



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



2023

**INTERIM
REPORT**

CONTENTS

- 2** Corporate Information
- 4** Management Discussion and Analysis
- 15** Other Information
- 20** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 21** Condensed Consolidated Statement of Financial Position
- 23** Condensed Consolidated Statement of Changes in Equity
- 24** Condensed Consolidated Statement of Cash Flows
- 25** Notes to the Condensed Consolidated Financial Statements

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

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

Board Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ms. Li Ching Yi

Authorised Representatives

Mr. Xue Shidong
Ms. Li Ching Yi

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

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

Headquarters and Principal Place of Business in Hong Kong

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

Registered Office in the Cayman Islands

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

Hong Kong Branch Share Registrar

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

Auditor

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

Legal Adviser

as to Hong Kong laws

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

Principal Bank

Jiangnan Rural Commercial Bank

Stock Code

1795

Company Website

www.yadongtextile.com

MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile

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

Industry Overview

In the first half of 2023, the global economy remained burdened by uncertainties such as tense geopolitical situations, inflationary spikes, disrupted supply chain and interest rate hikes by central banks around the world, hindering the recovery of the global market, as well as weakening consumer sentiment and market demand.

In the meantime, while the PRC economy was gradually recovering from the outbreak of the COVID-19 pandemic and US-China trade war, the uncertain economic outlook has undermined consumer confidence and weakened consumer spending in the PRC. Such unstable economic environment has created downward pressure on the demand for the dyeing and finishing industry in the PRC.

Business Overview

During the first half of 2023, due to the combined impacts of high global inflation and aggressive interest rates by central banks, consumer sentiment was weakened, which in turn led to a decrease in demand for the apparel and textiles industries in the PRC, resulting in less orders from customers of the Group. Besides, global inflation contributed to higher raw material prices, which led to an increase in production costs and hence adversely affected the profitability of the Group.

Faced with the challenging business environment, the Group recorded revenue of approximately RMB449.6 million for the six months ended 30 June 2023, representing a decrease of approximately 11.8% as compared to approximately RMB509.5 million for the six months ended 30 June 2022, which was mainly attributable to the decline in purchase orders placed by customers of the Group. The Group's gross profit decreased by approximately 32.1% from approximately RMB70.5 million for the six months ended 30 June 2022 to approximately RMB47.9 million for the six months ended 30 June 2023. The gross profit margin of the Group decreased from approximately 13.8% for the six months ended 30 June 2022 to approximately 10.7% for the six months ended 30 June 2023. The Group's profit decreased by approximately 73.5% from approximately RMB30.2 million for the six months ended 30 June 2022 to approximately RMB8.0 million for the six months ended 30 June 2023.

Prospect

Looking forward into the second half of 2023, the global market will continue to be troubled by uncertainties such as volatile economic activities, intense geopolitical situation, rate hikes and high inflation level. However, as the PRC and other nations reopened their borders and economic activities began to return to normal, the retail and sales markets of the major economies may show signs of revival in the second half of the year, rejuvenating the consumption industries, which would also benefit the apparel and textile industries.

The Group is cautiously optimistic toward its prospects for the second half of the year. In particular, the Group has recorded a recent uptick in the volume of orders placed by customers. With a view to grasp opportunities arising from the rebound in retail sales of apparel during the post-pandemic era, the Group acquired additional machineries and equipment for production during the first half of 2023. The machineries and equipment with lower energy consumption will enable the Group to enjoy greater production efficiency and reduce its production costs. Also, the machineries and equipment will enhance product quality and expand production capacity of the Group, so that it can capitalise on more business opportunities in anticipation of more orders from customers of the Group driven by the increase in demand for the apparel and textile industries along with economic recovery in the PRC and other countries.

In addition, the Group will continue to invest in product design and development, enhance its sales efforts and explore new opportunities, so as to diversify its income sources and drive sustainable long-term business growth. With the above business strategies, the Group prepares itself to respond to market changes and seize market opportunities that emerge while maximising its use of resources and production capacity, thereby generating greater value and return to the shareholders of the Company.

Financial Review

Revenue

The revenue of the Group decreased by approximately RMB59.9 million or approximately 11.8% from approximately RMB509.5 million for the six months ended 30 June 2022 to approximately RMB449.6 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in purchase orders placed by customers of the Group.

Cost of Sales

The cost of sales of the Group decreased by approximately RMB37.3 million or approximately 8.5% from approximately RMB439.0 million for the six months ended 30 June 2022 to approximately RMB401.7 million for the six months ended 30 June 2023. Such decrease was in line with the decrease in the revenue during the same period.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately RMB22.6 million or approximately 32.1% from approximately RMB70.5 million for the six months ended 30 June 2022 to approximately RMB47.9 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in revenue of the Group as discussed above. The gross profit margin of the Group decreased from approximately 13.8% for the six months ended 30 June 2022 to approximately 10.7% for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in average unit selling price for the six months ended 30 June 2023.

Other Income

Other income of the Group decreased from approximately RMB2.9 million for the six months ended 30 June 2022 to approximately RMB2.2 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in bank interest income from approximately RMB634,000 to approximately RMB45,000 during the same period.

Selling and Distribution Expenses

The selling and distribution expenses of the Group decreased from approximately RMB12.4 million for the six months ended 30 June 2022 to approximately RMB11.3 million for the six months ended 30 June 2023. Such decrease was primarily attributable to decrease in transportation expenses for the six months ended 30 June 2023.

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB17.3 million for the six months ended 30 June 2022 to approximately RMB21.1 million for the six months ended 30 June 2023. Such increase was primarily attributable to the increase in depreciation of right-of-use assets during the six months ended 30 June 2023.

Finance Costs

Finance costs of the Group increased from approximately RMB3.7 million for the six months ended 30 June 2022 to approximately RMB7.1 million for the six months ended 30 June 2023. Such increase was primarily attributable to the increase in the principal amount and interest of borrowings during the same period.

Income Tax Expenses

Income tax expenses of the Group decreased from approximately RMB9.8 million for the six months ended 30 June 2022 to approximately RMB2.6 million for the six months ended 30 June 2023. Such decrease was primarily attributable to the decrease in the current tax from approximately RMB8.2 million to approximately RMB2.6 million during the same period which was mainly due to the decrease in the profit before tax leading to the decrease in the taxable profit.

The effective income tax rate of the Group remained stable at approximately 24.6% for the six months ended 30 June 2022 and the six months ended 30 June 2023.

Profit

As a result of the foregoing, the profit for the six months ended 30 June 2023 of the Group decreased by approximately RMB22.2 million or approximately 73.5% from approximately RMB30.2 million for the six months ended 30 June 2022 to approximately RMB8.0 million for the six months ended 30 June 2023.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries and associated companies by the Group during the six months ended 30 June 2023.

Capital Commitments

As at 30 June 2023, 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 30 June 2023, the Group did not have any significant contingent liabilities (30 June 2022: nil). The Group is currently not a party to any litigation that is likely to have a material adverse effect on the business, results of operations or financial condition.

Foreign Exchange Exposure

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

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

Gearing Ratio

As at 30 June 2023, the gearing ratio of the Group (defined as total liabilities divided by total assets and multiplied by 100%) was approximately 66.0% (31 December 2022: approximately 66.3%).

Liquidity and Financial Resources and Capital Structure

The Group has principally funded the liquidity and capital requirements through capital contributions from the Shareholders, bank borrowings and net cash generated from operating activities. As at 30 June 2023, the Group had bank balances and cash of approximately RMB33.1 million (31 December 2022: approximately RMB61.4 million). As at 30 June 2023, the current ratio of the Group was approximately 1.1 times (31 December 2022: approximately 1.1 times). The financial resources are presently available to the Group including bank borrowings and the net proceeds from the Listing, the Directors believe that the Group have sufficient working capital for the future requirements.

As at 1 January 2023, the Company had an issued share capital of HK\$6,000,000 divided into 600,000,000 shares. There has been no change in the capital structure of the Group during the six months ended 30 June 2023.

Debts and Charge on Assets

The total interest-bearing bank borrowings of the Group amounted to approximately RMB299.2 million as at 30 June 2023 (31 December 2022: approximately RMB288.3 million).

As at 30 June 2023, the Group's assets amounted to approximately RMB139.4 million was charged (31 December 2022: approximately RMB143.0 million) to secure certain banking facilities for the Group.

Significant Investments Held

Except for the Company's investment in various subsidiaries, the Company did not hold any significant investments as at 30 June 2023.

In the future, the Group will continue to identify new opportunities for business development. As at 30 June 2023, the Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other future plans relating to material acquisitions, investments or capital asset. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

Employees and Remuneration Policies

As at 30 June 2023, the Group had a total of 508 full-time employees (31 December 2022: 482). The Group believes that employees are valuable assets that are crucial to the success of the Group. The Group generally pays its employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities. For the six months ended 30 June 2023, staff costs of the Group amounted to approximately RMB29.7 million, representing mainly salaries, allowances and other benefits, and contributions to retirement benefit scheme.

Environmental Policies and Performance

The Group's business is subject to the relevant national and local environmental laws and regulations in the PRC, such as the Environmental Protection Law of the People's Republic of China. These laws and regulations govern a broad range of environmental matters, including discharge of wastewater and disposal of hazardous waste. A summary of the environmental protection laws and regulations applicable to the Group is set out in "Regulatory overview" in the prospectus of the Company dated 30 October 2020 (the "**Prospectus**").

During the six months ended 30 June 2023, the Group is not subject to any major environmental claims, lawsuits, penalties, administrative or disciplinary actions.

Subsequent Event After Reporting Period

As at the date of this interim report, the Group has no significant event occurred after the six months ended 30 June 2023 which require additional disclosures or adjustments.

Use of Net Proceeds from Listing

The net proceeds from the Listing received by the Company, after deducting the underwriting commissions and expenses paid by the Company, are approximately HK\$81.9 million (the “**Net Proceeds**”). 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 revised allocation of the Net Proceeds, the approximate actual amount of utilised Net Proceeds as at 30 June 2023, the unutilised amount of Net Proceeds as at 30 June 2023 and revised timeline for fully utilising the unutilised Net Proceeds:

	Revised allocation of Net Proceeds as disclosed in the UOP Announcement HK\$ million	Approximate actual amount utilised as at 30 June 2023 HK\$ million	Unutilised amount of Net Proceeds as at 30 June 2023 HK\$ million	Revised timeline for fully utilising the unutilised Net Proceeds (Note)
(i) Expansion of production capacity and product coverage by upgrading and improving our existing production lines and technical capabilities	18.9	18.9	Nil	N/A
(ii) Acquisition of the Target Company with the Properties	32.8	32.8	Nil	N/A
(iii) Acquisition of a company with existing production plant in Jiangsu province, the PRC	22.0	Nil	22.0	By 31 December 2024
(iv) General corporate purposes and working capital	8.2	8.2	Nil	N/A
	81.9	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.

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

As disclosed in the Annual Report 2022, the Board decided to extend the expected timeline for utilising the unutilised Net Proceeds for the acquisition of a company with existing production plant in Jiangsu Province, the PRC to 31 December 2023 since the Group requires more time than expected to identify suitable acquisition target. The COVID-19 pandemic and US-China trade war had created headwinds in the economic growth of the Asia-Pacific region in recent years and considerable uncertainties in the global financial market conditions. In particular, the outbreak of COVID-19 pandemic had given rise to challenges in the business environment of the domestic apparel and textile industries. Under such circumstances, the Board decided to take time to observe the development or changes in the operating environment in the post-COVID-19 era before proceeding with any significant investment decisions. Further, as at the date of this interim report, the Group has not yet identified suitable targets for acquisition that the Board considers to be beneficial to the Group and its shareholders as a whole. Accordingly, the Board resolved to further extend the expected timeline for the use of the unutilised Net Proceeds to 31 December 2024.

The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan where necessary to respond to the changing market conditions and strive for better business performance of the Group.

Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2023.

Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has complied with all applicable code provisions of the CG Code during the six months ended 30 June 2023, except for deviation from code provision C.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. However, the Company at present does not have a chief executive officer.

The overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels and the Board believes that the current management structure enables effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended 30 June 2023.

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.

Change in Directors' and the Senior Management's Information

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

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares/underlying Shares held ⁽¹⁾	Approximate percentage of shareholding in the 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 30 June 2023, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2023, 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. Hu Beixia is the spouse of Mr. Xue Shidong. By virtue of the SFO, Ms. Hu Beixia is deemed to be interested in all the Shares held by Mr. Xue Shidong.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any other persons (other than the Directors) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Option Scheme

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

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2023, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the Group's unaudited financial results for the six months ended 30 June 2023 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financing reporting matters with management including a review of the unaudited consolidated financial statements for the six months ended 30 June 2023. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

On behalf of the Board

Mr. XUE Shidong

Chairman of the Board

Hong Kong, 30 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	449,603	509,516
Cost of sales		(401,670)	(439,041)
Gross profit		47,933	70,475
Other income	6	2,219	2,907
Selling and distribution expenses		(11,262)	(12,382)
Administrative expenses		(21,128)	(17,331)
Finance costs	7	(7,127)	(3,674)
Profit before tax		10,635	39,995
Income tax expenses	8	(2,617)	(9,825)
Profit for the period	9	8,018	30,170
Other comprehensive expense for the period: <i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating a foreign operation		(2,453)	(1,539)
Total comprehensive income for the period attributable to owners of the Company		5,565	28,631
Earnings per share			
Basic and diluted (RMB cents)	11	1.34	4.77

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	12	135,322	127,431
Right-of-use assets		46,526	51,590
Intangible assets		291	223
Investment properties		47,584	48,351
Deferred tax assets		1,191	1,191
		230,914	228,786
Current Assets			
Inventories		151,647	188,961
Trade and bills receivables	13	236,612	182,104
Prepayments and other receivables	14	59,892	42,001
Time deposits	16	66,001	65,164
Bank balances and cash		33,090	61,413
		547,242	539,643
Current Liabilities			
Trade and bills payables	17	136,744	139,295
Accruals and other payables		45,947	50,410
Contract liabilities	18	5,195	1,663
Income tax payable		3,619	2,145
Amounts due to a related company	15	—	2,310
Lease liabilities		6,174	7,584
Borrowings	19	299,216	288,346
		496,895	491,753
Net current assets		50,347	47,890
Total assets less current liabilities		281,261	276,676

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current Liabilities		
Lease liabilities	39	1,019
Deferred tax liabilities	16,526	16,526
	16,565	17,545
Net assets	264,696	259,131
Capital and Reserves		
Share capital	5,035	5,035
Reserves	259,661	254,096
Total Equity	264,696	259,131

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023 (Audited)	5,035	57,954	(4,313)	(2,532)	19,592	183,395	259,131
Profit for the period	—	—	—	—	—	8,018	8,018
Exchange difference arising on translating a foreign operation	—	—	—	(2,453)	—	—	(2,453)
Total comprehensive income for the period	—	—	—	(2,453)	—	8,018	5,565
Appropriation to statutory reserve	—	—	—	—	—	—	—
At 30 June 2023 (Unaudited)	5,035	57,954	(4,313)	(4,985)	19,592	191,413	264,696
At 1 January 2022 (Audited)	5,035	73,413	(4,313)	1,078	17,168	135,888	228,269
Profit for the period	—	—	—	—	—	30,170	30,170
Exchange difference arising on translating a foreign operation	—	—	—	(1,539)	—	—	(1,539)
Total comprehensive income for the period	—	—	—	(1,539)	—	30,170	28,631
Appropriation to statutory reserve	—	—	—	—	1,591	(1,591)	—
At 30 June 2022 (Unaudited)	5,035	73,413	(4,313)	(461)	18,759	164,467	256,900

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(11,414)	(53,699)
INVESTING ACTIVITIES		
Placement in deposits	(66,001)	—
Payments for purchase of property, plant and equipment (“PPE”)	(12,710)	(10,214)
Advances to a related company	(2,310)	—
Payments for purchase of intangible assets	(137)	—
Payments for deposits paid for PPE	—	(1,000)
Repayments from a related company	—	408
Interest received	45	634
Withdrawal of deposits	65,164	72,341
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(15,949)	62,169
FINANCING ACTIVITIES		
New borrowings raised	299,216	291,504
Government subsidies received	80	271
Payments of lease liabilities	(2,390)	(88)
Interest paid	(7,067)	(3,416)
Repayments of borrowings	(288,346)	(219,985)
NET CASH FROM FINANCING ACTIVITIES	1,493	68,286
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,870)	76,756
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	61,413	32,476
Effect of foreign exchange rate changes	(2,453)	(1,539)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	33,090	107,693

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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, PRC.

The Company is an investment holding company and its subsidiaries (together referred to as the “Group”) are principally engaged in sales of fabrics products and provision of dyeing and processing services.

The condensed consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2. Basis of Preparation

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

In the current period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRSs”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Return — Pillar Two Model Rules

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

4. Revenue

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of plain weave fabrics	321,566	340,534
Sales of corduroy fabrics	107,782	148,097
Provision of dyeing and processing services	20,255	20,885
	449,603	509,516

5. Segment Information

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

Geographical information

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. Segment Information (Continued)

Geographical information (Continued)

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

	Revenue from external customers	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	428,865	413,223
Japan	7,985	11,463
Others	12,753	84,830
	449,603	509,516

Information about major customers

No revenue from customers contributing over 10% of the total revenue of the Group for the six months ended 30 June 2023 and 2022.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the six months ended 30 June 2023

6. Other Income

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Bank interest income	45	634
Exchange gain, net	1,627	1,885
Government subsidies (Note i)	80	271
Rental income	315	—
Sundry income	152	117
	2,219	2,907

Note:

- (i) The government subsidies represent the one-off government subsidies that were received from local government authorities of which the entitlements were unconditional and under the discretion of the relevant authorities. The amounts were therefore immediately recognised as other income during the six months ended 30 June 2023 and 2022.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the six months ended 30 June 2023

7. Finance Costs

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interests on:		
Borrowings	6,151	3,589
Lease liabilities	656	—
Guarantee fees	320	85
	7,127	3,674

8. Income Tax Expenses

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	2,617	2,864
PRC Enterprise Income Tax ("EIT")	—	5,320
	2,617	8,184
Deferred tax		
Current year	—	1,641
	2,617	9,825

8. Income Tax Expenses (Continued)

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

- (ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For the six months ended 30 June 2023 and 2022, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

- (iii) Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, Yadong (Changzhou) Science and Technology Co., Ltd. (“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\$6,000 (six months ended 30 June 2022: HK\$10,000) per company for the six months ended 30 June 2023.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the six months ended 30 June 2023

9. Profit for the Period

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	1,292	970
Salaries, allowances and other benefits (excluding directors' emoluments)	24,169	21,928
Contributions to retirement benefits scheme (excluding directors' emoluments)	4,190	1,342
Total staff costs	29,651	24,240
Auditor's remuneration	149	140
Amortisation of intangible assets	69	133
Amount of inventories recognised as an expense	381,989	358,309
Depreciation of property, plant and equipment	4,819	6,606
Depreciation of investment properties	767	—
Depreciation of right-of-use assets	5,064	85

10. Dividends

No interim dividend has been declared in respect of the six months ended 30 June 2023 and 2022.

11. Earnings Per Share

The calculation of the basic earnings per share during the six months ended 30 June 2023 and 2022 is based on the profit for the period attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings for the purpose of basic earnings per share (profit for the period attributable to the owners of the Company)	8,018	28,631
Weighted average number of ordinary shares for the purpose of basic earnings per share	'000 600,000	'000 600,000

Diluted earnings per share

Diluted earnings per share is as same as basic earnings per share as there were no dilutive potential ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2023, the Group has addition of property, plant and equipment of approximately RMB12,710,000 (six months ended 30 June 2022: RMB10,214,000).

13. Trade and Bills Receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	209,477	144,553
Bills receivables	28,208	38,624
Less: Impairment	(1,073)	(1,073)
	236,612	182,104

As at 30 June 2023, the gross amount of trade and bills receivables arising from contracts with customers amounted to approximately RMB237,685,000 (2022: RMB183,177,000).

13. Trade and Bills Receivables (Continued)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 30 days	187,384	99,766
31 to 60 days	36,267	33,024
61 to 90 days	11,004	30,454
91 to 180 days	1,957	18,860
Total	236,612	182,104

The Group applies simplified approach to provide for expected credit loss (“ECL”) prescribed by HKFRS 9. The Group assessed the ECL for trade and bills receivables in grouped based on shared credit risk characteristics as at 30 June 2023 and 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. Trade and Bills Receivables (Continued)

Impairment assessment on trade and bills receivables subject to ECL model

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

There has been no change in the estimation techniques or significant assumption made during the six months ended 30 June 2023 and year ended 31 December 2022.

The movement in the impairment losses of trade and bills receivables during the six months ended 30 June 2023 and year ended 31 December 2022 is as follows:

	Impairment loss allowance RMB'000
Balance as at 1 January 2022 (Audited)	3,099
Impairment loss recognised	(2,026)
<hr/>	
Balance as at 31 December 2022 (Audited)	1,073
Impairment loss recognised	—
<hr/>	
Balance as at 30 June 2023 (Unaudited)	1,073

14. Prepayments and Other Receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Prepayments	42,413	31,548
Other tax recoverables	6,388	9,110
Others	11,091	1,343
	59,892	42,001

ECL on prepayments and other receivables are insignificant as they are low risk of default and no significant increase in credit risk as at 30 June 2023 and 31 December 2022.

15. Amount Due to a Related Company

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

16. Time Deposits

As at 30 June 2023, the Group had fixed-term time deposits in banks in the PRC with maturities of one year. The deposits carry fixed interests rate at 0.50% to 2.10% (31 December 2022: 0.50% to 2.10%) per annum.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the six months ended 30 June 2023

17. Trade and Bills Payables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	131,394	139,295
Bills payables	5,350	—
	136,744	139,295

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 30 days	101,416	87,507
31 to 60 days	15,595	15,523
61 to 90 days	16,017	13,320
91 to 180 days	2,352	20,928
181 to 365 days	841	1,746
Over 365 days	523	271
Total	136,744	139,295

17. Trade and Bills Payables (Continued)

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.

18. Contract Liabilities

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract liabilities	5,195	1,663

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

19. Movements in Borrowings

During the current interim period, the Group raised borrowings of approximately RMB299,216,000 (six months ended 30 June 2022: approximately RMB291,504,000) and repaid borrowings of approximately RMB288,346,000 (six months ended 30 June 2022: approximately RMB219,985,000).

The weighted average effective interest rate of borrowings for the six months ended 30 June 2023 was 4.2% per annum (six months ended 30 June 2022: 5.3% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20. Pledge of Assets

At 30 June 2023 and 31 December 2022, the Group had pledged the following assets to secure banking facilities granted to the Group:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Building	38,769	39,477
Machineries	13,790	15,144
Right-of-use assets	39,293	40,011
Investment properties	47,584	48,351
	139,436	142,983

21. Share-Based Payment Transactions

Share-option scheme

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

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

21. Share-Based Payment Transactions (Continued)

Share-option scheme (Continued)

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

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option of the Company. During the six months ended 30 June 2023, no options were granted under the Share Option Scheme.

**NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the six months ended 30 June 2023

22. Related Party Transactions

- (a) Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following balances with related parties during the six months ended 30 June 2023 and year ended 31 December 2022:

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amount due to a related party			
Changzhou Dongxia Real Estate Agency Ltd. (常州市東霞房地產代理 有限公司) (“Dongxia”) (i), (ii)	(i), (ii)	—	(2,310)
Maximum amount outstanding during the period/year			
Dongxia		2,310	3,791

Notes:

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

22. Related Party Transactions (Continued)

(b) Compensation of key management personnel

The emoluments of the directors of the Company and other members of key management during the six months ended 30 June 2023 and 2022 were as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Unaudited)
Short-term benefits	1,735	1,196
Post-employment benefits	127	87
	1,862	1,283

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

(c) Right-of-use assets

Certain right-of-use assets are leased from a related company. For the six months ended 30 June 2023, the amount of rent payable by the Group under the lease is RMB3,200,000 (2022: RMB3,200,000 per year).

As at 30 June 2023, the carrying amount of the related lease liabilities was RMB1,520,000 (2022: RMB3,039,000).

(d) Guarantee

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

23 Capital Commitments

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment and construction in progress contracted for but not provided in the condensed consolidated financial statements	930	930