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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)

CONNECTED TRANSACTION IN RELATION TO THE AGREEMENT ON ADVANCE PAYMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 12 December 2023 in relation to the 2024 Lease Agreement.

The Group has been leasing certain premises from Changzhou Dongxia, which is a connected person of the Company, pursuant to the 2024 Lease Agreement for its production plant, warehouse, laboratory and administration and management office in the PRC.

As the Group had occupied and operated the buildings within the Premises for more than a decade, certain infrastructures therein become aged, and their conditions are no longer optimal in some areas due to wear and tear over time. In view of this, the Group discussed with Changzhou Dongxia about the conditions of the Premises, and both parties agreed that the Refurbishment Works are needed.

On 5 August 2024, the Group has entered into the Agreement on Advance Payment with Changzhou Dongxia pursuant to which the Group agreed to make the Advance Payment of RMB16.3 million to Changzhou Dongxia solely for the specific purpose of performing the Refurbishment Works.

LISTING RULES IMPLICATIONS

Since Mr. Xue is the chairman of the Board and an executive Director, and that Changzhou Dongxia is wholly-owned by Mr. Xue, Changzhou Dongxia is a connected person of our Company under the Listing Rules. As such, the transaction contemplated under the 2024 Lease Agreement constitutes connected transaction of our Company under Chapter 14A of the Listing Rules.

The amount of the advance payment under the Agreement on Advance Payment is RMB16.3 million (equivalent to approximately HK$17.3 million). As all of the applicable percentage ratio (as defined in the Listing Rules) in respect of the transactions contemplated under the Agreement on Advance Payment based on the amount of the advance payment are less than 5%, the transactions contemplated under the Agreement on Advance Payment constitutes a connected transaction of the Company that is subject to the reporting and announcement requirements but is exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

However, due to inadvertent oversight, the Advance Payment has not been notified and announced by the Company in a timely manner in accordance with the Listing Rules which constituted a breach of Chapter 14A of the Listing Rules at the material time.

INTRODUCTION

Reference is made to the announcement of the Company dated 12 December 2023 in relation to the 2024 Lease Agreement. The Group has been leasing certain premises from Changzhou Dongxia, which is a connected person of the Company, pursuant to the 2024 Lease Agreement for its production plant, warehouse, laboratory and administration and management office in the PRC. On 5 August 2024, the Group has entered into the Agreement on Advance Payment with Changzhou Dongxia, pursuant to which the Group agreed to make the Advance Payment of RMB16.3 million to Changzhou Dongxia solely for the specific purpose of performing the Refurbishment Works.

THE AGREEMENT ON ADVANCE PAYMENT

Major terms of the Agreement on Advance Payment are set out below:

Date	:	5 August 2024
Parties	:	(a) Changzhou Dongxia, as the Payee; and (b) Yadong (Changzhou), as the Payer
Premises	:	Factory premises, office buildings, ancillary dormitory buildings and the underlying land located in No. 381, Laodong East Road, Tianning District, Changzhou city, Jiangsu province, the PRC (中國江蘇省常州市天寧區勞動東路381號)
Amount of the Advance Payment	:	RMB16,300,000

Use of the Advance Payment	:	solely for the specific purpose of performing the Refurbishment Works which primarily covered improvement on the building structures, construction of rain shelters and anti-moisture facilities etc. in accordance with local safety regulations. Specifically, the Refurbishment Works involved improvement works regarding the sewage system, electricity supply system and fire-fighting system, reinforcement of steel structure, demolition of aged structure, re-partitioning of certain floor areas and renovation of staff canteen premises etc.
Expected completion date	:	the Refurbishment Works are expected to be completed by 31 December 2025
Charge of the Refurbishment Work	:	the Refurbishment Works shall be charged on a cost-basis, without any mark-up margin by the Payee
Unutilised amount of the Advance Payment	:	any unutilized amount of the Advance Payment shall be refunded to the Payer upon completion of the Refurbishment Works
Principal terms	:	the Agreement on Advance Payment shall be terminated automatically upon completion of the Refurbishment Work, and the utilised amount of the Advance Payment shall be converted into paid rent under the 2024 Lease Agreement

REASONS FOR THE ADVANCE PAYMENT

The Group had been leasing the Premises from Changzhou Dongxia for its production plant, warehouse, laboratory and administration and management office in the PRC. The term of the current lease (i.e. the 2024 Lease Agreement (as defined in the Announcement)) is for a term of 24 months commencing from 1 January 2024 and ending on 31 December 2025 (both days inclusive). The Group had leased the Premises from Changzhou Dongxia since 2014.

As the Group had occupied and operated the buildings within the Premises for more than a decade, certain infrastructures therein become aged, and their conditions are no longer optimal in some areas due to wear and tear over time. In view of this, the Group discussed with Changzhou Dongxia about the conditions of the Leased Premises, and both parties agreed that certain refurbishment works are needed.

Following negotiations, in August 2024, the Group and Changzhou Dongxia entered into the Agreement on Advance Payment, pursuant to which the Group agreed to make an advance payment of RMB16.3 million to Changzhou Dongxia solely for the specific purpose of performing the Refurbishment Works. The Refurbishments Works primarily covered improvement on the building structures, construction of rain shelters and anti-moisture facilities etc. in accordance with local safety regulations. The Refurbishment Works are expected to be completed by 31 December 2025. The Refurbishment Works shall be charged on a cost-basis, without any mark-up margin by Changzhou Dongxia. Any unutilized amount of the Advance Payment shall be refunded to the Group upon completion of the Refurbishment Works.

Having considered that the Advance Payment was of one-off nature and had been applied by Changzhou Dongxia in the Refurbishment Works, the Board (including the independent non-executive Directors) considered that the Advance Payment is conducted on normal commercial terms and in the ordinary course of business of the Group; and the terms of the Advance Payment are fair and reasonable; and are in the interest of the Company and the shareholders of the Company as a whole.

INFORMATION OF THE PARTIES

The Payee

Changzhou Dongxia is a company established in the PRC with limited liability on 4 June 2002 and wholly-owned by Mr. Xue. Changzhou Dongxia is principally engaged in real estate property holding.

The Payer

Yadong (Changzhou) is a company established in the PRC with limited liability on 27 March 2014 and an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in the design, process and sale of textile fabric products.

LISTING RULES IMPLICATIONS

Since Mr. Xue is the chairman of the Board and an executive Director, and that Changzhou Dongxia is wholly-owned by Mr. Xue, Changzhou Dongxia is a connected person of our Company under the Listing Rules. As such, the transaction contemplated under the 2024 Lease Agreement constitutes connected transaction of our Company under Chapter 14A of the Listing Rules.

The amount of the Advance Payment under the Agreement on Advance Payment is RMB16.3 million (equivalent to approximately HK$17.3 million). As all of the applicable percentage ratio (as defined in the Listing Rules) in respect of the transactions contemplated under the Agreement on Advance Payment based on the amount of the Advance Payment are less than 5%, the transactions contemplated under the Agreement on Advance Payment constitutes a connected transaction of the Company that is subject to the reporting and announcement requirements but is exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

However, due to inadvertent oversight, the Advance Payment has not been notified and announced by the Company in a timely manner in accordance with the Listing Rules which constituted a breach of Rule 14A.35 under Chapter 14A of the Listing Rules at the material time. The oversight was caused by the fact the management of the Company mistakenly believed that the transactions contemplated under the Agreement on Advance Payment, which relates to the Premises leased to the Group, could be covered under the ambit of the 2024 Lease Agreement, and hence no separate disclosure and announcement would be required. Subsequently, based on the advice of its legal advisers, the Company realised that the Agreement on Advance Payment should have been treated as a separate transaction under the Chapter 14A of the Listing Rules.

REMEDIAL ACTION

To prevent the occurrence of similar non-compliance incident in the future and to comply with the requirements under the Listing Rules, the Company has taken or will take the following remedial actions:

(i) the Company has published this announcement to inform the Shareholders of the details of the Advance Payment which should otherwise have been disclosed on 5 August 2024;

(ii) with immediate effect, all fund transfer applications between the Group and its connected person(s) would have to be submitted to two or more of the executive Directors, and at least one of the independent non-executive Director, for review and approval before any such payment is made;

(iii) the Company has instructed the administrative and accounting department to prepare summary report on securities transactions and report to the Board on a timely basis for review;

(iv) the management of the Group would undergo a separate training provided by external legal advisers on the relevant requirements under Chapter 14 and 14A of the Listing Rules which is expected to be held by 30 June 2025; and

(v) the Company will further consult external legal advisers, financial advisers and/or the Stock Exchange in case of any doubt on notifiable transactions.

Further announcement(s) will be made to inform shareholders and potential investors of the Company the progress of the remedial actions as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"2024 Lease Agreement"	the lease agreement entered into between Changzhou Dongxia and Yadong (Changzhou) dated 1 December 2023 in respect of the Premises;
"Advance Payment"	the advance payment of RMB16.3 million (approximately HK$17.3 million) provided by Yadong (Changzhou) to Changzhou Dongxia;

"Agreement on Advance Payment"	the agreement entered into between Changzhou Dongxia and Yadong (Changzhou) dated 5 August 2024 in respect of the advance payment of RMB16.3 million to Changzhou Dongxia solely for the specific purpose of performing the Refurbishment Works;
"Board"	the board of Directors;
"Changzhou Dongxia"	Changzhou Dongxia Real Estate Agency Ltd. (常州市東霞房地產代理有限公司) (formerly known as Changzhou Dongxia Printing & Dyeing Co., Ltd.* (常州市東霞紡織印染有限公司)), a company established in the PRC with limited liability on 4 June 2002 and wholly-owned by Mr. Xue;
"Company"	Yadong Group Holdings Limited (亞東集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 September 2016 and the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1795);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Xue"	Mr. Xue Shidong (薛士東), the chairman of the Board and an executive Director;
"PRC"	the People's Republic of China which, in this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Premises"	factory premises, office buildings, ancillary dormitory buildings and the underlying land located in No. 381, Laodong East Road, Tianning District, Changzhou city, Jiangsu province, the PRC (中國江蘇省常州市 天寧區勞動東路381號);

"Refurbishment Work"	certain refurbishment works in respect of the Premises primarily covered improvement on the building structures, construction of rain shelters and anti-moisture facilities etc. in accordance with local safety regulations;
"RMB"	Renminbi, the lawful currency of the PRC;
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"sq.m."	square metre(s);
"Yadong (Changzhou)"	亞東(常州)科技有限公司 (Yadong (Changzhou) Science & Technology Co., Ltd.), a company established in the PRC with limited liability on 27 March 2014 and an indirect wholly-owned subsidiary of the Company; and
"%"	per cent

By order of the Board
Yadong Group Holdings Limited
Xue Shidong
Chairman

Hong Kong, 8 May 2025

As at the date of this announcement, the Company has five executive Directors, namely Mr. Xue Shidong, Mr. Wang Bin, Mr. Xiang Wenbin, Ms. Zhang Yeping and Mr. Jin Rongwei; and three independent non-executive Directors, namely Mr. Zhu Qi, Mr. Ho Kin Cheong Kelvin and Mr. Wang Hongliang.