	450,000,000 (L)	75%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ms. Wu Beixia is the spouse of Mr. Xue Shidong. By virtue of the SFO, Ms. Wu Beixia is deemed to be interested in all the Shares held by Mr. Xue Shidong.

Save as disclosed above, as at 31 December 2022, 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.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2022, 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.

Issuance of Debentures

During the year ended 31 December 2022, no issuance of debentures was made by the Company.

Directors' and Controlling Shareholders' Interests in Competing Businesses

To the knowledge of the Board, none of the Directors or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended 31 December 2022.

Further, Oriental Ever Holdings Limited (東永控股有限公司), a controlling shareholder of the Company, and Mr. Xue Shidong, the executive Director and a controlling shareholder of the Company (collectively, the "**Controlling Shareholders**") have entered into a deed of non-competition in favour of the Company (for itself and as trustee for the benefit of each of its subsidiaries) on 21 October 2020 (the "**Deed of Non-competition**"), under which the Controlling Shareholders have undertaken to the Company that they will not, and will procure that none of their respective close associates (other than members of our Group) will, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, partnership, joint venture or other contractual arrangement, among other things, carry on, participate or be interested, engaged, concerned or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently engaged by the Group, and any other new business which the Group may undertake from time to time after the Listing (the "**Restricted Business**"), provide support in any form to persons or entities (other than members of our Group) to engage in the restricted business and where they become aware of such engagement of the Restricted Business they shall notify our Company in writing immediately. For details of the Deed of Non-competition, please refer to "Relationship with Controlling Shareholders — Non-competition Undertakings" in the Prospectus.

The independent non-executive Directors have reviewed the compliance with non-competition undertaking by the Controlling Shareholders under the Deed of Non-competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2022. Each of the Controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-competition.

Related Party Transactions

Details of the related party transactions entered into by the Group during the year ended 31 December 2022 are set out in note 37 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is of significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2022 or at the end of the year ended 31 December 2022.

Controlling Shareholders' Interests in Contract of Significance

No contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2022.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

Directors' Permitted Indemnity Provision

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Company and its associated companies during the year ended 31 December 2022.

Except for such insurances, at no time during the year ended 31 December 2022 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or associated companies.

Staff, Emolument Policy and Directors' Remuneration

As of the date of this annual report, we had a total of 499 employees, of which 498 were based in the PRC and 1 was based in Hong Kong. We generally pay our employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. We recruit our employees through external recruitment and internal referral based on a number of factors such as their experience in the textiles and dyeing industry, their educational background, our operational needs and vacancies available. In particular, we require our accounting and finance, technical support personnel to have the relevant qualifications, certificates and/or licences requisite to discharge the job duties prior to joining our Group.

The remuneration committee of the Company (the "**Remuneration Committee**") was set up for reviewing the Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2022 are set out in notes 11 and 12 to the consolidated financial statements.

The table below shows the emolument of senior management by band for the year ended 31 December 2022:

Emoluments bands in Hong Kong Dollars ("HK$")	Number of Individuals
Nil to HK$1,000,000	2

Share Option Scheme

The Company adopted a share option scheme (the "**Share Option Scheme**") on 21 October 2020 (the "**Adoption Date**").

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 our Group and to promote the success of the business of our Group.

(a) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(b) Price of Shares

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 our Board and notified to a participant and shall be at least the highest of: (i) the closing price of our 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 our 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.

(c) Grant of options and acceptance of offers

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 our Company on acceptance of the offer for the grant of an option is HK$1.

(d) Maximum number of Shares

(i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (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 our Company) must not in aggregate exceed 10% of all our Shares in issue as at the date of this annual report. Therefore, it is expected that our 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) representing 10% of Share in issue as at the date of this annual report, to the participants under the Share Option Scheme.

(ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

(iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(e) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by the Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(f) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(g) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof. As at 31 December 2022, the remaining life of the Share Option Scheme is approximately seven years and nine months.

(h) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

During the year ended 31 December 2022, no share option was granted, exercised, lapsed or cancelled.

Equity-Linked Agreements

Save as disclosed in this annual report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended 31 December 2022.

Charitable Donations

There was no donation made by the Group during the year ended 31 December 2022.

Purchase, Sale or Redemption of Listed Securities

During the period from the Listing Date to 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Use of Net Proceeds from Listing

The net proceeds from the Listing received by the Company, after deducting the underwriting commissions and expenses paid by the Company, are approximately HK$81.9 million (the "**Net Proceeds**"). As disclosed in the announcement of the Company dated 14 January 2022 (the "**UOP Announcement**"), the Board has resolved to (i) change the use of Net Proceeds by reallocating approximately HK$32.8 million of the Net Proceeds originally planned for expansion of production capacity and product coverage to acquisition of the Target Company with the Properties (as defined in the UOP Announcement); and (ii) extend the expected timeline for fully utilising the unutilised Net Proceeds. The table below sets forth the original allocation of the Net Proceeds, the revised allocation, the utilisation of the Net Proceeds for the period from the Listing Date to 31 December 2021 and during the year ended 31 December 2022 and revised timeline for fully utilising the unutilised Net Proceeds:

	Planned use of Net Proceeds as set out in the Prospectus	**Revised allocation**	**Actual Use of Net Proceeds for the period from the Listing Date to 31 December 2021**	**Utilised amount of the Net Proceeds as at 31 December 2021**	**Actual Use of Net Proceeds for the period from 1 January 2022 to 31 December 2022**	**Unutilised amount of the Net Proceeds as at 31 December 2022**	**Revised timeline for fully utilising the unutilised Net Proceeds (Note)**
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	
(i) Expansion of production capacity and product coverage by upgrading and improving our existing production lines and technical capabilities	51.7	18.9	Nil	18.9	18.9	Nil	N/A
(ii) Acquisition of the Target Company with the Properties	Nil	32.8	Nil	32.8	32.8	Nil	N/A
(iii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	22.0	22.0	Nil	Nil	Nil	22.0	By 31 December 2023
(iv) General corporate purposes and working capital	8.2	8.2	Nil	8.2	8.2	Nil	N/A
	81.9	81.9	Nil	59.9	59.9	22.0	

Note: The expected timeline is based on the best estimation made by the Board which might be subject to changes depending on the market conditions from time to time.

Please refer to the UOP Announcement for details of the reasons for the change in use of Net Proceeds and information on the Target Company and Properties.

Up to the date of this annual report, the Net Proceeds had not yet been fully utilised. As at the date of this annual report, the unutilised proceeds were placed in interest-bearing deposits with licensed bank in Hong Kong.

As disclosed in the Annual Report 2021, the Group originally intended to utilise the Net Proceeds allocated for acquisition of a company with existing production plant in Jiangsu province, the PRC by 30 June 2022. However, the Group requires more time than expected to identify suitable acquisition target at a reasonable price which matches the criteria set out in the Prospectus for utilising the allocated Net Proceeds. As at the date of this annual report, despite the Group's efforts, it has yet to identify suitable targets for acquisition that the Board considers to be beneficial to the Group and its shareholders as a whole. The Group will continue to search for suitable acquisition targets. If the Company enters into any agreement or arrangement on relevant acquisitions, the Company will make further announcement in accordance with the Listing Rules as and when required.

The Directors regularly evaluate the Group's business objectives and may change or modify plans against the changing market condition to ascertain the business growth of the Group. As at the date of this annual report, the Directors considered that no modification of the use of Net Proceeds described in the UOP Announcement was required.

Compliance with the Corporate Governance Code

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 41 of this annual report.

Audit Committee

The audit committee of the Company (the "**Audit Committee**"), together with the management and the external auditor, had reviewed the accounting policies and practices adopted by the Group as well as the internal control matters, and had also reviewed the Group's consolidated financial statements for the year ended 31 December 2022.

Auditor

The consolidated financial statements of the Group for the ended 31 December 2022 have been audited by SHINEWING (HK) CPA Limited.

SHINEWING (HK) CPA Limited shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

The auditor of the Company has not changed in the past four years.

On behalf of the Board
Mr. Xue Shidong
Chairman of the Board
PRC, 30 March 2023

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Since the Shares were listed on the Main Board of the Stock Exchange on the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and complied with the applicable code provisions during the year ended 31 December 2022, except for deviation from code provision C.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

Board of Directors

The Board is in charge with promoting the success of the Company by overseeing the Group's businesses, strategic decisions and performance as well as aligning the Company's culture and takes decisions objectively in the best interest of the Company.

The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the nomination committee (the "**Nomination Committee**"). The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eight Directors, consisting of five executive Directors and three independent non-executive Directors. The Directors of the Company during the year and as at the date of this Annual Report are listed as follows:

Name	Position in the Company
Mr. Xue Shidong	Chairman and executive Director
Mr. Wang Bin	Executive Director
Mr. Qiu Jianyu (resigned on 26 April 2022)	Executive Director
Mr. Xiang Wenbin (appointed on 26 April 2022)	Executive Director
Ms. Zhang Yeping	Executive Director
Mr. Jin Rongwei	Executive Director
Mr. Zhu Qi	Independent non-executive Director
Mr. Ho Kin Cheong Kelvin	Independent non-executive Director
Mr. Wang Hongliang	Independent non-executive Director

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

Save as disclosed in the Prospectus and this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

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 chairman of the Company is Mr. Xue Shidong.

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.

Independent Non-Executive Directors

Since the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent and remain so as of the date of this annual report.

Independent View

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors. Further, independent non-executive directors will be appointed to committees of the Board as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors, and is mandated to assess annually the independence of independent non-executive directors to ensure that they can continually exercise independent judgement. All Directors may also obtain independent professional advice at the Company's expense for carry out their functions.

Appointment and Re-election of Directors

Each of the executive Directors, Mr. Xue Shidong, Mr. Wang Bin, Mr. Xiang Wenbin, Ms. Zhang Yeping and Mr. Jin Rongwei, has entered into a service contract with the Company for a term of three years commencing from the Listing Date and 26 April 2022 (for Mr. Xiang Wenbin), which are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors was engaged on a letter of appointment for a term of three years commencing from the Listing Date and shall be subject to retirement by rotation once every three years.

All executive Directors and independent non-executive Directors will hold office subject to provision of retirement and rotation of directors under the Articles of Association. Pursuant to the Articles of Association, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation and be eligible for re-election, provided that every Director is subject to retirement at least once every three years. Any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2022, the Company distributed training materials prepared by the legal advisers for all Directors. The training materials covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2022 are summarised as follows:

Name of Directors	**Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/ or corporate governance**	**Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/ or corporate governance**
Executive Directors		
Mr. Xue Shidong	√	√
Mr. Wang Bin	√	√
Mr. Qiu Jianyu (resigned on 26 April 2022)	√	√
Mr. Xiang Wenbin (appointed on 26 April 2022)	√	√
Ms. Zhang Yeping	√	√
Mr. Jin Rongwei	√	√
Independent non-executive Directors		
Mr. Zhu Qi	√	√
Mr. Ho Kin Cheong Kelvin	√	√
Mr. Wang Hongliang	√	√

Board Committees

The Board has established three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which has been delegated responsibilities and reports back to the Board. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code where applicable. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee comprises three members, including three independent non-executive Directors, namely Mr. Ho Kin Cheong Kelvin, Mr. Zhu Qi and Mr. Wang Hongliang. Mr. Ho Kin Cheong Kelvin is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, provide advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2022, the Audit Committee held four meetings, during which the Audit Committee reviewed the Group's annual results and report for the year ended 31 December 2021 and the Group's unaudited interim results and report for the six months ended 30 June 2022, and discussed significant issues on the financial reporting, operational and compliance controls and the effectiveness of the risk management and internal control systems and internal audit function of the Group.

The Audit Committee also met with the external auditors without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Zhu Qi and Mr. Ho Kin Cheong Kelvin and one executive Director, namely Mr. Xue Shidong. Mr. Zhu Qi is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management; establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules (as amended from time to time).

During the year ended 31 December 2022, the Remuneration Committee held two meetings, during which matters such as the remuneration packages of the Directors, the remuneration package of the new director and other related matters were discussed.

Nomination Committee

The Nomination Committee comprises three members, including one executive Director, namely Mr. Xue Shidong and two independent non-executive Directors, namely Mr. Zhu Qi and Mr. Wang Hongliang. Mr. Xue Shidong is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and diversity required of the Board annually and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; monitoring the implementation of diversity policy for Board members, and assessing the independence of independent non-executive Directors.

During the year ended 31 December 2022, the Nomination Committee held two meetings, during which matters such as structure, size and composition of the Board, and the appointment of new director were discussed. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

In accordance with the Articles of Association, Directors shall be elected by the general meeting with a term of three years and may serve consecutive terms if re-elected. Any person appointed by the Board to fill a temporary vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election.

At the expiry of a Director's term, the Director may stand for re-election and re-appointment for further term. Subject to the compliance of the provisions of the relevant laws and administrative regulations, the general meeting of the Shareholders may dismiss by ordinary resolution any Directors of whom the term of office has not expired (the claim for compensation under any contracts shall however be not affected).

The procedures for the appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee will identify individuals suitably qualified to become Directors and make recommendations to the Board on the selection of individuals. The Nomination Committee will determine the composition of Board members based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the general manager), taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future.

Board Diversity Policy and Nomination Policy

The Board has adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the basic principles to be followed to ensure that the board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Board has also adopted the nomination policy (the "**Nomination Policy**") which sets out the nomination procedures for selecting candidates for election as Directors. The policy is adopted by the Board and administered by the Nomination Committee.

Selection of Board candidates shall be based on amongst others, character and integrity, qualifications, willingness to devote adequate time and a range of diversity perspectives with reference to the Company's business model and specific needs.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by the Nomination Committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments of the proposed candidates. The Company should also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this annual report, the Board comprised seven male Directors and one female Director, providing the Board with a direct and diversified channel of the opinion from both genders. In addition, the Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and effective leadership, taking into account the extensive experience, skills and knowledge of each Director and the balanced mix of five executive Directors and three independent non-executive Directors.

The Board is of the opinion that Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders.

We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female potential successors to the Board. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the Board.

The Nomination Committee will review the implementation and effectiveness of the Board Diversity Policy and the policy for the nomination of directors on an annual basis.

Workforce Diversity

The Group follows the principles of openness and equality and does not discriminate against applicants on the basis of gender, race, age, religious beliefs, and other factors. The Group actively promotes diversity in the workforce and encourages the employment of employees from all backgrounds. The Group has established systematic external and internal recruitment management process to ensure the quality of recruitment and select qualified and outstanding talents.

As at December 31, 2022, the gender ratio in the workforce (including senior management) is 330 (male): 152 (female). For further details of gender ratio together with the relevant data, please refer to the section headed "4.1 Responsible Employment and Safety Assurance" under the Environmental, Social and Governance Report.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended 31 December 2022, the Board had reviewed the Company's policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

Board Meetings and Directors' Attendance Records

Since the Listing Date, the Company had adopted the practice of holding Board meetings regularly with at least four times a year, and at approximately quarterly intervals with active participation of majority of the Directors, either in person or through electronic means of communication.

The attendance records of each Director at the Board and Board committee meetings of the Company held during the year ended 31 December 2022 are set out below:

	Attendance/Number of Meeting(s)				
Name of Directors	**Board meeting(s)**	**Audit Committee Meeting(s)**	**Remuneration Committee meeting(s)**	**Nomination Committee meeting(s)**	**General meeting(s)**
Executive Directors					
Mr. Xue Shidong	4/4	N/A	1/1	1/1	1/1
Mr. Wang Bin	4/4	N/A	N/A	N/A	1/1
Mr. Qiu Jianyu (resigned on 26 April 2022)	2/2	N/A	N/A	N/A	N/A
Mr. Xiang Wenbin (appointed on 26 April 2022)	2/2	N/A	N/A	N/A	1/1
Ms. Zhang Yeping	4/4	N/A	N/A	N/A	1/1
Mr. Jin Rongwei	4/4	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Zhu Qi	4/4	3/3	1/1	1/1	1/1
Mr. Ho Kin Cheong Kelvin	4/4	3/3	1/1	N/A	1/1
Mr. Wang Hongliang	4/4	3/3	N/A	1/1	1/1

Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committee meetings, reasonable notice will be generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. Our internal control and risk management systems cover, among others, corporate governance, operations, management, legal matters, finance and auditing. We engaged an independent internal control consultant (the "**Internal Control Consultant**") to review our internal control system and we have implemented and will continue to implement the relevant suggestions they proposed/propose. The Internal Control Consultant also performed a review of the adequacy and effectiveness of the risk management and internal control systems over our major business processes.

We have adopted and implemented the recommendations provided by the Internal Control Consultant and the Internal Control Consultant has not identified any material findings which may have material impact on the effectiveness of our internal control system.

Based on the result of the Internal Control Review, the Board, as supported by the Audit Committee, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Whistleblowing Policy

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Inside Information

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2022.

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.

Directors' Responsibility in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

Auditor's Remuneration

The total fee paid/payable to the external auditors of the Company, SHINEWING (HK) CPA Limited and its affiliated firm, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Category of services	**Fee paid/ payable** RMB'000
Audit services	992
Non-audit services	140
Total	1,132

Note: Non-audit services included mainly the service of agreed upon procedures performed on the Group's interim results.

Company Secretary

During the Reporting Period, Ms. Chou Kwai Wah was the company secretary of the Company. Ms. Chou joined corporate services department of Trident Corporate Services (Asia) Limited in August 2010 and currently serves as a senior manager. Ms. Chou has over 23 years of experience in the company secretarial field. The primary contact person in the Company for Ms. Chou in relation to corporate secretarial matters is Mr. Xue Shidong, chairman of the Board and executive Director.

During the year ended 31 December 2022, Ms. Chou has undertaken not less than 15 hours of relevant professional training.

Ms. Chou has tendered her resignation as the Company Secretary of the Company with effect from 30 March 2023 due to her other personal commitments.

Ms. Li Ching Yi has been appointed as the Company Secretary of the Company with effect from 30 March 2023.

Ms. Li is a senior manager of the Listing Corporate Services Department of Trident Corporate Services (Asia) Ltd.. She has over 10 years of professional experience in company secretarial field. She is currently a joint company secretary of Yidu Tech Inc. (醫渡科技有限公司) (stock code: 2158), Pop Mart International Group Limited (泡泡瑪特國際集團有限公司) (stock code: 9992), Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司) (stock code: 6669), 3D Medicines Inc. (stock code: 1244) and Sipai Health Technology Co., Ltd. (思派健康科技有限公司) (stock code: 0314), all of which are listed on the Stock Exchange.

Ms. Li is an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She obtained a bachelor's degree in social sciences in October 2011 from Lingnan University in Hong Kong and a master's degree in professional accounting and corporate governance in July 2015 from City University of Hong Kong in Hong Kong.

The primary contact person of Ms. Li at the Company is Mr. Xue Shidong, chairman of the Board and executive Director.

For details, please refer to the announcement dated 30 March 2023 of the Company.

Communications with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website (www.yadongtextile.com), where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

Shareholders' Communication Policy

The Shareholders' Communication Policy aims to set out the provisions which ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyze the Company's performance), are timely provided with information about the Company (including its financial performance, strategic goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company.

During the Period, the Company reviewed the implementation and effectiveness of the Shareholders' Communication Policy, including the multiple communication channels for the Shareholders in place and the steps taken to handle Shareholders' enquiries, and considered that the Shareholders' Communication Policy has been properly implemented and effective.

Shareholders' Rights

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene Extraordinary General Meeting

Article 58 of the Articles of Association provides that any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If the Board does not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting to be held two months after the deposit of such requisition, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for shareholders to propose a person for election as a director

For proposal of a person for election as Director, pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless proposed by the Board pursuant to the recommendation of the Nomination Committee, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Base on this, if a Shareholder wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's principal place of business in Hong Kong at Unit B, 11/F, Eton Building, 288 Des Voeux Road Central, Hong Kong. The notice must (i) include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or in the Companies Act of the Cayman Islands putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above. For proposing a person for election as a Director, please refer to the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 381 Ladong East Road
Tianning District, Changzhou
Jiangsu Province
China
(For the attention of the Board)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Change in Constitutional Documents

During the year ended 31 December 2022, the Company amended its articles of association (the "**Articles**") to (i) reflect changes to the requirement of the applicable laws of the Cayman Islands and the Listing Rules; and (ii) make other consequential and housekeeping changes (the "**Proposed Amendments**"). A special resolution was passed by the Shareholders at the annual general meeting of the Company on 28 June 2022 to approve the Proposed Amendments and adoption of the second amended and restated articles of association (the "**Amended Articles**") in substitution for, and to the exclusion of the existing Articles. The Amended Articles are available on the respective websites of the Stock Exchange and the Company. For further details, please refer to the circular of the Company dated 29 April 2022.

Save as disclosed above, there were no other changes in the constitutional documents of the Company during the year ended 31 December 2022.

ABOUT THIS REPORT

This is the third Environmental, Social and Governance ("**ESG**") Report published by Yadong Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**", "**we**") to demonstrate our efforts and achievements in sustainable development in 2022. This report also serves as a way and platform for the Group to communicate with stakeholders, and responds to and discloses sustainability issues of stakeholders' concerns. This report has been reviewed and approved by the board of directors (the "**Directors**") of the Company (the "**Board**").

REPORTING SCOPE

Unless otherwise stated, this report focuses on the environmental and social policies and performance related to the core business of the Group, and the subject area is Yadong Group Holdings Limited. Yadong (Changzhou) Science & Technology Co., Ltd. ("**Yadong (Changzhou)**") is the key operating entity of the Group in China, and the major environmental and social impacts of the Group mainly come from Yadong (Changzhou). The reporting period is from 1 January 2022 to 31 December 2022 (the "**Reporting Period**", the "**Year**").

Basis of preparation

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 of the Main Board Listing Rules (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), and follows the reporting principles of "materiality", "quantitative", "balance" and "consistency", as well as the "mandatory disclosure" and "comply or explain" provisions of the Guide. Unless otherwise stated, the amounts in this report are in RMB.

Reporting Principles

The Report has been prepared in strict compliance with the "mandatory disclosure" and "comply or explain" provisions of the ESG Reporting Guide of the Hong Kong Stock Exchange and adheres to "materiality", "quantitative", "balance" and "consistency" as the reporting principles to ensure the accuracy and reliability of the content of this Report.

Reporting Principles	Application in preparation of the report
Materiality	We have conducted a materiality assessment to identify environmental and social issues that have a significant impact on investors and other stakeholders. Key stakeholders, engagement process and results of materiality assessment are presented in the section headed "Communication with Stakeholders" of this report.
Quantitative	We have presented the key performance indicators in a measurable manner, where feasible, to demonstrate the Group's performance in environmental and social aspects in 2022.
Balance	During the preparation of this report, the Group has provided an unbiased picture of its sustainability performance in a fair and transparent manner.
Consistency	Unless otherwise stated, this report adopts the same statistical methods and calibre as in previous years. Quantitative data is analysed and presented as a comparison of the "past three years" for stakeholders' review.

Access and Feedback

This report has been published in both Traditional Chinese and English. In case of any discrepancies between the Traditional Chinese version and the English version, the Traditional Chinese version will prevail. The electronic copy of this report is downloadable for reading in the Group's website at http://www.yadongtextile.com.

1. Sound governance

1.1 Sustainable Governance

The Company is committed to continuously improving the Company's sustainable governance structure, standardising the ESG work responsibilities and processes at all levels, and striving to improve the Company's ESG governance level, so as to continuously and deeply promote sustainable practice and meet the expectations and demands of all stakeholders.

ESG Vision

— *Environmental Vision:*

- Apply more water-saving processes and save water as much as possible in daily operations;
- Increase the application of renewable energy, improve energy efficiency, reduce energy use and reduce greenhouse gas and exhaust emissions;
- Minimise the use of packaging materials, increase the use of recyclable materials, save resources and reduce waste;
- No major environmental accidents occurred throughout the year.

— *Social Vision*

- Provide more and more stable jobs;
- Provide employees with comprehensive benefits and protection;
- Conduct safety drills such as emergency drills in stages, and carry out renovation for fire protection to enhance safety in factories;
- No major safety accidents occurred throughout the year.

Board Statement

As the highest responsible and decision-making body for ESG matters, the Board of the Group is responsible for coordinating and managing the Company's ESG governance, and is fully responsible for the Company's ESG development strategy and management. During the Reporting Period, the Board mainly performed the following ESG-related duties:

- Review and approve the nature and extent of the Company's risks (including ESG-related risks), establish and review the Company's risk management and internal control systems through the audit committee, and regularly report to stakeholders on risk identification and management;

- Participate in stakeholder surveys and make decisions on the Company's annual key issues;

- Review the priority of material issues for the year, and supervise the management of issues;

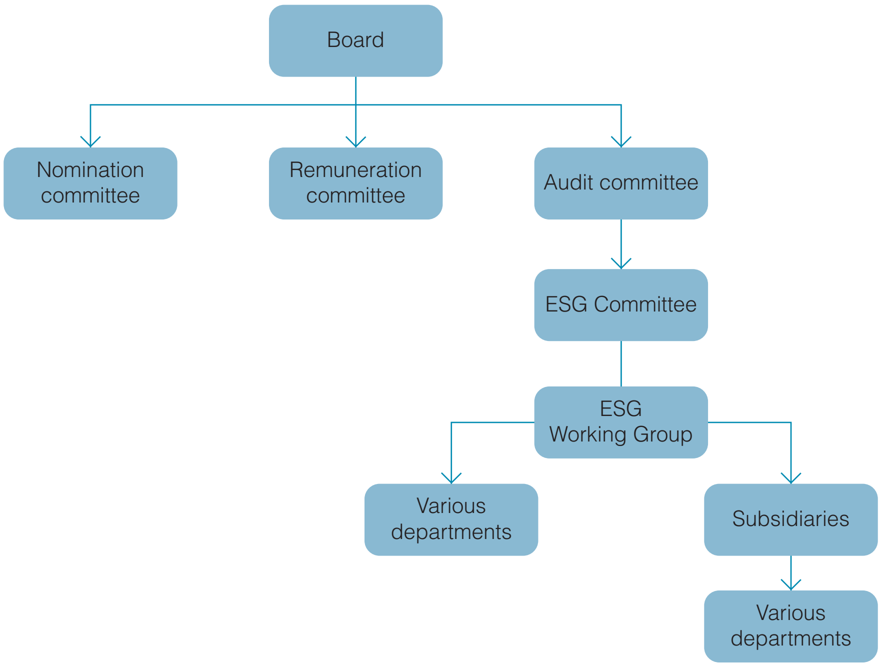
- Review and approve the setting of ESG goals and continuously monitor the achievement of goals.

This report discloses in detail the progress and performance of Yadong Group's ESG work in 2022, which was considered and approved by the Board of Directors in March 2023.

Governance Structure

The Company continuously optimises the ESG governance system, implements the concept of sustainable development into the business operation and management model, and actively fulfils its environmental and social responsibilities. The Company has a sound ESG governance system, and has further clarified the composition and division of responsibilities of the ESG Working Group under the existing system in 2022.

Under the Company's ESG management structure, the Board takes the lead of the audit committee and the ESG Committee is set up under the audit committee to coordinate the Company's ESG issues and guide the ESG Working Group to accomplish relevant tasks. The ESG Working Group is the executive unit under the ESG Committee, which consists of all departments of the Company and its subsidiaries. The ESG working group is responsible for the supervision, management and practical implementation of the Company's daily ESG matters, and reports the results to the ESG Committee. The ESG Committee will aggregate and report the recommendation of decisions to the Board for final decision-making.



ESG Governance System of Yadong Group

1.2 Communication with Stakeholders

Identification of Stakeholders

The Group attaches great importance to the participation of various stakeholders, actively maintains communication with stakeholders through diversified channels, and fully understands the demands of all stakeholders, so as to clarify the expectations and suggestions of stakeholders on ESG performance of the Group.

The stakeholders of Yadong Group include shareholders/investors, customers, employees, suppliers and other partners, government and regulatory authorities, industry associations and other non-governmental organisations, media, communities and the public.

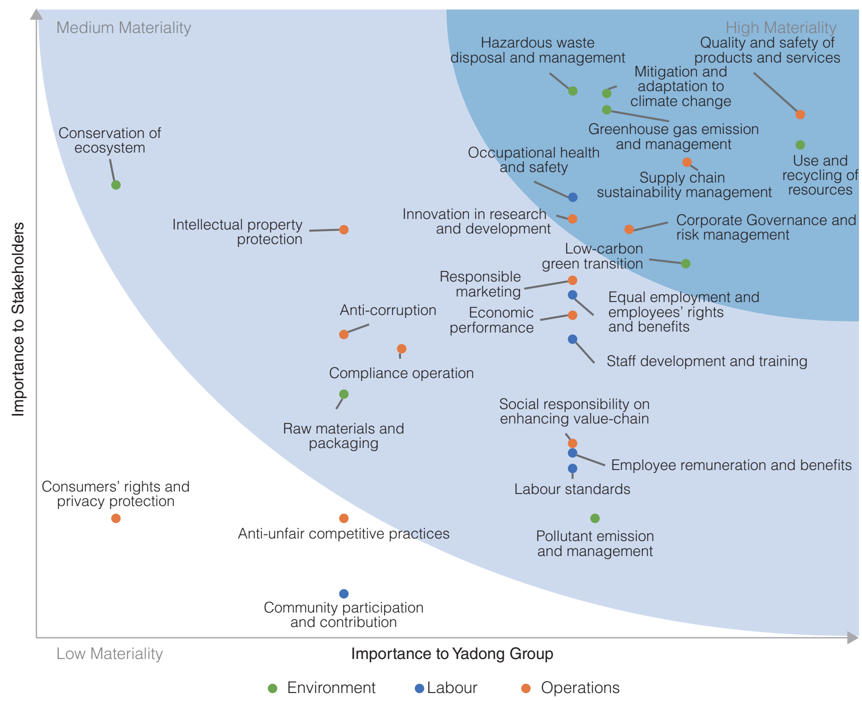
During the Reporting Period, the issues concerned by various stakeholders and our relevant communication methods are as follows:

Major Stakeholders	Concerns and Expectations	Communication Channels
Shareholders/ Investors	• Earnings and returns • Compliance operation • Information transparency • Risk management and control	• General meeting • Roadshow • Annual and regular financial reports
Customers	• Quality and safety of products and services • Protection of consumers' rights and privacy • Responsible marketing	• Official website • Customer communication meetings
Employees	• Equal employment and rights protection • Remuneration and benefits • Occupational health and safety • Development and training	• Employee satisfaction survey • Labour-management consultation meeting • Complaint hotline • Anonymous mailbox
Suppliers and other partners	• Sustainable supply chain management • Fair competition	• Pre-production communication meeting • On-site assessment communication
Government and regulatory authorities	• Compliance with national laws and regulations • Economic performance • Conservation of ecosystem	• Regular communication • Official website • Annual report
Industry associations and other non-governmental organisations	• Innovation in research and development • Promotion of industrial development	• Participation in industry forums • Exchange inspection and visits
Media	• Conservation of ecosystem • Labour standards • Consumers' rights	• Press conference • Media announcement • Interviews
Community and the public	• Support to community public welfare • Protection of the community environment	• Official website • Community co-development activities

Materiality Assessment

During the Reporting Period, we updated the material issues for the year in accordance with the disclosure standards of the "**ESG Reporting Guide**" of the Hong Kong Stock Exchange, taking into account domestic and international trends, industry development trends, excellent peer practices and the business features of the Group. During the year, 10 issues of high materiality were identified, including 5 environmental issues, 4 governance issues and 1 social issue.

The updated results of the material issues in 2022 have passed the Board's final confirmation. The following diagram shows the materiality issues matrix of the Group in 2022:



Materiality Matrix of Yadong Group 2022

Issues of high materiality this year and relevant sections are as follows:

Aspects	Issues of high importance	Relevant section
ENVIRONMENTAL ASPECT	Hazardous waste disposal and management	Green Production — Waste Management
	Mitigation and adaptation to climate change	Green Production — Response to Climate Change
	Greenhouse gas emissions and management	Green Production — Environment Management System
	Resource conservation and recycling	Green Production — Sustainable Management of Resources
	Green and low-carbon transformation	Green Production — Green Factory Construction
GOVERNANCE ASPECT	Quality and safety of products and services	Reliable Operation — Product Responsibility
	Supply chain sustainability management	Reliable Operation — Supply Chain Management
	Corporate governance and risk management	Sound governance — Compliance and Risk Management
	Innovation in research and development	Reliable Operation — Intellectual Property Protection and R&D Innovation
SOCIAL ASPECT	Occupational health and safety	Warm feedback — Responsible Employment and Safety Assurance

1.3 Compliance and Risk Management

The Group focuses on the management of various risks, including environmental risks, climate risks and safety risks, and actively analyses, evaluates and manages internal risks. During the Reporting Period, the Group did not have any sudden risk issues.

The Group has formulated the "Risk Assessment Management Measures (風險評估管理辦法)" to clarify the responsibilities of each level in the process of risk assessment and management, and coordinate and manage the internal risk assessment of the Company.

- **Environmental risks:** In accordance with requirement under the "Guidelines for enterprises & industrial parks to develop environmental accidents response plan" (DB32/T 3795-2020) and other relevant documents and based on the actual situation of the Company, the Company has prepared the "Contingency Plans for Sudden Environmental Incidents (including the Risk Assessment Report) of Yadong (Changzhou) Science & Technology Co., Ltd. (亞東(常州)科技有限公司突發環境事件應急預案(含風險評估報告))" to strengthen the Company's capability in environmental risk prevention and control and emergency response.

- **Climate risks:** In order to promote sustainable development, under instruction of the Board, the ESG Committee and the ESG Working Group establish a comprehensive measures for climate change risk management and relevant identification, assessment and mitigation, and continuously monitor the effectiveness of risk management and control (For the climate risks identified during the year and the countermeasures, please refer to the section of Response to Climate Change).

- **Safety risks:** The ESG Working Group cooperates with the heads of relevant departments to strictly follow the Company's internal "Reporting requirement on safe production risks of industrial enterprises in Jiangsu province (江蘇省工業企業安全生產風險報告規定)", and regularly arranges special personnel to identify risks for each position in accordance with the requirement, to compile a list of major risks. In addition, we regularly inspect, report and rectify works with potential safety risks to ensure safe production and normal operation of the Group's business.

1.4 Integrity Construction

The Group strictly abides by the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Company Law of the People's Republic of China and other relevant laws and regulations, and explicitly prohibits bribery, extortion, fraud, money laundering and other illegal behaviors. The Company has formulated the "Regulations on Anti-Fraud and Reporting Management (反舞弊與舉報管理辦法)" internally to guide the daily implementation of anti-fraud and anti-corruption work, regulate operation of the Company, and safeguard the legitimate rights and interests of the Company.

Anti-corruption

The Company's corporate culture advocates honesty and integrity and tolerates no corruption. We are committed to preventing all kinds of internal and external corruption and have been actively creating a corruption-free corporate culture environment.

- For internal employees, we ensure their understanding on relevant laws through the employee handbooks, publication of company rules and regulations and intranet publicity, and hold morning meetings/regular meetings, and arrange training to promote and learn relevant systems.

- For external partners, we have signed the "Anti-Commercial Bribery Pledge (反商業賄賂承諾書)" with them and provided integrity questionnaires to upstream and downstream partners to ensure the compliance of suppliers in integrity construction and anti-commercial bribery.

Standard training on integrity culture

The Group has established a comprehensive mechanism for anti-corruption management and control and set up a general manager's mailbox for internal use to collect employees' reports in daily operation. The Group also actively promotes tasks for whistleblowing, including relevant receipt, investigation, reporting, and provision of suggestions for the reports. After receiving relevant reports, the relevant anti-corruption departments will jointly assess whether further investigation is necessary and prepare a report, and if necessary, take corresponding measures. After the investigation, the relevant anti-corruption department will report internally and externally and deal with the employees in accordance with relevant regulations and legal terms. During the Reporting Period, the Group did not have any corruption or bribery cases.

2. Reliable Operation

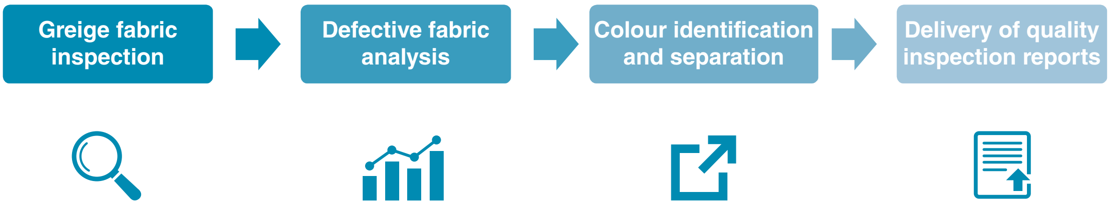
The Group always adheres to the principle of quality as priority, continuously improves every session in production and sales and strictly controls the source and processes, to continuously create high-quality products for customers. We also actively promote green transformation in the upstream and downstream of the supply chain to fulfil social responsibilities and proactively create value for the society.

2.1 Product Responsibility

In 2022, facing the severe external situation, the quality inspection department of the Group conscientiously implemented the product quality control tasks. By strictly requiring the attending personnel to adhere to the"regulation, standard, openness and transparency"approach, the quality inspection department cooperated with the sales department to timely handle customer demands and respond to customer questions, truly adhering to our service mottos of "**customer first**".

Quality Assurance

In order to ensure that the raw materials and production process meet the quality and production standards specified by customers, the Company has internally established the "Quality Management System (質量管理制度)" to strictly control the quality of materials and products delivered to and produced by the factory, as well as established the "**Quality Rating System for Greige Fabric (坯布質量評分制度)**" and the "**Colour Classification Standards for Finished Products (成品匹條分色標準)**", dividing the product quality appraisal process into three steps, terminally delivering a quality appraisal report.



Quality Appraisal Process

Pre-production meetings are held before the production of all fabrics, especially before the production of greige fabrics, we require the business representatives of greige fabric manufacturers and the responsible person of procurement business and the relevant business personnel to attend the pre-production meetings. Upon delivery of the purchased goods, the quality inspection department and the departments using them shall inspect the name, specification, quantity and quality of the goods. A "Laboratory Report" must be completed for dyes and auxiliaries, and "Greige Fabric Inspection Record" is required to complete for greige fabric upon delivery.

During the Reporting Period, the Group did not have any recall due to product health and safety reasons, and was awarded approval certificate issued by Semir Laboratory (森馬實驗室) and qualified supplier certification from Uniqlo.

Approval certificate issued by Semir Laboratory
(森馬實驗室認可證書)

Qualified supplier certification from Uniqlo
(優衣庫實驗室認證)

Customer service

The Company has formulated the "Sales Management System (銷售管理制度)" to strengthen the supervision and management of sales business. In order to strictly control the quality of goods we delivered, the quality inspection department of the Company is responsible for the inspection of incoming greige fabric, supervision of production and after-sales services of finished products. At the same time, in order to understand the production progress timely and quickly supervise the delivery of products according to the requirements of customers, Yadong (Changzhou) will track the implementation of contract after signing with the customer. In the shipping process, in addition to issuing bills in accordance with the prescribed procedures, we also require merchandiser, warehouse and third-party transportation personnel to verify the name and quantity of the goods being delivered before shipment.

The Company insists on daily video communication with customers to understand their demands in a timely manner. When receiving complaint or product recall request, we will immediately visit the customer to check and verify the product quality, and communicate with the customer face-to-face. If customers confirm that the products cannot be used continuously, we will arrange product recall in a timely manner for secondary repair or processing, and deliver the products to customers after passing the qualified quality inspection, so as to protect the rights and interests of customers to the greatest extent. In 2022, the Company commissioned a third-party professional company to conduct customer satisfaction survey and analysis. A total of 10 enterprises participated in the survey, and our customer satisfaction score reached 94.25 out of 100, representing a slight increase as compared with last year.

In addition, through the cooperation and communication between the quality inspection department and the sales department and the negotiation with customers, the Company has effectively reduced the rate of customer complaints during the year. In 2022, the Group received 0 complaint.

2.2 Intellectual property protection and R & D innovation

The Group regards intellectual property rights as the primary productivity of the Company. While encouraging employees to innovate and develop, the Group also attends to the protection of the Company's intellectual property rights and strictly complies with the Patent Law of the People's Republic of China, the Implementation Rules of the Patent Law of the People's Republic of China and other relevant laws and regulations. During the Year, the Company focused on the iteration and upgrade of products and the improvement of product output and quality. During the Year, a total of 681 varieties with 2403 colour bits(色位) were released, of which more than 30 varieties were put into mass production.

In order to guide employees to actively carry out technical reform, technological innovation, invention creation, industry-university-research and other scientific and technological activities, and improve the Company's technological content and comprehensive strength, the Company has established the "Incentive Methods of Patent Applications from Yadong Staff (亞東員工申請專利的獎勵辦法)", to provide monetary award to employees developing invention patent technologies relevant to the Company's business and authorised by China National Intellectual Property Administration. In 2022, the Group obtained 4 invention patents and 10 utility patents, including dyeing method for core ease all-dimension elastic fabric (芯逸動錦棉四面彈面料的染色方法), Super soft and shape-maintaining woven fabric (超柔保型梭織面料), dyeing and finishing method for lyocell twill (斜紋萊賽爾面料的染整方法) and corduroy of warp single weft triple (緯三重組織燈芯絨).

Incentive Measures for invention patent

- The Company's existing employees can utilise their own technical expertise to invent the "invention patent" technology related to the Company's business and authorised by China National Intellectual Property Administration. The intellectual property rights would belong to the Company and each can be rewarded RMB2,000.

Incentive Measures for utility patent

- The intellectual property rights belong to the Company. Upon receipt of the patent acceptance notice by the inventor, each can be rewarded RMB500.

Case **Involving in drafting of the industry standard of "Plain Corduroy Cotton Fabric"**

In 2022, Yadong (Changzhou), as the 4th drafting unit, involved in the drafting of the industry standard of "Plain Corduroy Cotton Textile Fabric (燈芯絨棉本色布)". In December 2022, application was made to Shanghai Textile Industry Institute of Technical Supervision.

Under the industry standard, 8 key performance indicators of major technology parameters(handwashing size change rate, friction resistance, sweat stain resistance) have made great improvement on top of the industry standard FZ/T 14041-2018 "Corduroy printed and dyed polyester/cotton blended fabric (燈芯絨滌棉混紡印染布)". Meanwhile, it added five technology indicators of light resistance to sweat, wet friction, color shift, lint retention, and seam slippage, complementing the industry standard FZ/T 14041-2018 "Corduroy printed and dyed polyester/cotton blended fabric (燈芯絨滌棉混紡印染布)". The level of this enterprise standard has currently reached leading position domestically.

Yadong (Changzhou) was awarded the National Development Base of Corduroy and Woven Dyeing Product

School-Enterprise Cooperation

In 2022, in order to give full play to the advantages of both school and enterprise, and the functions served by vocational education for the society, industry and enterprise, while utilizing high-quality and high-skilled talents of both school and enterprise, Yadong (Changzhou) actively carried out "school-enterprise cooperation" with colleges, aiming to help the development of their academic education while enriching the Company's talent reserve and promoting the Company's innovative research and development.

Case **Establishing a joint research and development centre with colleges**

In March 2022, Yadong (Changzhou) and Changzhou Vocational Institute of Textile and Garment jointly established an industry-school-research joint research and development centre and set up an industry-education integration base, including the construction of teacher innovation studios, exhibition halls for innovative scientific research, etc., to jointly build a scientific and technological achievements transformation platform and a 1 + X skills training platform.

Picture of industry-school-research joint research and development centre licence

Case

Joint Establishment of Jiangsu High-end Textile and Apparel Industry Technology Research Institute

In November 2022, in active response to the national call to establish talent cultivation system and research innovation mechanism for vocational education development, Yadong (Changzhou) jointly established Jiangsu High-end Textile and Apparel Industry Technology Research Institute with Changzhou Textile Engineering Society (常州市紡織工程學會) and Changzhou Vocational Institute of Textile and Garment, recognizing Yadong (Changzhou) Dyeing and Finishing for Weaving Products Industry College (機織物染整產業學院) with Mr. Wang Bin, managing director of Yadong (Changzhou) acting as dean of industrial college (secondary) to support functions such as talent training, technology research and development, marketing, student internship and employment and social training services.

Photo of the licence of the Dyeing and Finishing for Weaving Products Industry College

2.3 Assurance for Information Security

The Group's business is not directly exposed to consumer groups and therefore its customers are mainly finished apparel manufacturers. In order to strengthen the supervision and management of sales business, we have formulated the "Sales Management System (銷售管理制度)" internally, providing clear regulations on the Company's sales contract management, shipping management, return management, sales business supervision and inspection, etc., aiming to improve customer service quality and protect customer privacy.

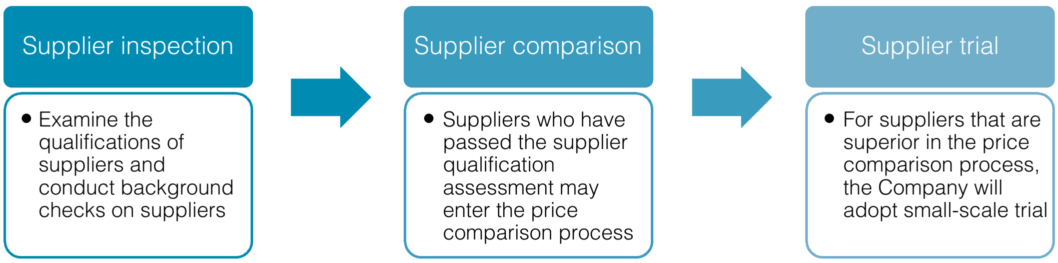
In addition, the Company strictly prohibits employees from leaking customer privacy information. The "Employee Management System (員工管理制度)" clearly stipulates that employees must keep data provided by the Company and customers confidential, and strictly prohibits employees from using or disseminating confidential information to others. Employees, supervisors and directors are required to sign a confidentiality agreement when necessary to confirm that they agree not to disclose confidential information. The Group undertakes to implement a privacy protection system for all customers and resolutely resists customer information leakage and other behaviours.

2.4 Supply Chain Management

As a responsible enterprise, the Group adheres to the principle of mutual benefit and success, and is committed to purchasing from qualified and reputable suppliers, maintaining close and effective communication with suppliers, and establishing a friendly and stable long-term cooperation relationship.

Procurement Management

The Company strictly abides by the Law of the People's Republic of China on Bid Invitation and Bidding and other relevant laws and regulations on bidding and procurement, and has formulated a sound internal "Procurement Management System (採購管理制度)", which stipulates that procurement personnel shall take quality, service, delivery time, price and other factors as the basis for supplier selection, and implement this system for all suppliers. During the Year, the main materials purchased by Yadong (Changzhou) included greige fabrics, dyes, auxiliaries, ancillaries, measuring instruments, tools, office supplies, fixed assets, etc.



Supplier procurement process

The Company has established a comprehensive supplier assessment and evaluation system, and attaches importance to the sustainable performance of all suppliers. At the end of 2022, the responsible team of procurement operations of Yadong (Changzhou) assessed and evaluated suppliers in terms of quality of supplies, safety management, environmental protection, occupational safety, environmental and safety penalties of for the year in accordance with regulations, and prepared the "Supplier/Business Outsourcing Factory Evaluation Form" to update the list of qualified suppliers.

Name of Indicators		**Indicator Unit**	2020	2021	**2022**
Total number of suppliers[1]		Individual	643	647	**647**
Total number of suppliers by geographical region	Jiangsu Province	Individual	445	449	**447**
	Other provinces in Mainland China	Individual	195	195	**197**
	Hong Kong, Macau and Taiwan	Individual	1	1	**1**
	Overseas regions	Individual	2	2	**2**

[1] The total number of suppliers here covers suppliers of all items in Yadong (Changzhou).

Supply Chain Risk

In 2022, the Company identified and monitored supply chain risks in accordance with regulations, striving to minimise supply chain risks.

In the procurement process, the Company requires procurement officers to refer to not less than three suppliers each time to select the best supplier and reduce possible risks. At the same time, we strictly require and monitor all goods provided by suppliers to ensure compliance with national laws and regulations. For toxic and hazardous goods, we require suppliers to provide relevant supporting documents.

For major procurement materials such as greige fabrics, Yadong (Changzhou) requires verification and approval of the greige fabrics supplier by the general manager before placing an order for greige fabrics. We also require the responsible team of procurement operations to conduct on-site supplier inspection and evaluation at the end of each year for suppliers of major materials such as greige fabrics.


Visiting suppliers' factories

In addition, upon signing procurement contracts for dyes and auxiliaries with suppliers, we clearly require suppliers to provide inspection reports including the composition and ingredients of the dyes upon delivery and to ensure the actual goods delivered are of the same composition as the inspection reports.

Green procurement

In addition to attaching importance to the social responsibility of suppliers, we also attach great importance to supply chain categories with good environmental performance to promote the use of environmentally-friendly products. When purchasing raw materials, Yadong (Changzhou) prefers environmentally-friendly recycled material like recycled cotton and recycled polyester, and selects raw materials and additives with less impact to the environment and less pollution throughout stages from yarns, weaving and dyeing. Meanwhile, Yadong (Changzhou) has incorporated "**environmental friendly**" into the selection and assessment criteria of suppliers, and supervises them to conduct environmental certification for the products produced through communication with suppliers, so as to make corporate contributions to environmental protection.

For the downstream supply chain, Yadong (Changzhou) encourages and advises customers to select and use recycled polyester, organic cotton and other raw materials to reduce pollution of finished textile products to the environment, and promotes the green development of downstream supply chain and the sustainable development of the Company's supply chain.

Name of Indicators	Indicator Unit	2022
Number of suppliers[2] with environmental, quality and occupational safety certifications	Individual	**20**

3. Green Production

3.1 Environment Management System

As a participant in essential production fields of the textile industry, the Group adheres to the national green development policy. Responding to the national policy of resource conservation and environmental protection, the Group actively move to reduce its own pollution and carbon emissions, striving to promote the sustainable development of the enterprise, society and the country.

Pollution Prevention

The Company strictly abides by the Environmental Protection Law of the People's Republic of China, Environmental Protection Tax Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China and other relevant national and local laws and regulations, and has formulated the "Environmental Protection Management System (環境保護管理制度)" internally to strictly regulate the discharge of various pollutants in daily production operations, eliminate serious pollution and other incidents, and integrate the concept of green development into the Company's operations. During the Reporting Period, all pollutants of Yadong (Changzhou) were discharged in compliance with regulations.

- *Waste gas treatment*

  The waste gas emitted by Yadong (Changzhou) mainly comes from the VOCs (volatile organic compounds), particulates, oil fumes, benzene series and other emissions produced during the shaping process and singeing process in the production workshop, as well as automobile exhaust emissions. With reference to the "General Rules of Technical Guidelines for Self-monitoring by Pollutant Discharging Unit HJ 819-2017 (排污單位自行監測技術指南總則HJ 819-2017)", we have formulated a pollution source monitoring plan and installed 6 sets of waste gas treatment facilities for air pollutants generated during the production process, including a waste gas treatment system, comprised of full-automatic oil fume cleaning and purification equipment, bag filter precipitator and exhaust gas purification equipment, to strictly implement the monitoring plan and ensure the monitoring quality, so as to ensure the compliance of waste gas emissions.

Waste gas emission target: optimise waste gas treatment facilities to ensure compliant emission of air pollutants

[2] The supplier here refers to the supplier for main business of Yadong (Changzhou).

As at the end of the Reporting Period, the air pollutant emissions of Yadong (Changzhou) in the past three years were as follows:[3]

Name of Indicators	Unit	2020	2021	2022
Sulphur oxides (SO_x)	kg	0.20	0.22	**0.18**
Nitrogen oxides (NO_x)	kg	149.67	153.72	**106.64**
Particulates[4]	kg	24.74	25.18	**17.62**

As at the end of the Reporting Period, the greenhouse gas emissions[5] of Yadong (Changzhou) in the past three years are as follows:

Name of Indicators	Unit	2020	2021	2022
Scope 1 (Direct emissions)	tCO_2e	4,668.92	4,412.00	**5,435.31**
Scope 2 (Indirect emissions)	tCO_2e	55,254.95	62,067.52	**67,235.04**
Total emissions	tCO_2e	59,923.87	66,479.52	**72,670.35**
Emission Intensity	tCO_2e/revenue of RMB1 million	77.67	81.69	**68.54**

- *Water pollution control*
  Yadong (Changzhou) carries out comprehensive treatment of printing and dyeing wastewater generated during the production process. Yadong (Changzhou) has established a sewage pre-treatment station, and has installed online monitoring equipment for pH (acid and alkali), COD (chemical oxygen demand) and ammonia nitrogen at the discharge outlet , which has been networked for filing to realise real-time online monitoring. During the Reporting Period, an anaerobic tank was added to the sewage station, aiming to remove the organic matter in the sewage by using anaerobic bacteria and improve the biodegradability of the sewage; At the same time, a new hydrolysis tank was added to provide sufficient duration for sewage to be treated in the sewage tank to achieve better treatment results.

3 The sources of air pollutant emissions are exhaust emissions from vehicles and waste gas emissions from engineering machineries owned by the Group. The measurement of air pollutant emission produced by vehicles was based on the "Technical Guidelines on the Compilation of List of Air Pollutant Emission by Vehicles on Roads (Trial)" (道路機動車大氣污染物排放清單編製技術指南(試行))"; and the measurement of air pollutant emission produced by engineering machineries was based on the "Technical Guidelines on the Compilation of List of Air Pollutant Emission by Moving Objects Not on Roads (Trial)" (非道路移動源大氣污染物排放清單編製技術指南(試行)).

4 Particulate emissions include PM2.5 and PM10.

5 The emission of greenhouse gas in Scope 1 came from the vehicles owned by the Company, emission from engineering machineries, and the use of natural gas in production. The emission of that in Scope 2 came from the purchased electricity and purchased steam by the Group. Scope 2 greenhouse gas emissions from purchased electricity are calculated based on the latest national grid average emission factor published by the Ministry of Ecology and Environment of the PRC on 7 February 2023 ("Notice on the Work Concerning the Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises in 2023–2025 (關於做好2023–2025年發電行業企業溫室氣體排放報告管理有關工作的通知)").

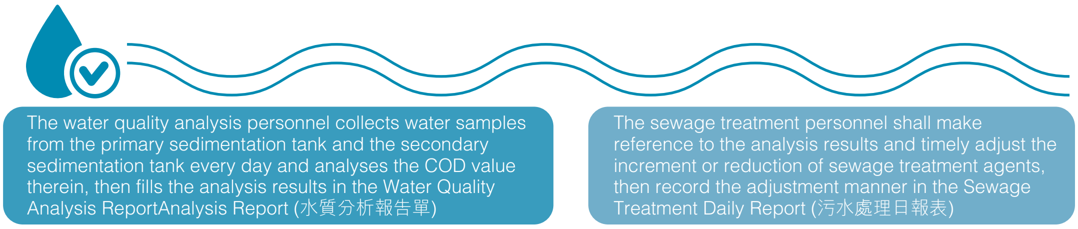
Anaerobic tower of sewage station

As at the end of the Reporting Period, the sewage discharge of Yadong (Changzhou) in the past three years is as follows:

Name of Indicators	Unit	2020	2021	2022
Total sewage discharge	Tonnes	672,092	777,591	**752,273**

The Company has formulated relevant work implementation regulations such as the "Sewage Treatment Process (污水處理工藝)", "Safe Operating Rules for Sewage Treatment (污水處理安全操作規程)", and "Operation Norms for Sewage Treatment (污水處理操作規範)" for employees working on sewage treatment, requiring on-the-job employees to conduct routine inspection on the operation status of the wastewater treatment system on a daily basis, conduct daily measurement on the pH value of the adjusting tank, coagulation tank, primary sedimentation tank, hydrolysis tank, aeration tank and secondary sedimentation tan, and conduct regular testing on the sedimentation ratio of deaeration tank and hydrolysis tank and the dissolved oxygen in the aeration tank and hydrolysis tank, with the above measurement and test results recorded in the "Sewage Treatment Daily Report (污水處理日報表)".

The Company requires full-time specialists to fill in and submit reports on the sewage treatment work in a unified manner, and to implement duo-personnel collaborative management mode.



Sewage treatment reporting process

- *Noise Pollution Prevention*

  The Group strictly abides by Environmental Noise Pollution Prevention and Control Law of the People's Republic of China and other relevant laws and regulations to implement effective noise control. The Company has internally formulated the "Pollutant Control Procedures(污染物控制程序)", which provides clear regulations and prevention measures for noise pollution. Yadong (Changzhou) has always insisted on controlling noise sources to the greatest extent:

  - The production department is required to check the integrity of various equipment and facilities in strict accordance with the "Equipment Management Procedures (設備管理程序)", and to repair timely when noise issues are found attributable to aging and damage of equipment;

  - Advocate relevant departments to select low-noise equipment as much as possible under the equivalent conditions, and actively adopt sound insulation and noise reduction measures.

3.2 Response to Climate Change

Climate change has become one of the unprecedented challenges facing by the world and brings corresponding crisis and opportunities to enterprises. In order to cope with the extreme weather and natural disasters caused by climate change, the Group has identified climate risks in accordance with the Emergency Response Law of the People's Republic of China, the Flood Control Law of the People's Republic of China, the Earthquake Prevention and Disaster Reduction Law of the People's Republic of China and other relevant national laws and regulations, and formulated various policies and measures in response to extreme weather and natural disasters.

The Group takes the initiative to reduce the waste of resources and energy in its daily production, operation and office life, strictly controls the emission of various pollutants and greenhouse gases, and minimises the emission of pollutants by upgrading equipment and other measures. In order to better cope with climate change risks, the Group has established and improved the climate risk management organisational structure and climate risk identification mechanism with reference to the recommendations of TCFD[6], and has completed the formulation of countermeasures.

The Company has incorporated climate change risks into the Company's risk system. The ESG Committee is responsible for matters related to climate change risks, and the ESG Working Group is responsible for the comprehensive governance of relevant businesses, instructing relevant ESG departments to implement relevant work in production and operation, and the ESG Committee conducts regular assessment, review and continuous supervision to dynamically monitor the Company's climate change risks and effectiveness of our measures.

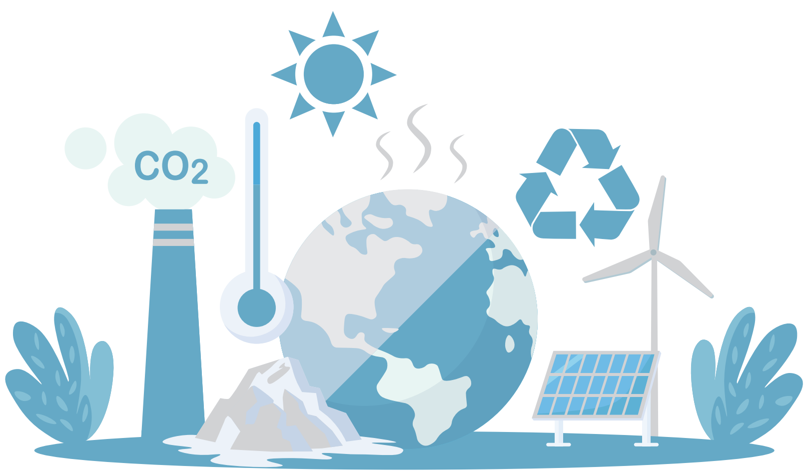
During the Year, Yadong (Changzhou) improved the pollutant discharge and resource consumption of the Company through the renovation of sewage treatment station, construction of rooftop photovoltaic power generation project and alkali recycling, so as to make corporate contributions to climate change mitigation.

6 Full Name of TCFD is Task Force on Climate-Related Financial Disclosures.

Identify climate risks

During the Reporting Period, Yadong (Changzhou) identified the following physical risks and transition risks that may arise from climate change, and formulated corresponding countermeasures.

	Physical risks[7]		Transition risk[8]
Infrastructure	The increase in global temperature leads to the increase in frequency of extreme weather such as typhoons, hail and heavy rainfall, which may cause damage to the Company's infrastructure, production equipment, production and office environment.	Labour and resource costs	The government/regulatory authorities may put forward more disclosure requirements related to climate change and stricter environmental compliance requirements for industrial/listed companies. In order to meet the compliance requirements, the cost of labour and resources for operation may increase.
Supply Chain	Natural disasters such as earthquakes, storms and tsunamis may reduce agricultural production, reduce raw material supply, hinder the transportation of the supply chain, and in turn cause chain effects such as production disruption.	Low-carbon transition	The transition from a high-carbon economy to a low-carbon economy brings about the need of enterprises to accelerate their adaptation, including aspects of energy transformation, energy efficiency, reusability, recyclability, and greenhouse gas emission intensity.
Employee Safety	The frequent occurrence of extreme weather and natural disasters may cause casualties, threatening the health and safety of employees of the Company and along the supply chain.	Market Preference	The increasing public awareness on environmental protection may drive changes in market preferences. If the Company fails to respond to the market's expectations on environmental protection, the Company's reputation may be damaged.



7 Physical risks refer to risks directly associated with climate change, which can be caused by floods and typhoons (acute risks) or sustained high temperatures (chronic risks).

8 Risks associated with the transition to a lower-carbon economy may involve policy, legal, technological and market changes to address the requirements of mitigation and adaptation to climate change.

	Response measures to physical risks		Response measures to transition risk
Infrastructure & Employee Safety	Conduct regular maintenance of equipment, factories and office buildings to enhance their ability to combat extreme weather; Comprehensive insurance coverage for properties and other assets vulnerable to damage from extreme weather events or other physical effects caused by climate change; Formulate crisis and emergency management plans for possible environmental emergencies caused by extreme weather; Regular risk assessment and safety inspection at key risk points.	Labour and resource costs	Review global and local policies, regulatory updates, technological developments and market trends to identify climate-related risks and opportunities that may have a financial impact on the Group's business; Participate in consultation on climate-related industry regulations or policy development to express the Group's concerns and opinions; Actively implement internationally recognised management systems.
Supply Chain	Assess climate-related risks in the supply chain and identify other alternative sources of supply; Require suppliers to take climate-related risk prevention measures;	Low-carbon transition	Identify, assess, manage and monitor climate-related risks regularly; Assign appropriate employees to handle climate-related risks.
	Conduct risk assessment to better adapt and prepare for future extreme weather events.	Market Preference	Conduct market research and/or review relevant market reports to keep abreast of market trends on climate-related issues.

The Group believes that under the global trend of climate change, challenges and opportunities always coexist. We will pay close attention to the latest policy guidelines of the industry and the country, seize opportunities and timely adjust the overall strategic development direction of the enterprise. During the Year, Yadong (Changzhou) was awarded the "2022 China Textile and Apparel Industry Climate Action Pioneer Unit (2022中國紡織服裝行業氣候行動先鋒單位)" by China National Textile and Apparel Council.

Award Certificate for 2022 China Textile and Apparel Industry Climate Action Pioneer Unit

3.3 Sustainable Management of Resources

In order to improve the Group's resource and energy management system, we strictly abide by the relevant national laws and regulations on energy management. We have been insisting on improving the Company's Energy Management System (能源管理制度), to make clear management provisions for resource and energy conservation tasks of the Group and its subsidiaries.

Energy use

Gasoline, diesel and natural gas are the main direct energy sources of the Company during the production and operation process; purchased steam and purchased electricity are the main indirect energy sources. We are always committed to reducing energy use and waste, setting energy consumption quota and relevant assessment rules within the Company, and actively carrying out energy-saving technological transformation projects.

During the Reporting Period, the Company completed the steam cooling and pressure reduction project, saving approximately 5,500 tonnes of steam annually. Before the implementation of the project, the temperature of steam purchased by the Company was approximately 250 degrees Celsius, with pressure of 6-8 kg, and the superheat was nearly 60 degrees Celsius. Among them, superheat portion of heat only accounts for a small portion, and most of the heat is trapped in the enthalpy of evaporation. This superheated steam, when directly used in the production process, will lead to low efficiency of heating system and waste of energy. In order to solve the above problems and improve the thermal efficiency, stability, and equipment life and safety of the Company's heating system, this project uses a steam cooling and pressure reduction system to convert steam into saturated steam before reaching the heating equipment, so as to achieve energy conservation.

In addition, during the year, the Company invested RMB1,200,000 to complete the sewage and heat recovery project, mainly transferring 80℃ sewage generated by the machines in the production workshop to the collection tank, and transferring it to the filtration box through pumps, pipelines and liquid level controllers, and then entering the heat recovery equipment, to raise room-temperature industrial water to about 60℃, while the sewage of 80℃ is cooled down to about 40℃. The industrial water with temperature raised is collected in the hot water pool for use by the machine, and the cooled-down sewage undergoes sewage treatment. This project can save about 80 kg of steam by recycling one tonne of hot water, saving about 12,320 tonnes of steam annually, saving RMB2,700,000 for the Company while saving energy.

Energy saving target: achieve energy saving target through equipment transformation and other means.

As at the end of the Reporting Period, the energy consumption of Yadong (Changzhou) in the past three years is as follows:

Name of Indicators	Unit	2020	2021	2022
Petrol	L	286	746	**2,971**
Diesel	L	11,830	12,859	**8,445**
Natural Gas	m^3	2,144,795	2,024,247	**2,500,479**
Total direct energy consumption	MWh	23,314	22,024	**27,152**
Direct energy consumption intensity	MWh/revenue of RMB1 million	30	27	**25.61**
Purchased steam	Tonnes	152,299	173,684	**189,323**
Purchased electricity	kWh	12,458,640	13,291,362	**14,021,403**
Total indirect energy consumption	MWh	132,797	150,527	**163,614**
Indirect energy consumption intensity	MWh/revenue of RMB1 million	172.13	184.97	**154.32**

Use of water resources

The Company's water resources mainly come from municipal water supply and do not involve any difficulty in sourcing water. In 2022, the Company recycled the steam condensate and cooling water of the high-temperature airflow atomizing dyeing machine, as well as the steam condensate and cooling water of the sueding machine and the setting machine, and the cooling water from pre-shrinking machine and dyeing machine, so as to achieve the purpose of making full use of water resources and saving fresh water consumption. Its main working principle is to save fresh water and steam by using high-efficiency water traps, collecting water and steam through pipelines into the water collection pools and delivering to machines using water pumps. The processed water of the machine is pumped through the pipeline for usage by water film dust removal device in the singeing workshop to save fresh water. It is estimated that this project can achieve an annual saving of steam of approximately 400 tonnes and fresh water of 149,760 m^3.

Water conservation target: achieve water conservation target through water recycling and other processes and facilities.

As at the end of the Reporting Period, the total water consumption and water consumption intensity of Yadong (Changzhou) in the past three years are as follows:

Name of Indicators	Unit	2020	2021	2022
Total water consumption	Tonnes	750,078	740,373	**735,898**
Water consumption intensity	Tonnes/revenue of RMB1 million	972.23	909.77	**694.10**

Use of other resources

Through reuse and recycling, the Group makes full utilization of various materials in the production process, including packaging materials and obsolete materials. For the collection, transportation, storage and recycling of packaging materials, we arrange back-office personnel to cooperate with the production department for collaborative treatment, aiming to select and classify the used paper tubes, cylinder material and weaved bags to achieve recycling in the factory area.

Yadong (Changzhou) has set up designated areas for storing waste products and providing waste collection bins in the factory area. For packaging materials that cannot be recycled on our own, they will be handed over to third parties for centralised waste recycling and disposal.

Packaging materials saving target: increase the number of times of use of packaging materials under regulations on recycling and reuse to reduce the consumption of packaging materials.

As at the end of the Reporting Period, the consumption of packaging materials of Yadong (Changzhou) was as follows:

Name of Indicators	Unit	2022
Paper tubes	Tonnes	**173**
Cylinder materials	Tonnes	**48**
Weaved bags	Tonnes	**60**
Total packaging material consumption	Tonnes	**281**
Packaging material consumption intensity	Tonnes/revenue of RMB1 million	**0.27**

Case

Recycling materials

Yadong (Changzhou) actively uses recycled plastic bottles for processing and re-manufacturing into polyester, which is used in the production of fabric for outerwear. We started using such recycled materials on a large scale in 2022 and required our suppliers to supply fabrics made from such recycled materials. To date, Yadong (Changzhou) has secured orders of more than 1,000,000 metres for this recycled material.

3.4 Waste Management

The Group strictly complies with the relevant national and local laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and the Directive of Manifest Management for Transferring Hazardous Waste, and has formulated the internal management system of "Hazardous Waste Management responsibility System for Warehouse (危險廢物倉庫崗位責任制)". It clearly stipulates the responsible person for the classification, collection, handling, storage and transfer of hazardous waste and related responsibilities.

The major hazardous wastes generated by Yadong (Changzhou) during its production and operation include waste oil gloves, waste rubber gloves, waste toner cartridges, waste oil, dye packaging bags and sludge. The Group has set up hazardous waste storage sites in offices and factory areas, where wastes are collected for transportation and treatment by qualified third parties, We have also signed agreements for hazardous waste disposal.

The major non-hazardous wastes of Yadong (Changzhou) are waste paper, waste plastics, scrap metal and domestic waste. In order to further promote the recycling of waste, we have arranged waste sorting bins in offices and factory areas, in which the collected recyclable waste will be sold to legally operating waste recycling units for resource recycling and reuse; non-recyclable wastes are regularly collected and managed by the local sanitation office and other recycling departments.

Waste reduction target: We are committed to reducing the Company's waste discharge through recycling and other means.

As at the end of the Reporting Period, the waste discharge and emission intensity of Yadong (Changzhou) in the past three years are as follows:

Name of Indicators	Unit	2020	2021	2022
Total hazardous waste emission	kg	2,537	3,875	**2,916**
Emission density of hazardous waste	kg/revenue of RMB1 million	3.29	4.76	**2.75**
Total non-hazardous waste emission	Tonnes	160,444	127,729	**4,240**
Emission density of non-hazardous waste	Tonnes/revenue of RMB1 million	207.96	156.95	**4.00**

3.5 Green Factory Construction

Yadong (Changzhou) actively participated in the "**National Green Factory**" assessment carried out by the Ministry of Industry and Information Technology[9], and has been investing in the construction of the Company's green factory for many years, aiming to respond to national goals, so as to reduce production and operating costs while reducing resources and energy consumption, and achieve corporate transformation and upgrading.

Photovoltaic power generation

The Company is committed to responding to the national call to reduce carbon dioxide emissions in production and office life. During the Year, the Company completed the rooftop photovoltaic power generation project and laid approximately 5,000 square metres of photovoltaic panels for the roof photovoltaic power generation project. The designated power generation capacity of the project is 740 kWh. According to the average daily daylight time in Changzhou, it is estimated that approximately 1,100 hours of rooftop photovoltaic power generation will be used every year. Therefore, the annual consumption of rooftop photovoltaic power is estimated to be 814,000 kWh, enabling reduction of greenhouse gas emissions of approximately 573 tonnes per year.

Yadong (Changzhou) Rooftop Photovoltaic Power Generation Equipment

9 Ministry of Industry and Information Technology of the People's Republic of China.

Reuse of reclaimed water

In order to save water resources in the production and operation process, the Company has built and improved the project for reuse of reclaimed water ,energy saving and emission reduction during the construction of green factories. Most of the construction has been completed and is expected to be put into use in 2023. The project aims to reduce the pollutants in the sewage to an appropriate level, and filter the sewage through the filtration system, so as to produce reclaimed water that meets the production usage standards and deliver it to factories for use according to the production process requirement. This project has greatly reduced the cost of water used in the production of Yadong (Changzhou) and significantly reduced sewage discharge.

Second Sedimentation Tank for Reclaimed Water Reuse of Yadong (Changzhou)

Alkali recycling

Alkali recycling system is an important part of the green factory under construction in Yadong (Changzhou). We have introduced the alkali recycling system to classify and treat the light alkali, so as to manage the alkali more effectively and meet the needs of various processes. This measure not only saves production costs, but also reduces pollution to the environment caused by chemicals. We use the alkali recycling system for processing and pretreatment of light alkali, to avoid increase in sewage discharge and reduce the acid usage cost of the enterprise[10].

Alkali recycling equipment

10 Sewage treatment involves chemical reactions of neutralization , and sewage containing the high level of alkali needs acids for neutralisation and adjustment before discharging.

4. Warm feedback

4.1 Responsible Employment and Safety Assurance

The Group is committed to effectively protecting the rights and benefits of each employee, to promote mutual development of employees and the Group. While caring for internal employees, the Group also actively participates in various public welfare activities to create a better life together with local communities by leveraging its own advantages.

Responsible Employment

The Company strictly abides by the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, Provisions on Prohibition of Child Labour, Provisions on Special Protection of Minors and relevant laws and regulations, and has internally formulated the"Child Labour and Juvenile Labour Control Procedures (童工及未成年工控製程序)" and the "Child Labour Remedial Management Procedures (童工補救管理程序)" to eliminate all employment of child labour and forced labour. During the recruitment process of the Group, the human resources department (HR) will check the identity card other relevant documents of the candidates to confirm the legal qualifications of the candidates. HR department will also conduct regular spot checks after employment, and be open to accept the whistleblowing report of violations by employees. Once any violation is found, the Group will immediately take measures to stop the violation and notify the relevant departments to investigate the situation, to prevent the recurrence of the situation.

In addition, we always treat every employee equally, achieve equal employment in the process of employment, equal pay for equal position for male and female employees. We eliminate any discrimination on gender, age, race and religion, and fully respect employees' personal choice and career development. The Company assesses the work performance, working ability and work attitude of employees every year, and conducts promotion, training, annual bonus distribution and salary adjustment based on the above assessment results. At the same time, we strictly abide by the national statutory working hours, and pay overtime pay or leave days for overtime working employees in accordance with the law.

As at the end of the Reporting Period, the employees of Yadong (Changzhou) in the past three years are as follows:

Indicators		Unit	2020	2021	2022
Total number of employees		person	472	482	**482**
Number of employees by gender	Male	person	318	325	**330**
	Female	person	154	157	**152**
Number of employees by age	Aged 30 and below	person	45	41	**40**
	Aged 31–40	person	121	127	**134**
	Aged 41–50	person	217	200	**187**
	Aged over 50	person	89	114	**121**
Number of employees by employment type	Full-time	person	472	482	**482**
	Part-time	person	0	0	**0**
Number of employees by region	Mainland China	person	471	481	**481**
	Hong Kong, Macau and Taiwan	person	1	1	**1**
Number of employees by position	Senior management	person	6	6	**6**
	Middle management	person	25	28	**28**
	General staff	person	441	448	**448**
Total employee turnover		person	66	72	**88**
Employee turnover rate by gender	Male	%	13.52	12.31	**17.58**
	Female	%	14.94	20.38	**19.74**
Employee turnover rate by age	Aged 30 and below	%	57.78	26.83	**52.50**
	Aged 31–40	%	28.10	15.75	**11.19**
	Aged 41–50	%	2.76	16.50	**18.72**
	Aged over 50	%	0	7.02	**14.05**
Employee turnover rate by region	Mainland China	%	14.01	14.97	**18.30**
	Hong Kong, Macau and Taiwan	%	0	0.00	**0.00**

Safety Management

- *Identify safety risks*

  The Company attaches great importance to the safety and health of employees. We strictly abide by the Production Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Provisions on the Administration of Occupational Health at Workplaces, Fire Protection Law of the People's Republic of China and Regulation on Emergency Responses to Work Safety Accidents and other relevant laws and regulations, and have formulated the "Occupational Health Management System (職業健康管理制度)" and the "Occupational Disease Prevention and Control Plan and Implementation Plan (職業病防治計劃與實施方案)", and other relevant systems to guide the occupational safety and health management of various departments. During the year, we added the internal measure of"Safety Production Management Measures (安全生產管理辦法)" to implement a system featuring"Safety Management and Staff Accountability (安全管理，責任到人)" to ensure that the principle of "Responsible for Both Production and Safety (管生產必須管安全)" is applied in the Company's production and operation.

  During the Reporting Period, the Group obtained the safety management system certification of OHSAS 18001: 2007 and GB/T 28001-2011 management system standards. There was no safety accident throughout the year, realizing our goal of zero safety accident during the year.

  In order to ensure the safety and health of employees and the future development of the Group, the Group strictly complies with the "Reporting requirement on safe production risks of industrial enterprises in Jiangsu province (江蘇省工業企業安全生產風險報告規定)", and conducts safety risk identification and investigation on an annual basis. During the Reporting Period, the Group conducted the identification of major safety risks in accordance with the system, and has identified a number of major safety risks. We consolidated the identified safety risks into the "Identification List of Major Safety Risks (重大安全風險識別清單)", and carried out rectification and reform with the cooperation of various departments, to investigate the safety risks on individual basis.

  As at the end of the Reporting Period, the number of work-related fatalities and lost days due to work in Yadong (Changzhou) in the past three years are as follows:

Indicators	**Unit**	2020	2021	**2022**
Number of work-related fatalities in the past three years	person	0	0	**0**
Rate of work-related fatalities in the past three years	%	0	0	**0**
Lost days due to work injury	days	0	0	**0**

- *Conduct safety drills*

  During the Year, the Company conducted safety training and work-related injury prevention training for new employees on regular practice. Employees have to pass the training assessment before working on their posts. In addition, due to the use of chemical products and fire safety hazards presented by the presence of hazardous waste as well as risks of chemical leakage and other emergency environmental safety accidents, we have arranged fire drills, talks on first aid knowledge and emergency drills during the two safety production months, enabling personnel of the Company having access to chemicals and in hazardous waste warehouses to understand the fire safety knowledge and potential dangers caused by the emergency accidents of hazardous waste and chemical leakage, and manners to minimise risks and hazards in the event of relevant accidents, training and educating employees in the drills. During the Reporting Period, the Group conducted three fire drills, participated by 482 employees.

Induction safety training for new employees

Work-related injury prevention training

Case: Fire Safety Drill

In order to help employees understand the danger of fire and enhance their fire safety awareness, the Company conducted a night fire evacuation drill for employees in the workshop of the Company on the evening of 13 December 2022.

Fire safety drill

Case: Emergency drill for leakage of hazardous chemicals and environmental accidents

On 6 June 2022, we conducted an emergency drill for leakage of hazardous chemicals and environmental accidents for employees in the Company who have access to chemicals and hazardous waste warehouses to help employees master the manners and methods to prevent environmental emergency accidents, as well as self-rescue methods in case of environmental accidents such as hazardous waste leakage, so as to avoid serious accidents causing greater losses.

Emergency drill for leakage of hazardous chemicals and environmental accidents

- *Fire control renovation*
  In order to prevent the occurrence of fire safety incidents during the Year, we carried out a series of fire safety renovation. The renovation project is an important task of the Company. In order to ensure the smooth progress of the project, we arranged an expert team to conduct a special meeting on site and supervise the fullrenovation process. This project integrates advanced smoke-sensing system for fire prevention, to achieve automatic detection of smoke or fire, enabling quick response of fire protection system to control the situation. The system aims to reduce response time and minimise losses caused by fire. This renovation and the integration of the smoke-sensing system for fire prevention represent an important step taken by the Company in continuously striving to improve fire safety and protect the communities it serves, and have been recognised by Tianning Fire Brigade.

- *Pandemic Prevention and Safety*
  At the beginning of 2022, the pandemic still affected the operation of the Group. Before the policy was lifted, we took strict measures to protect the health of employees. The Group requires all visitors to have their health code inspected and scan the venue code, and strictly implements pandemic prevention requirements such as wearing mask. We also disinfected external vehicles. For external drivers of the Group, we actively promoted relevant knowledge.

4.2 Talent Training and Development

Staff Development

The Group attaches great importance to the vocational skills and quality training of employees, and expects to extend our employee development concept to every employee. The Company strictly abides by the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Labour Dispute Mediation and Arbitration Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Women's Rights and Interests, Law of the People's Republic of China on the Protection of Disabled Persons and Social Insurance Law of the People's Republic of China, and other employment-related laws and regulations. Based on the principle of "systematisation, institutionalisation, initiative, diversification and effectiveness", the Company has formulated the "Human Resources Management System (人力資源管理制度)" and the "Employee Training Management System (員工培訓管理制度)", and strictly complies with relevant systems to train employees.

Staff training

In 2022, in order to reduce quality problems, the Company conducted a series of training for employees on greige fabric inspection, defective fabric identification, and colour matching and colour separation of finished products.


Fabric inspection training


Defective fabric identification training


Colour separation training

As at the end of the Reporting Period, the employee training of Yadong (Changzhou) for the past three years is as follows:

Indicators		Unit	2020	2021	2022
Number of employees trained during the Reporting Period		person	472	480	**482**
Percentage of employees trained by gender	Male	%	67.37	67.43	**68.46**
	Female	%	32.63	32.57	**31.54**
Percentage of employees trained by employment category	Senior Management	%	1.27	1.24	**1.24**
	Middle Management	%	5.30	5.81	**5.81**
	General staff	%	93.43	92.95	**92.95**
Total training hours of employees during the Reporting Period		hours	10,040	10,188	**6,036**
Average training hours per employee by gender	Male	hours	21.26	21.14	**12.47**
	Female	hours	21.30	21.13	**12.63**
Average training hours per employee by employment category	Senior Management	hours	36.67	36.33	**12.00**
	Middle management	hours	40.00	38.21	**12.00**
	General staff	hours	20.00	19.87	**12.56**

4.3 Employee welfare and care

The Company strictly abides by the laws and regulations related to remuneration and benefits and relevant internal systems to effectively protect the welfare of employees and improve their happiness and satisfaction. The Group has a comprehensive salary and welfare mechanism to protect the rights and interests of employees, and insists on providing annual occupational disease examination for employees, and distributes labour protection supplies to employees during the production process to prevent the risks of occupational diseases related to employees. We establish personal files for new employees and make contributions to social insurance and housing provident funds in full and on time in accordance with laws and regulations.

Composition of employee benefits

Name of Indicators	Main Composition
Remuneration	Basic salary, annual performance salary and various benefits and allowances
Five Insurances and One Fund	Housing funds, pension, unemployment, medical, work-related injury and maternity insurance
Paid leave	Statutory holidays, marriage leave, funeral leave, maternity leave
Additional benefits	Women's Day benefits, annual physical examination services, free lunch, holiday benefits, holiday allowance, overtime allowances, etc.

Employee communication

The Group respects the voices of employees and values the democratic participation and democratic supervision of employees. In order to have better access to employees 'opinion, the Group has set up a special complaint hotline and an anonymous letter box. At the same time, in order to enable quick deal with employees's issues, the complaints can be directly received by the management of the Company or directly delivered by employee representatives. The complaint handling process will be recorded in the "Employee Complaint Handling Record Form (員工申訴處理記錄表)".

In addition, the Group will hold Labour negotiation meeting from time to time. During the meetings, the management staff and the employee representatives will discuss and negotiate on the work environment, production issues, workplace safety, labour benefits and employee complaint channel reform, with an aim to make reasonable improvements.

Employee Care

The Group cares for every employee and actively promotes a harmonious and healthy working and living style, expecting mutual growth of employees and the Group and embracing them with our caring atmosphere. The Group organises various activities for all employees to enhance their sense of belongings and company cohesion.

Case

Employee activity — Tug-of-war Competition

In order to enrich employees' spare time, on 15 November 2022, the Company organised a tug-of-war competition for employees. In the activity, each department formed a team to compete between departments, allowing employees to experience the importance of team spirit, to enhance corporate cohesion.

Tug-of-war competition of employees

In addition, the Group provides special care to female employees. For example, we provide female employees with benefits on Women's Day, and provide special protection allowances, annual physical examination services, free lunch, free snacks, summer cooling, holiday benefits, holiday allowances, overtime allowances, night shift allowance, high temperature subsidies.

4.4 Social Responsibility Contribution

The Group will promote the common development of surrounding communities and the Group as the goal of fulfilling social responsibility, and is committed to using the Group's advantages and resources to support public welfare undertakings. In 2022, the Group actively held and participated in public welfare projects such as school donations, construction of green space outside the factory, opening community environmental education lectures, factory visits and visits to children's welfare homes, fire brigades and police stations, donating RMB300,000 in total.

Case

Donation to Fenghuang Xincheng Experimental Primary School (鳳凰新城實驗小學)

In August 2022, in order to help the students of Fenghuang Xincheng Experimental Primary School to expand their reading and knowledge scopes, the Group actively participated in the activity of "Reading to improve five self-disciplines for the future (書香「勵」五自，悅讀向未來)" held by the school, and donated books and equipment to the school as a caring enterprise, totaling RMB150,000.

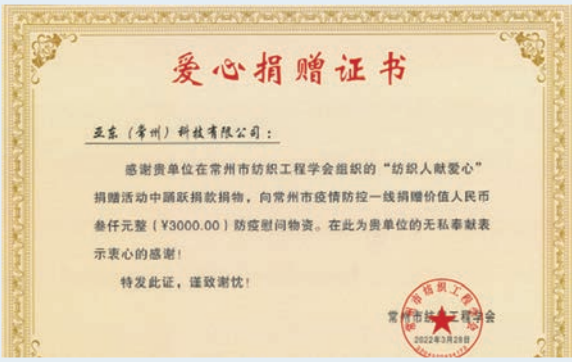
Photos commemorating the donation

Case

Donation for the pandemic

In March 2022, the prevention and control of the pandemic in Changzhou City entered a critical period. As a socially responsible textile printing and dyeing enterprise, Yadong (Changzhou) supported the pandemic prevention and control work in Changzhou City while accomplishing its own epidemic prevention and control work.

Photos showing donation from Yadong Group



爱心捐赠证书

亚东（常州）科技有限公司：

感谢贵单位在常州市纺织工程学会组织的“纺织人献爱心”捐赠活动中踊跃捐款捐物，向常州市疫情防控一线捐赠价值人民币叁仟元整（¥3000.00）防疫慰问物资。在此为贵单位的无私奉献表示衷心的感谢！

特发此证，谨致谢忱！

常州市纺织工程学会

Charity Donation Certificate received by Yadong (Changzhou)

Case

Visiting the police station

In July 2022, the deputy general manager and the head of the administrative department and the chairman of the labour union of the Company visited the Diaozhuang Police Station (雕莊派出所) and the Southeast Fire Brigade (東南消防中隊) for the “Cool Delivery (送清涼)” condolence activity. The event sent labour protection supplies and heat-relief drinks to the police station and the fire brigade, bringing “refreshment” to labours under the hot weather.

Visiting the police station

Visiting the fire brigade

Honours of the Company of the Year

1 Recognised as Top 30 Enterprise in China Printing and Dyeing Industry
2 Awarded the “Star Enterprise (明星企業)” Award presented by the Changzhou Municipal Committee and Changzhou Municipal People’s Government of the Communist Party of China
3 Recognised as”Advanced Unit (先進單位)” by Changzhou Textile Engineering Society (常州市紡織工程學會)
4 Awarded the Fabrics China — Excellent Product Award (中國流行面料—優秀產品獎)
5 Granted the Finalist Excellence Award among Fabrics China Appraisal Entry Enterprise (中國流行面料入圍評審優秀獎)
6 2022 China Smart Production Outstanding Application Award (2022年度中國智慧生產傑出應用獎)
7 Granted the Certificate of Quality Award from District Chief (區長品質獎證書)
8 Awarded the 2022 Semir Laboratory Certificate (森馬實驗室認證)
9 Received Uniqlo laboratory certification (優衣庫實驗室認證)
10 Recognised as Gabtics China Pioneer Plant-Corduroy and Woven Printed & Dyed Textiles
11 Established the Industry-University-Research Joint R&D Centre
12 Established the Dyeing and Finishing for Weaving Products Industry College (機織物染整產業學院)
13 Yadong Changzhou “Huanghaiyan Studio (黃海燕工作室)” was awarded the collective honour of “National Worker Pioneer (全國工人先鋒號)” by the All-China Federation of Trade Unions
14 Yadong (Changzhou) was awarded the Climate Action Pioneer Unit (氣候創新行動先鋒單位) and Xue Liang, staff of Yadong (Changzhou), was awarded the title of Pioneer Contributor (先鋒貢獻者)
15 Became a strategic partner with many clothing brands

Appendix Environmental, Social and Governance Reporting Guide Content Index

A. Environmental General Disclosure and KPIs		Description	Relevant Chapter
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Production — Environment Management System
KPI	A1.1	The types of emissions and respective emissions data.	Green Production — Environment Management System
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Production — Environment Management System
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Production — Waste Management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Production — Waste Management
	A1.5	Description of emissions target(s) set and steps taken to achieve them	Green Production — Environment Management System
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Production — Waste Management Green Production — Waste Management

A. Environmental General Disclosure and KPIs	Description		Relevant Chapter
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.		Green Production — Sustainable Management of Resources
KPI	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Production — Sustainable Management of Resources
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Production — Sustainable Management of Resources
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Production — Sustainable Management of Resources
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green Production — Sustainable Management of Resources
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Green Production — Sustainable Management of Resources
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.		Green Production — Environment Management System
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Production — Environment Management System Green Production — Green Factory Construction
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer		Green Production — Response to Climate Change
KPI	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Production — Response to Climate Change

B. Social General Disclosure and KPIs	Description		Relevant Chapter
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Warm feedback — Responsible Employment and Safety Assurance Warm feedback — Employee welfare and care
KPI	B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Warm feedback — Responsible Employment and Safety Assurance
	B1.2	Employee turnover rate by gender, age group and geographical region.	Warm feedback — Responsible Employment and Safety Assurance
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Warm feedback — Responsible Employment and Safety Assurance
KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Warm feedback — Responsible Employment and Safety Assurance
	B2.2	Lost days due to work injury.	Warm feedback — Responsible Employment and Safety Assurance
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Warm feedback — Responsible Employment and Safety Assurance
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Warm feedback — Talent Training and Development
KPI	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Warm feedback — Talent Training and Development
	B3.2	The average training hours completed per employee by gender and employee category.	Warm feedback — Talent Training and Development

B. Social General Disclosure and KPIs	Description		Relevant Chapter
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour		Warm feedback — Responsible Employment and Safety Assurance
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Warm feedback — Responsible Employment and Safety Assurance
	B4.2	Description of steps taken to eliminate such practices when discovered.	Warm feedback — Responsible Employment and Safety Assurance
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.		Reliable Operation — Supply Chain Management
KPI	B5.1	Number of suppliers by geographical region.	Reliable Operation — Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Reliable Operation — Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Reliable Operation — Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Reliable Operation — Supply Chain Management

B. Social

General Disclosure and KPIs	Description	Relevant Chapter
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Reliable Operation — Product Responsibility
KPI	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Reliable Operation — Product Responsibility
	B6.2 Number of products and service related complaints received and how they are dealt with.	Reliable Operation — Product Responsibility
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Reliable Operation — Intellectual property protection and R&D innovation
	B6.4 Description of quality assurance process and recall procedures.	Reliable Operation — Product Responsibility
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Reliable Operation — Assurance for Information Security
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Sound governance — Integrity Construction
KPI	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Sound governance — Integrity Construction
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Sound governance — Integrity Construction
	B7.3 Description of anti-corruption training provided to directors and staff.	Sound governance — Integrity Construction

B. Social

General Disclosure and KPIs	Description		Relevant Chapter
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Warm feedback — Social Responsibility Contribution
KPI	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Warm feedback — Social Responsibility Contribution
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Warm feedback — Social Responsibility Contribution

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皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF YADONG GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Yadong Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 90 to 150, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit loss ("ECL") of trade and bills receivables

Refer to note 20 to the consolidated financial statements and the accounting policies on pages 97 and 112.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the Group had trade and bills receivables of approximately RMB182,104,000, net of accumulated loss allowance for ECL of approximately RMB1,073,000. Impairment loss of approximately RMB2,026,000 has been reversed during the year ended 31 December 2022. Loss allowance for trade and bills receivables is estimated based on lifetime ECL model, which is estimated using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort. We have identified ECL of trade and bills receivables as a key audit matter because the amount is significant to the Group and the impairment assessment of trade and bills receivables involved a significant degree of management estimation and may be subject to management bias.	Our procedures were designed to review the management's judgement and estimates used in assessment process and challenge the reasonableness of inputs and assumptions used in estimating the ECL of trade and bills receivables. We obtained an understanding of how the ECL of trade and bills receivables were assessed by the management. We have challenged management's assumption and judgement in determining ECL on trade and bills receivables as at 31 December 2022, the reasonableness of management's grouping of the trade debtors in the provision matrix, and the basis of expected credit loss rates applied with reference to historical default rates and forward looking information. We have tested, on sample basis, payment history, past due status of the trade and bills receivables, and the settlements subsequent to the end of the reporting period.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Company and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	**1,060,218**	813,810
Cost of sales		**(917,317)**	(698,669)
Gross profit		**142,901**	115,141
Other income	7	**8,282**	10,158
Selling and distribution expenses		**(30,155)**	(30,050)
Administrative expenses		**(45,757)**	(39,966)
Finance costs	8	**(11,970)**	(6,199)
Profit before tax		**63,301**	49,084
Income tax expenses	9	**(13,370)**	(13,917)
Profit for the year	10	**49,931**	35,167
Other comprehensive expense for the year:			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translating a foreign operation		**(3,610)**	(471)
Total comprehensive income for the year attributable to owners of the Company		**46,321**	34,696
Earnings per share			
Basic and diluted (RMB cents)	14	**8.32**	5.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current Assets			
Property, plant and equipment	15	**127,431**	120,816
Right-of-use assets	16	**51,590**	6,313
Intangible assets	17	**223**	344
Investment properties	18	**48,351**	—
Earnest money paid	38	**—**	35,000
Deferred tax assets	29	**1,191**	880
		228,786	163,353
Current Assets			
Inventories	19	**188,961**	127,919
Trade and bills receivables	20	**182,104**	169,393
Prepayments and other receivables	21	**42,001**	89,724
Amount due from a related company	22	**—**	408
Time deposits	23	**65,164**	89,833
Bank balances and cash	24	**61,413**	32,476
		539,643	509,753
Current Liabilities			
Trade and bills payables	25	**139,295**	149,646
Accruals and other payables	26	**50,410**	41,563
Contract liabilities	27	**1,663**	9,579
Income tax payable		**2,145**	8,856
Amounts due to a related company	22	**2,310**	—
Lease liabilities	16	**7,584**	88
Borrowings	28	**288,346**	219,985
		491,753	429,717
Net current assets		**47,890**	80,036
Total assets less current liabilities		**276,676**	243,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current Liabilities			
Lease liabilities	16	**1,019**	—
Deferred tax liabilities	29	**16,526**	15,120
		17,545	15,120
Net assets		**259,131**	228,269
Capital and Reserves			
Share capital	33	**5,035**	5,035
Reserves	34	**254,096**	223,234
Total Equity		**259,131**	228,269

The consolidated financial statements on pages 90 to 150 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

Xue Shidong

Jin Rongwei

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 33)	**Share premium** RMB'000	**Capital reserve** RMB'000 (Note 34(a))	**Exchange reserve** RMB'000	**Statutory reserve** RMB'000 (Note 34(b))	**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 year	—	—	—	—	—	35,167	35,167
Exchange difference arising on translating a foreign operation	—	—	—	(471)	—	—	(471)
Total comprehensive (expense) income for the year	—	—	—	(471)	—	35,167	34,696
Appropriation to statutory reserve	—	—	—	—	2,256	(2,256)	—
Dividends paid (Note 13)	—	(14,933)	—	—	—	—	(14,933)
As at 31 December 2021	5,035	73,413	(4,313)	1,078	17,168	135,888	228,269
At 1 January 2022	**5,035**	**73,413**	**(4,313)**	**1,078**	**17,168**	**135,888**	**228,269**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**49,931**	**49,931**
Exchange difference arising on translating a foreign operation	**—**	**—**	**—**	**(3,610)**	**—**	**—**	**(3,610)**
Total comprehensive (expense) income for the year	**—**	**—**	**—**	**(3,610)**	**—**	**49,931**	**46,321**
Appropriation to statutory reserve	**—**	**—**	**—**	**—**	**2,424**	**(2,424)**	**—**
Dividends paid (Note13)	**—**	**(15,459)**	**—**	**—**	**—**	**—**	**(15,459)**
As at 31 December 2022	**5,035**	**57,954**	**(4,313)**	**(2,532)**	**19,592**	**183,395**	**259,131**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**63,301**	49,084
Adjustments for:		
Amortisation of intangible assets	**121**	134
Depreciation of property, plant and equipment ("PPE")	**11,053**	9,175
Depreciation of investment properties	**1,280**	—
(Gain)/Loss on disposal of PPE	**(145)**	300
Finance costs	**11,970**	6,199
Reversal of impairment loss/(impairment loss recognised) on trade and bills receivables	**(2,026)**	2,790
Depreciation of right-of-use assets	**5,708**	4,090
Loss on write off of PPE	**2,808**	—
Loss on early termination of a lease	**—**	349
Government subsidies	**(1,081)**	(9,378)
Bank interest income	**(777)**	(56)
Operating cash flows before working capital changes	**92,212**	62,687
Increase in inventories	**(61,042)**	(53,669)
Increase (decrease) in trade and bills receivables	**(11,754)**	76,046
Increase in prepayments and other receivables	**46,229**	(71,071)
Increase (decrease) in trade and bills payables	**(10,351)**	(48,846)
Increase in accruals and other payables	**(24,546)**	5,462
Decrease (increase) in contract liabilities	**(7,916)**	8,114
Cash generated from (used in) operations	**22,832**	(21,277)
Income taxes paid	**(18,780)**	(14,423)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**4,052**	(35,700)
INVESTING ACTIVITIES		
Placement of time deposits	**(65,164)**	(89,833)
Payments for purchase of PPE	**(24,250)**	(48,363)
Net cash outflow on acquisition of subsidiary	**(24,000)**	—
Advances to a related company	**(1,074)**	(4,050)
Proceeds received from disposal of PPE	**223**	292
Interest received	**777**	56
Repayments from a related company	**3,792**	3,707
Withdrawal of time deposits	**89,833**	—
Earnest money paid	**—**	(35,000)
Payments for purchase of intangible assets	**—**	(63)
NET CASH USED IN INVESTING ACTIVITIES	**(19,863)**	(173,254)

	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**288,346**	219,985
Government subsidies received	**1,081**	9,378
Dividend paid	**(2,983)**	(13,789)
Payments of lease liabilities	**(8,409)**	(897)
Interest paid	**(11,910)**	(5,941)
Repayments of borrowings	**(219,985)**	(95,590)
NET CASH FROM FINANCING ACTIVITIES	**46,140**	113,146
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**30,329**	(95,808)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**32,476**	129,233
Effect of foreign exchange rate changes	**(1,392)**	(949)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**61,413**	32,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Corporate Information

Yadong Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 22 September 2016 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 18 November 2020 (the "**Listing**"). Its immediate and ultimate holding company is Oriental Ever Holdings Limited ("**Oriental Ever Holdings**"), a company with limited liability incorporated in the British Virgin Islands (the "**BVI**"). Oriental Ever Holdings is wholly and directly owned by Mr. Xue Shidong, who is also a director of the Company (the "**Controlling Shareholder**").

The address of the registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is located at No. 381 Laodong East Road, Tianning District, Changzhou, Jiangsu Province, China.

The Company is an investment holding company and its subsidiaries (together referred to as the "**Group**") are principally engaged in sales of fabrics products and provision of dyeing and processing services. Particulars of the subsidiaries have been set out in note 40.

The 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. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 January 2022:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

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

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2024
[3] Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

3. Significant Accounting Policies (Continued)

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income or expenses of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in Group's ownership in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transaction. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant Accounting Policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair value at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

The Group recognised revenue from the following major sources:

- sales of plain weave fabrics and corduroy fabrics

- provision of dyeing and processing services

The revenue from the sale of plain weave fabrics and corduroy fabrics are recognised at a point in time when the control of products is transferred to the customer upon delivery.

The revenue from the provision of dyeing and processing services is recognised according to the terms of service contracts. The terms of these contracts do not create an enforceable right to payment for the performance completed to date. Accordingly, such revenue is recognised at a point in time when the control of the final products is transferred to the customers.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties and sales related taxes.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

3. Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to the People's Republic of China (the "**PRC**") state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("**the MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

The Group's intangible assets are all separately acquired computer software, with finite useful lives of five years and are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Investment properties

Investment properties are properties held to earn rentals. Investment properties include leased properties recognised by the Group as right-of-use asset and leased out under operating lease.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

3. Significant Accounting Policies (Continued)

Investment properties (Continued)

Costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property held by the Group as a right-of-use asset is measured initially at cost in accordance with HKFRS 16.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment. If an investment property becomes an property under development for sale in the ordinary course of business when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an property under development.

Impairment losses on property, plant and equipment, right-of-use assets, intangible asset and investment properties

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets and investment properties with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Significant Accounting Policies (Continued)

Impairment losses on property, plant and equipment, right-of-use assets, intangible asset and investment properties (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

3. Significant Accounting Policies (Continued)

Leasing (Continued)

The Group as lessee

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. Significant Accounting Policies (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

The Group applies HKAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in Administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade and bills receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest income

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Amortised cost and effective interest income (Continued)

For purchased or originated credit impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 "Financial Instruments"

The Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables, amount due from a related company, time deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and bills receivables. The Group determines the ECL collectively by using a provision matrix estimated based on shared credit risk characteristics, the Group's historical credit loss experience based on the past default experience with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Definition of default (Continued)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and bills receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Except the ECL on the amount due from a related company is determined on an individual basis, ECL on other financial assets are determined collectively by using a provision matrix estimated based on shared credit risk characteristics, the Group's historical credit loss experience based on the past default experience with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial Assets (Continued)

Measurement and recognition of ECL (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination or (2) held-for-trading, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ECL of trade and bills receivables

The management of the Group uses provision matrix to estimate the lifetime ECL for the trade and bills receivables. The ECL of trade and bills receivables are estimated using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables are disclosed in note 20.

As at 31 December 2022, the Group had trade and bills receivables of approximately RMB182,104,000 (2021: RMB169,393,000), net of accumulated loss allowance for ECL of approximately RMB1,073,000 (2021: RMB3,099,000). Reversal of impairment loss of approximately RMB2,026,000 (2021: Impairment loss RMB2,790,000) has been recognised during the year ended 31 December 2022.

Estimated impairment of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

As at 31 December 2022, the carrying amount of inventories was approximately RMB188,961,000 (2021: RMB127,919,000). No impairment of inventories was recognised during the years ended 31 December 2022 and 2021.

5. Revenue

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

	2022 **RMB'000**	2021 RMB'000
Sales of plain weave fabrics	**811,752**	592,310
Sales of corduroy fabrics	**202,099**	176,602
Provision of dyeing and processing services	**46,367**	44,898
	1,060,218	813,810

6. Segment Information

The directors of the Company, being the chief operating decision makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group is principally engaged in sales of fabrics products and provision of dyeing and processing services. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Company as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The Group's manufacturing and operations are all located in the PRC. Non-current assets of the Group are all located in the PRC.

An analysis of the Group's revenue from external customers is presented based on the locations of customers.

	Revenue from external customers	
	2022 **RMB'000**	2021 RMB'000
The PRC	**781,805**	612,826
Japan	**18,339**	52,538
Others	**260,074**	148,446
	1,060,218	813,810

Information about major customers

There are no customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021.

7. Other Income

	2022 RMB'000	2021 RMB'000
Bank interest income	**777**	56
Exchange gain, net	**4,252**	—
Government subsidies (note i)	**1,081**	9,378
Reversal of impairment loss on trade and bill receivables	**2,026**	—
Gain on disposal of PPE	**145**	—
Sundry income	**1**	724
	8,282	10,158

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 years ended 31 December 2022 and 2021.

8. Finance Costs

	2022 RMB'000	2021 RMB'000
Interests on:		
Borrowings	**11,054**	6,031
Lease liabilities	**916**	83
Guarantee fees	**—**	85
	11,970	6,199

9. Income Tax Expenses

	2022 RMB'000	2021 RMB'000
Current tax:		
Hong Kong Profits Tax	**5,955**	4,630
PRC Enterprise Income Tax ("**EIT**")	**6,320**	7,948
	12,275	12,578
Deferred tax (Note 29):	**1,095**	1,339
	13,370	13,917

Notes:

(i) Pursuant to the rules and regulation of the BVI and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

(ii) Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. For the years ended 31 December 2022 and 2021, 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 per company for the year ended 31 December 2021.

The income tax expenses for the years ended 31 December 2022 and 2021 can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**63,301**	49,084
Tax at the domestic income tax rate of 25%	**15,825**	12,271
Tax effect of expenses not deductible for tax purpose	**480**	1,565
Tax effect of income not taxable for tax purpose	**(820)**	—
Effect of two-tiered profits tax rates regime	**(142)**	(137)
Hong Kong Profits Tax concession	**—**	(8)
Withholding tax on undistributed earnings of a PRC subsidiary (note 29)	**1,406**	2,036
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,379)**	(1,810)
Income tax expenses	**13,370**	13,917

10. Profit for the Year

	2022 RMB'000	2021 RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (Note 11)	**2,889**	3,310
Salaries, allowances and other benefits (excluding directors' emoluments)	**53,730**	46,829
Contributions to retirement benefits scheme (excluding directors' emoluments)	**7,707**	6,453
Total staff costs	**64,326**	56,592
Auditor's remuneration	**1,142**	1,282
Amortisation of intangible assets	**121**	134
Loss on disposal of property, plant and equipment	**—**	300
Amount of inventories recognised as an expense	**878,210**	658,603
Loss on write off of PPE	**2,808**	—
Depreciation of property, plant and equipment	**11,053**	9,175
Depreciation of right-of-use assets	**5,708**	4,090
Depreciation of investment properties	**1,280**	—
Impairment loss recognised on trade and bills receivables	**—**	2,790
Exchange losses, net	**—**	3,129
Loss on early termination of a lease	**—**	349

11. Directors' Emoluments

Details of directors' emoluments are as follows:

	Fees RMB'000	Discretionary performance related bonus RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Year ended 31 December 2022					
Executive Directors					
Mr. Xue Shidong (薛士東)	**—**	**200**	**367**	**34**	**601**
Mr. Qiu Jianyu (邱建宇) (note ii)	**—**	**—**	**122**	**11**	**133**
Ms. Zhang Yeping (張葉萍)	**86**	**200**	**360**	**—**	**646**
Mr. Wang Bin (王斌)	**—**	**200**	**366**	**34**	**600**
Mr. Jin Rongwei (金榮偉)	**—**	**200**	**366**	**34**	**600**
Mr. Xiang Wenbin (香文斌) (note iii)	**—**	**—**	**—**	**—**	**—**
Independent non-executive Directors					
Mr. Ho Kin Cheong Kelvin (何建昌) (note iv)	**103**	**—**	**—**	**—**	**103**
Mr. Zhu Qi (朱旗) (note iv)	**103**	**—**	**—**	**—**	**103**
Mr. Wang Hongliang (王洪亮) (note iv)	**103**	**—**	**—**	**—**	**103**
	395	**800**	**1,581**	**113**	**2,889**
Year ended 31 December 2021					
Executive Directors					
Mr. Xue Shidong (薛士東)	—	200	366	28	594
Mr. Qiu Jianyu (邱建宇) (note ii)	—	200	366	25	591
Ms. Zhang Yeping (張葉萍)	83	200	360	—	643
Mr. Wang Bin (王斌)	—	200	366	25	591
Mr. Jin Rongwei (金榮偉)	—	200	366	25	591
Independent non-executive Directors					
Mr. Ho Kin Cheong Kelvin (何建昌) (note iv)	100	—	—	—	100
Mr. Zhu Qi (朱旗) (note iv)	100	—	—	—	100
Mr. Wang Hongliang (王洪亮) (note iv)	100	—	—	—	100
	383	1,000	1,824	103	3,310

11. Directors' Emoluments (Continued)

Notes:

(i) The executive directors' emoluments shown above were mainly paid for their services as a director in connection with the management of the affairs of the Company and the Group. The discretionary bonus for the years ended 31 December 2022 and 2021 were determined by the board of directors with reference to the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The independent non-executive directors' emoluments shown above were mainly paid for their services as a director.

No directors of the Company waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021. No emoluments were paid by the Group to any of these directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021.

No chief executive was appointed during the years ended 31 December 2022 and 2021.

(ii) Mr. Qiu Jianyu was resigned from executive directors of the Company on 26 April 2022.

(iii) Mr. Xiang Wenbin was appointed as executive directors of the Company on 26 April 2022.

(iv) Mr. Zhu Qi, Mr. Ho Kin Cheong Kelvin and Mr. Wang Hongliang were appointed as independent non-executive directors of the Company on 21 October 2021.

12. Employees' Emoluments

In 2022, three of the five individuals with the highest emoluments in the Group were the directors of the Company, whose emoluments are set out in note 11 above. In 2021, the five highest paid individuals in the Group were all directors of the Company and details of their emoluments are included in note 11 above. The emoluments of the remaining highest paid individuals in 2022 were as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and other benefits	**1,135**	—
Contributions to retirement benefits scheme	**68**	—
	1,203	—

Their emoluments were within the following band:

	2022 Number of individuals	2021 Number of individuals
Nil to HK$1,000,000 (equivalent to approximately: 31/12/2022: Nil to RMB886,000 31/12/2021: Nil to RMB817,000)	**2**	—

No emoluments were paid by the Group to any of the five highest paid individuals of the Group including the directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021.

13. Dividends

During the year ended 31 December 2022, a final dividend of HK3.0 (2021: HK3.0) cents per ordinary share, in an aggregate amount of HK$18,000,000 (equivalent to approximately RMB15,459,000) (2021: HK$18,000,000 (equivalent to approximately RMB14,933,000)) in respect of the year ended 31 December 2021 and 2020 was declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, a final dividend of HK3.0 cents per share in respect of the year ended 31 December 2022 has been proposed by the Director and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

14. Earnings Per Share

The calculation of the basic earnings per share during the years ended 31 December 2022 and 2021 is based on the profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	2022 **RMB'000**	2021 RMB'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	**49,931**	35,167
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**600,000**	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 years ended 31 December 2022 and 2021.

15. Property, Plant and Equipment

	Leasehold improvement RMB'000	Plant and machineries RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Building RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2021	3,579	84,025	711	2,404	1,950	—	22,707	115,376
Additions	10,644	12,123	504	1,604	481	—	32,057	57,413
Transfer from construction in progress	—	—	—	—	—	43,890	(43,890)	—
Disposals	—	(3,043)	—	—	—	—	—	(3,043)
At 31 December 2021 and 1 January 2022	14,223	93,105	1,215	4,008	2,431	43,890	10,874	169,746
Additions	—	18,733	—	543	204	—	4,770	24,250
Addition through acquisition of a subsidiary (note 38)	—	—	—	—	—	39,731	—	39,731
Transfer to Investment properties	—	—	—	—	—	(43,890)	—	(43,890)
Transfer from construction in progress	5,851	7,491	—	—	—	—	(13,342)	—
Write off	—	(2,830)	—	—	—	—	—	(2,830)
Disposals	—	(500)	—	—	—	—	—	(500)
At 31 December 2022	20,074	115,999	1,215	4,551	2,635	39,731	2,302	186,507

15. Property, Plant and Equipment (Continued)

	Leasehold improvement RMB'000	Plant and machineries RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Building RMB'000	Construction in progress RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION								
At 1 January 2021	2,078	37,214	494	1,312	1,108	—	—	42,206
Charge for the year	1,487	6,545	78	497	336	232	—	9,175
Eliminated on disposals	—	(2,451)	—	—	—	—	—	(2,451)
At 31 December 2021 and 1 January 2022	3,565	41,308	572	1,809	1,444	232	—	48,930
Charge for the year	1,873	7,743	98	566	288	485	—	11,053
Eliminated on disposals	—	(422)	—	—	—	—	—	(422)
Elimination due to write off	—	(22)	—	—	—	—	—	(22)
Transfer to Investment Properties	—	—	—	—	—	(463)	—	(463)
At 31 December 2022	5,438	48,607	670	2,375	1,732	254	—	59,076
CARRYING VALUES								
At 31 December 2022	14,636	67,392	545	2,176	903	39,477	2,302	127,431
At 31 December 2021	10,658	51,797	643	2,199	987	43,658	10,874	120,816

(i) The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following basis:

Leasehold improvement	3 to 10 years or over lease term whichever is shorter
Plant and machineries	3–5 years
Furniture and fixture	5 years
Motor vehicles	5 years
Office equipment	5 years
Building	30 years

(ii) The Group has pledged certain of its machineries and building with carrying value of approximately RMB15,144,000 and RMB39,477,000 (2021: RMB20,334,000 and RMB43,658,000) respectively as at 31 December 2022 to secure general banking facilities granted to the Group. Details of which are set out in notes 28 and 31.

16. Leases

(i) Right-of-use assets

	2022 RMB'000	2021 RMB'000
Land	**40,011**	6,227
Factory, warehouse and office	**3,350**	86
Machineries	**8,229**	—
	51,590	6,313

The additions to right-of-use assets for the year ended 31 December 2022 amounted to approximately RMB57,174,000 (2021: nil) due to the renewal of the relevant leases of factory, warehouse and offices, new leases of machineries and acquisition of land through acquisition of a subsidiary. Included in the additions to the right-of-use assets is a new of lease with a related company, Changzhou Dongxia Real Estate Agency Ltd.* (常州市東霞房地產代理有限公司) ("**Dongxia**") amounted to approximately RMB5,572,000 (2021: RMB2,244,000).

The right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset.

On 1 March 2022, the Group has transferred a land located in PRC with carrying amount of RMB6,204,000 from right-of-use assets to investment properties due to the change in use, which evidenced by inception of an operating lease to another party.

As at 31 December 2022, the right-of-use assets of land represent land use right located in the PRC for a period of 22 years and the lease of factory, warehouse and office and machineries located in the PRC and Hong Kong with lease terms generally ranged from 18 months to 24 months.

In respect of leases arrangement for renting machineries, the Group has options to purchase machineries for a nominal amount at the end of the lease term. The Group's obligations are secured by lessors' title to the leased assets for such lease.

For the year ended 31 December 2021, the lease of factory located in PRC was early terminated. Loss on early termination of a lease of approximately RMB349,000 was recognised in administrative expenses due to the difference between the carrying amount of the right-of-use asset and lease liabilities of approximately RMB1,122,000 and RMB773,000 respectively.

The Group has pledged the land with carrying value of approximately RMB40,011,000 as at 31 December 2022 (2021: RMB6,227,000) to secure general banking facilities granted to the Group. For the details, please refer to note 31.

* The English name is for identification only

16. Leases (Continued)

(ii) Lease Liabilities

	2022 RMB'000	2021 RMB'000
Analysed as:		
Current portion	**7,584**	88
Non-current portion	**1,019**	—
	8,603	88

	2022 RMB'000	2021 RMB'000
Amounts payable under lease liabilities		
Within one year	**7,584**	88
After one year but within two years	**1,019**	—
	8,603	88
Less: Amount due for settlement within 12 months (Shown under current liabilities)	**(7,584)**	(88)
Amount due for settlement after 12 months	**1,019**	—

(iii) Amounts recognised in profit or loss

	2022 RMB'000	2021 RMB'000
Depreciation expense on right-of-use-assets		
— Land	**281**	145
— Factory, warehouse and office	**2,683**	3,945
— Machineries	**2,744**	—
Interest expense on lease liabilities	**916**	83
Loss on early termination of a lease	**—**	349

During the year ended 31 December 2022, the total cash outflows for lease was approximately RMB9,325,000 (2021: RMB980,000).

The Group had no expenses relating to variable lease payments not included in the measurement of the lease liability or leases of low value assets or short term lease during the years ended 31 December 2021 and 2022. All lease payments are fixed payments.

As at 31 December 2022, certain right-of-use assets (i.e. factory and warehouse) of approximately RMB3,039,000 (2021: nil) is leased from Dongxia. Dongxia is beneficially owned by the Controlling Shareholder. The lease payment was based on mutually agreed terms with reference to market rates.

17. Intangible Assets

	Computer software RMB'000
COST	
At 1 January 2021	810
Additions	63
At 31 December 2021, 1 January 2022 and 31 December 2022	873
AMORTISATION	
At 1 January 2021	395
Charge for the year	134
At 31 December 2021 and 1 January 2022	529
Charge for the year	121
At 31 December 2022	650
CARRYING VALUES	
At 31 December 2022	223
At 31 December 2021	344

The above intangible assets were acquired from third party and have finite useful live. Such intangible assets are amortised on a straight-line basis over five years.

18. Investment Properties

	Land and Building RMB'000
COST	
At 31 December 2021 and 1 January 2022	—
Transfer from property, plant and equipment	43,890
Transfer from right of use asset	7,284
At 31 December 2022	51,174
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 31 December 2021 and 1 January 2022	—
Transfer from property, plant and equipment	463
Transfer from right of use asset	1,080
Provided for the year	1,280
At 31 December 2022	2,823
CARRYING VALUES	
At 31 December 2022	48,351
At 31 December 2021	—

On 1 March 2022, the Group has transferred a property located in PRC with carrying amount of RMB43,427,000 from property, plant and equipment to investment properties due to the change in use, which evidenced by inception of an operating lease to another party.

On 1 March 2022, the Group has transferred a land located in PRC with carrying amount of RMB6,204,000 from right-of-use assets to investment properties due to the change in use which evidenced by inception of an operating lease to another party.

The fair value of the Group's investment properties as at 1 March 2022 was RMB59,843,000. The fair value has been arrived at based on a valuation carried out by Cushman & Wakefield ("**Cushman & Wakefield**"), a member of Hong Kong Institute of Surveyors by market comparison approach with reference to the prices for similar properties in the similar locations and conditions. The valuation of the fair value of the investment properties is grouped into fair value hierarchy Level 3. In estimating the fair value of the investment properties, the highest and best use of fair value hierarchy is its current use.

There were no transfers between levels of fair value hierarchy during 1 March 2022.

The investment properties are depreciated on a straight-line basis over the shorter period of lease term and the useful life of the underlying asset.

As at 31 December 2022, the land of investment properties represent land use right located in the PRC for with lease term of 42 years and the building of investment properties located in the PRC with useful life of 42 years.

The Group has pledged the investment properties with carrying value of approximately RMB48,351,000 as at 31 December 2022 to secure general banking facilities granted to the Group. For the details, please refer to note 31.

19. Inventories

	2022 RMB'000	2021 RMB'000
Raw materials	**60,095**	28,467
Work in progress	**51,359**	35,256
Finished goods	**77,507**	64,196
	188,961	127,919

20. Trade and Bills Receivables

	2022 RMB'000	2021 RMB'000
Trade receivables	**144,553**	138,919
Bills receivables	**38,624**	33,573
Less: Allowance for impairment of trade and bills receivables	**(1,073)**	(3,099)
	182,104	169,393

As at 31 December 2022, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB183,177,000 (2021: RMB172,492,000).

The Group allows credit period of up to 90 days to its trade customers. The Group does not hold any collateral over its trade and bills receivables. The following is an aged analysis of trade and bills receivables, net of impairment, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2022 RMB'000	2021 RMB'000
Within 30 days	**99,766**	115,719
31 to 60 days	**33,024**	30,814
61 to 90 days	**30,454**	11,346
91 to 180 days	**18,860**	11,514
Total	**182,104**	169,393

The Group applies simplified approach to provide for 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 31 December 2021 and 2022.

20. 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 years ended 31 December 2022 and 2021.

The Group recognised lifetime ECL for trade and bills receivables based on past due ageing status as follows:

	Weighted average expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	RMB'000
As at 31 December 2022			
Within 30 days	**0.53%**	**100,293**	**527**
31 to 60 days	**0.59%**	**33,221**	**197**
61 to 90 days	**0.66%**	**30,656**	**202**
91 to 180 days	**0.77%**	**19,007**	**147**
		183,177	**1,073**
As at 31 December 2021			
Within 30 days	1.70%	117,718	1,999
31 to 60 days	1.86%	31,398	584
61 to 90 days	2.05%	11,583	237
91 to 180 days	2.37%	11,793	279
		172,492	3,099

20. Trade and Bills Receivables (Continued)

Impairment assessment on trade and bills receivables subject to ECL model (Continued)

The movement in the impairment loss of trade and bills receivables during the years ended 31 December 2022 and 2021 is as follows:

	Impairment loss allowance RMB'000
Balance as at 1 January 2021	309
Impairment loss recognised	2,790
Balance as at 31 December 2021	3,099
Reversal of impairment loss	(2,026)
Balance as at 31 December 2022	1,073

The decrease in loss allowance during the year ended 31 December 2022 was mainly due to the decrease in weighted average expected credit loss rate resulting from the change in risk parameters including the probability of default.

As at 31 December 2021, the Group discounted and factored bills receivables in aggregate amounts of approximately RMB6,209,000 (2022: nil) to banks for short term financing.

Transfers of financial assets

The following were the Group's trade and bills receivables as at 31 December 2021 that were transferred to banks by discounting those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as secured borrowings (see note 28) as at 31 December 2021. These bills receivables are carried at amortised cost in the consolidated statement of financial position.

The bills receivables discounted and factored to banks with full recourse are as follows:

	2021 RMB'000
Carrying amount of transferred assets	6,209
Carrying amount of associated liabilities	(6,209)
Net position	—

21. Prepayments and Other Receivables

	2022 RMB'000	2021 RMB'000
Prepayments to suppliers	**31,548**	83,550
Other tax recoverables	**9,110**	4,925
Others	**1,343**	1,249
	42,001	89,724

ECL on prepayments and other receivables are insignificant as they are low risk of default and no significant increase in credit risk as at 31 December 2022 and 2021.

22. Amount Due from (to) a Related Company

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

23. Time Deposits

As at 31 December 2022, the Group had fixed-term time deposits in banks in the PRC with maturity of more than three months but less than one year. The deposits carry fixed interests rate at 0.50% to 2.10% per annum (2021: 0.63% to 0.70% per annum).

Included in the time deposits is the following amount denominated in a currency other than the functional currency of relevant group entity:

	2022 RMB'000	2021 RMB'000
HK$	**18,164**	89,833

24. Bank Balances and Cash

At 31 December 2022, bank balances earned interest at floating rates based on daily bank deposit rates ranging from 0.01%–0.35% per annum (2021: 0.01%–0.3% per annum).

Included in the bank balances and cash is the following amount denominated in a currency other than the functional currency of relevant group entities:

	2022 RMB'000	2021 RMB'000
HK$	**6,024**	3,541
US$	**14,969**	928
	20,993	4,469

25. Trade and Bills Payables

	2022 RMB'000	2021 RMB'000
Trade payables	**139,295**	146,846
Bills payables	**—**	2,800
	139,295	149,646

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

	2022 RMB'000	2021 RMB'000
Within 30 days	**87,507**	100,360
31 to 60 days	**15,523**	21,116
61 to 90 days	**13,320**	7,433
91 to 180 days	**20,928**	20,267
181 to 365 days	**1,746**	432
Over 365 days	**271**	38
Total	**139,295**	149,646

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.

26. Accruals and Other Payables

	2022 RMB'000	2021 RMB'000
Accrued salaries (note a)	**11,882**	11,937
Consideration payable (note b)	**21,000**	—
Accrued expenses	**3,097**	27,813
Interest payables	**456**	396
Dividend payable	**13,620**	1,144
Others	**355**	273
	50,410	41,563

Notes:

(a) Accrued salaries included emoluments payable to the directors of the Company amounting to approximately RMB1,613,000 (2021: RMB1,381,000) as at 31 December 2022.

Included in the other payables denominated is the following amount denominated in a currency other than the functional currency of relevant group entities:

	2022 RMB'000	2021 RMB'000
HK$	**3,602**	3,022

(b) It included consideration payable of approximately RMB21,000,000 which is due for payment pursuant to the sale and purchase agreement with the vendor of Lion Union as detailed in note 38. The remaining amounts of RMB13,000,000 and RMB8,000,000 are required to pay within 6 months and 1 year after the acquisition date respectively.

27. Contract Liabilities

	2022 RMB'000	2021 RMB'000
Contract liabilities	**1,663**	9,579

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

27. Contract Liabilities (Continued)

Significant changes in contract liabilities

The significant decrease in contract liabilities as at 31 December 2022 was mainly due to the fewer advance from customers in relation to the sales of fabric products at the end of the year.

Movements in the contract liabilities during the years ended 31 December 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of year	**9,579**	1,467
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of year	**(9,579)**	(1,467)
Increase in contract liabilities as a result of cash received, excluding amounts recognised during the year	**1,663**	9,579
At the end of year	**1,663**	9,579

28. Borrowings

	2022 RMB'000	2021 RMB'000
Bank borrowings, secured	**152,648**	69,209
Bank borrowings, unsecured	**135,698**	150,776
	288,346	219,985

As at 31 December 2022, (i) revolving term loans of approximately RMB152,648,000 (2021: RMB63,000,000), carried fixed interest rate ranging from 3.0% to 4.5% per annum (2021: 4.5% per annum) and are secured by the Group's certain right-of-use assets, machineries, buildings and investment properties and (ii) borrowing in respect of discounted bills with recourse from banks of approximately nil (2021: approximately 6,209,000) carried fixed interest rate of nil (2021: ranging 1.5% to 3% per annum) as detailed in note 20.

As at 31 December 2022, the unsecured bank borrowings and the related banking facilities of approximately RMB135,698,000 (2021: RMB150,776,000), carried fixed interest ranging from 2.75% to 4.5% per annum (2021: 0.7% to 5.3% per annum) are guaranteed by (i) an independent financial guarantee company based on the corporate guarantee and pledged assets from Dongxia, (ii) an independent supplier and the Controlling Shareholders, (iii) an independent supplier and (iv) cross-guarantee by a subsidiary, respectively.

During the year ended 31 December 2022, the Group obtained new bank borrowings in the amount of RMB288,346,000 (2021: RMB219,985,000) for working capital purpose. The bank borrowings are all repayable within one year based on scheduled repayment dates set out in the loan agreements and contain no repayable on demand clause.

28. Borrowings (Continued)

The amounts of banking facilities and the utilisation as at 31 December 2022 and 2021 are set out as follows:

	2022 RMB'000	2021 RMB'000
Facility amount	**321,820**	237,481
Utilisation		
Secured bank borrowings	**152,648**	69,209
Unsecured bank borrowings	**135,698**	150,776
	288,346	219,985

Details of pledged of assets are set out in note 31.

Included in the borrowing is the following amount denominated in a currency other than the functional currency of relevant group entities:

	2022 RMB'000	2021 RMB'000
US$	**63,656**	81,386

29. Deferred Tax Assets (Liabilities)

The following is the analysis of the deferred tax assets (liabilities), for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**1,191**	880
Deferred tax liabilities	**(16,526)**	(15,120)
	(15,335)	(14,240)

29. Deferred Tax Assets (Liabilities) (Continued)

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2022 and 2021:

	Withholding tax on undistributed profit of a PRC subsidiary RMB'000 (Note)	Allowance of ECL RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	(13,084)	77	106	(12,901)
(Charge) credit to consolidated profit or loss	(2,036)	699	(2)	(1,339)
At 31 December 2021 and 1 January 2022	(15,120)	776	104	(14,240)
Charge to consolidated profit or loss	(1,406)	(506)	817	(1,095)
At 31 December 2022	(16,526)	270	921	(15,335)

Note: Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Deferred taxation has been provided in respect of the temporary differences associated with the undistributed profits earned by a PRC subsidiary, Yadong (Changzhou) at the applicable withholding tax of 10%.

30. Retirement Benefits Plan

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by the Company's directors and employees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage ranged from 1%-15% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately RMB7,917,000 (2021: RMB6,556,000) represents contributions payable to these schemes by the Group for the year ended 31 December 2022.

There were no contributions forfeited by the Group on behalf of its employees who left the schemes prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2022 and 2021, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

31. Pledge of Assets

At 31 December 2022 and 2021, the Group had pledged the following assets to secure banking facilities granted to the Group:

	2022 RMB'000	2021 RMB'000
Building	**39,477**	43,658
Machineries	**15,144**	20,334
Right-of-use assets	**40,011**	6,227
Investment properties	**48,351**	—
Bills receivables	**—**	6,209
	142,983	76,428

32. 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.

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.

32. Share-based Payment Transactions (Continued)

Share-option scheme (Continued)

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 year ended 31 December 2022 and 2021, no options were granted under the Share Option Scheme.

33. Share Capital

Share capital of the Company

	Number of shares		Amount			
	2022 HK$	2021 HK$	**2022 HK$**	2021 HK$	**2022 RMB'000**	2021 RMB'000
Authorised ordinary shares at HK$0.01 per share: At the beginning and the end of the year	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000	**83,918**	83,918
Issued and fully paid ordinary shares at HK$0.01 per share: At the beginning and the end of the year	**600,000,000**	600,000,000	**6,000,000**	6,000,000	**5,035**	5,035

34. Reserves

(a) Capital reserve

The capital reserve of the Group arose as a result of the acquisition of subsidiaries under common control and represented the difference between the consideration paid for the acquisition and the amount of share capital of Qun Bong.

(b) Statutory reserve

According to the PRC Company Law, the subsidiary in the PRC is required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

35. Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remained unchanged during the years ended 31 December 2022 and 2021.

The capital structure of the Group consists of net debt, which includes borrowings, net of time deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure of the Group periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues as well as the raise of additional borrowings as additional capital or the redemption of existing borrowings.

36. Financial Instruments

(a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	**310,024**	293,359
Financial liabilities		
Financial liabilities measured at amortised cost	**480,361**	411,194

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, time deposits, bank balances and cash, amount due from a related company, trade and bills payables, accruals and other payables and borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, currency risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

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 other payables, borrowings, time deposits 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.

The carrying amounts of the Group's monetary assets and monetary liabilities that are denominated in currencies other than the functional currencies of the relevant group entities at the end of the reporting periods are as follows:

	2022		2021	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
HK$	**24,188**	**3,602**	93,374	3,022
US$	**14,969**	**63,656**	1,861	81,386

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of HK$/US$ against RMB.

The following table details the Group's sensitivity to 5% (2021: 5%) increase and decrease in RMB against HK$/US$ for the year ended 31 December 2022. 5% (2021: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates.

A negative number below indicates a decrease in profit before tax for the year where RMB strengthen 5% (2021: 5%) against the relevant currency. For a 5% (2021: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax for the year.

	2022 RMB'000	2021 RMB'000
Decrease in post-tax profit for the year:		
— if RMB strengthen against HK$	**859**	(4,531)
— if RMB strengthen against US$	**(1,766)**	2,982

(iii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings (note 28) and time deposits (note 23).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 24). It is the Group's policy to keep its borrowing at fixed rate of interests so as to minimise the cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Group's exposure to interest rate risk in relation to variable- rate bank balances is not significant due to short-term maturities. Hence, no sensitivity is presented.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counter parties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated financial statements.

The credit risk of the Group mainly arises from bank balances and cash, trade and bills receivables, other receivables and amount due from a related company. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix with appropriate grouping based on shared credit risk characteristics with reference to past default experience and current past due exposure of the debtors, and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered amount due from a related company to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 94% (2021: 91%) of the total trade and bills receivables as at 31 December 2022.

The Group has concentration of credit risk as 5% (2021: 3%) of the total trade and bills receivables was due from the Group's largest customer as at 31 December 2022. 14% (2021: 10%) of the total trade and bills receivables was due from the Group's five largest customers as at 31 December 2022.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Notes	Internal credit rating	12-month or lifetime ECL	As at 31 December 2022 Gross carrying amount	Loss allowance	Net carrying amount
Trade and bills receivables	20	**(i)**	**Lifetime ECLs (not credit impaired) and simplified approach**	**183,177**	**(1,073)**	**182,104**
Financial assets included in other receivables	21	**Performing**	**12-month ECL**	**1,343**	**—**	**1,343**
Time deposits	23	**Performing**	**12-month ECL**	**65,164**	**—**	**65,164**
Bank balances and cash	24	**Performing**	**12-month ECL**	**61,413**	**—**	**61,413**

	Notes	Internal credit rating	12-month or lifetime ECL	As at 31 December 2021 Gross carrying amount	Loss allowance	Net carrying amount
Trade and bills receivables	20	(i)	Lifetime ECLs (not credit impaired) and simplified approach	172,492	(3,099)	169,393
Financial assets included in other receivables	21	Performing	12-month ECL	1,249	—	1,249
Amount due from a related company	22	Performing	12-month ECL	408	—	408
Time deposits	23	Performing	12-month ECL	89,833	—	89,833
Bank balances and cash	24	Performing	12-month ECL	32,476	—	32,476

Note (i): For trade and bills receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECLs on these items by using a provision matrix, estimated based on historical credit loss experience based on the invoice date aging status of the debtors collectively, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 20 include further details on the loss allowance for these assets respectively.

The credit quality of these financial assets was considered to be "performing" as they are not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

36. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on borrowings as a significant source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Less than 1 year RMB'000	1–2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022				
Trade and bills payables	**139,295**	**—**	**139,295**	**139,295**
Accruals and other payables	**50,410**	**—**	**50,410**	**50,410**
Borrowings	**300,328**	**—**	**300,328**	**288,346**
Amount due to a related company	**2,310**	**—**	**2,310**	**2,310**
	492,343	**—**	**492,343**	**480,361**
Lease liabilities	**7,873**	**1,027**	**8,900**	**8,603**

	Less than 1 year RMB'000	1–2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021				
Trade and bills payables	149,646	—	149,646	149,646
Accruals and other payables	41,563	—	41,563	41,563
Borrowings	224,406	—	224,406	219,985
	415,615	—	415,615	411,194
Lease liabilities	88	—	88	88

The above financial liabilities of the Group and the Company are all repayable less than one year, except for the lease liabilities.

36. Financial Instruments (Continued)

(c) Fair values of financial instruments

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

37. Related Party Transactions

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group had the following balances with related parties during the years ended 31 December 2022 and 2021:

	Notes	2022 RMB'000	2021 RMB'000
Amount due from (to) a related party			
Dongxia	(i), (ii)	**(2,310)**	408
Maximum amount outstanding during the year			
Dongxia		**3,791**	1,783

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.

(b) Compensation of key management personnel

The emoluments of the directors of the Company and other members of key management during the years ended 31 December 2022 and 2021 were as follows:

	2022 RMB'000	2021 RMB'000
Short-term benefits	**4,311**	3,671
Post-employment benefits	**286**	133
	4,597	3,804

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

37. Related Party Transactions (Continued)

(c) Right-of-use assets

Certain right-of-use assets are leased from a related company, Dongxia. For the year ended 31 December 2022, the amount of rent payable by the Group under the lease is RMB3,200,000 per year (2021: RMB4,000,000 per year). Details of right-of-use assets during the years ended 31 December 2022 and 2021 are set out in note 16.

As at 31 December 2022, the carrying amount of the related lease liabilities was RMB3,039,000 (2021: nil).

(d) Guarantee

Certain of the Group's banking facilities were granted from pledged assets of approximately RMB3,583,000 or guarantees given by the related party. Details of the banking facilities and bank borrowings granted under such facilities are set out in note 28.

38. Acquisition of a Subsidiary

On 27 October 2022, the Group acquired 100% of equity interest in Lion Union (Changzhou) Textile Dyeing Company Limited* (雄聯(常州)紡織印染有限公司) ("**Lion Union**") for consideration of RMB80,000,000. The principal activity of Lion Union is manufacturing garments, and its identifiable assets are mainly land parcels and production plants and building which total amounted of RMB80,000,000. The Group elected to apply the optional concentration test in accordance with HKFRS 3 Business Combinations. This acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets, the assets acquired (i.e. right-of-use asset and property, plant and equipment) at the date of acquisition of subsidiary comprise the following:

	RMB'000
Right-of-use asset	40,269
Property, plant and equipment	39,731
Net assets	80,000

Consideration transferred

	RMB'000
Earnest money paid during the year ended 31 December 2021	35,000
Cash consideration paid	24,000
Consideration payable (note)	21,000
Total consideration	80,000

38. Acquisition of a Subsidiary (Continued)

Net cash outflow on acquisition of Lion Union

	RMB'000
Cash consideration paid	24,000

Note: According to the acquisition agreement, the remaining RMB13,000,000 and RMB8,000,000 is required to pay within 6 months and 1 year after the acquisition date.

39. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for what cash flow were, or future cash flow will be, classified in the consolidated statement of cash flow as cash flow from financing activities.

	Dividend payable RMB'000 (Note 13)	Lease liabilities RMB'000 (Note 16)	Borrowings RMB'000 (Note 28)	Interest payable RMB'000 (Note 26)	Total RMB'000
As at 1 January 2022	**1,144**	**88**	**219,985**	**396**	**221,613**
Cash flows in	**—**	**—**	**288,346**	**—**	**288,346**
Cash flows out	**(2,983)**	**(8,409)**	**(219,985)**	**(11,910)**	**(243,287)**
Finance costs incurred (note 8)	**—**	**—**	**—**	**11,970**	**11,970**
Dividend declared (note 13)	**15,459**	**—**	**—**	**—**	**15,459**
Non-cash movement					
Exchange difference	**—**	**(10)**	**—**	**—**	**(10)**
Addition	**—**	**16,934**	**—**	**—**	**16,934**
As at 31 December 2022	**13,620**	**8,603**	**288,346**	**456**	**311,025**

	Dividend payable RMB'000 (Note 13)	Lease liabilities RMB'000 (Note 16)	Borrowings RMB'000 (Note 28)	Interest payable RMB'000 (Note 26)	Total RMB'000
As at 1 January 2021	—	1,762	95,590	138	97,490
Cash flows in	—	—	219,985	—	219,985
Cash flows out	(13,789)	(897)	(95,590)	(5,941)	(116,217)
Finance costs incurred (note 8)	—	—	—	6,199	6,199
Dividend declared (note 13)	14,933	—	—	—	14,933
Non-cash movement					
Exchange difference	—	(4)	—	—	(4)
Early termination of a lease (note 16)	—	(773)	—	—	(773)
As at 31 December 2021	1,144	88	219,985	396	221,613

40. Particulars of Subsidiaries

As at 31 December 2022 and 2021 and at the date of the report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Date of incorporation/ establishment	Place of operation and establishment	Issued and fully paid share capital/registered capital	Percentage of equity interest and voting power attributable to the Company 2022	2021	Principal activity
Directly held						
Qun Bong Global Limited ("**Qun Bong**")[1]	11 November 2013	The BVI	US$1	**100%**	100%	Investment holding
Indirectly held						
Ya Dong (Hong Kong) International Trading Company Limited ("**Yadong (Hong Kong)**")[2]	27 June 2011	Hong Kong	HK$20,000,000	**100%**	100%	Investment holdings and trading of corduroy fabrics and plain weave fabrics
Yadong (Changzhou)*[3]	27 March 2014	The PRC	US$10,000,000	**100%**	100%	Investment holdings and dyeing, processing and trading of corduroy fabrics and plain weave fabrics
Lion Union	30 April 2000	The PRC	RMB80,000,000	**100%**	N/A	Dormant
Changzhou Dongliang Yunfang Information Technology Co., Ltd.	30 April 2022	The PRC	RMB1,000,000	**100%**	N/A	Inactive

* The English name is for identification only
1 Company with limited liability incorporated in the BVI.
2 Company with limited liability incorporated in Hong Kong.
3 Company with limited liability established in the PRC.
4 The subsidiary was established during the year ended 31 December 2022.

41. Capital Commitments

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and construction in progress contracted for but not provided in the consolidated financial statements	**930**	8,782

42. Information About the Statement of Financial Position of the Company

	Notes	2022 RMB'000	2021 RMB'000
Non-current Asset			
Investment in a subsidiary		**92,064**	92,064
Current Assets			
Dividend receivable	(a)	**29,253**	12,250
Amount due from subsidiary	(b)	**37,440**	—
Time deposits		**18,164**	89,833
Bank balances and cash		**601**	180
		85,458	102,263
Current Liabilities			
Accruals and other payables		**1,834**	1,353
Dividend payable		**13,620**	1,144
Amounts due to subsidiaries	(b)	**10,771**	42,063
		26,225	44,560
Net current assets		**59,233**	57,703
Net assets		**151,297**	149,767
Capital and Reserves			
Share capital		**5,035**	5,035
Reserves	(c)	**146,262**	144,732
Total Equity		**151,297**	149,767

42. Information About the Statement of Financial Position of the Company (Continued)

(a) As at 31 December 2022 and 2021, dividend receivable was from Qun Bong.

(b) Amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

(c) Movements in the Company's reserves

	Capital reserve RMB'000 (Note i)	Share premium RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2021	87,752	88,346	(8,887)	167,211
Loss and total comprehensive expense for the year	—	—	(7,546)	(7,546)
Dividends paid	—	(14,933)	—	(14,933)
At 31 December 2021 and 1 January 2022	87,752	73,413	(16,433)	144,732
Profit and total comprehensive expense for the year	—	—	16,989	16,989
Dividends paid	—	(15,459)	—	(15,459)
At 31 December 2022	87,752	57,954	556	146,262

Note i: Capital reserve represents the difference between the nominal value of the shares issues for acquisition of its subsidiaries and the net assets value of its subsidiaries at the date of acquisition.