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## **Deyun Holding Ltd.**

### **德運控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1440)**

## **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Deyun Holding Ltd. (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Interim Period**”), together with the comparative figures for the six months ended 30 June 2020.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

### **KEY FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the Interim Period was approximately RMB83.1 million, representing a decrease of approximately 12.6% as compared with those for corresponding period in 2020.
- Gross profit of the Group for the Interim Period was approximately RMB27.1 million, representing a decrease of approximately 14.5% as compared with those for corresponding period in 2020. Gross profit margin for the Interim Period remained relatively stable at approximately 32.6% as compared with approximately 33.4% in the corresponding period in 2020.
- Profit attributable to equity holders of the Company for the Interim Period decreased by approximately 6.1% to approximately RMB19.9 million from approximately RMB21.2 million for the corresponding period in 2020.
- Basic and diluted earnings per share attributable to ordinary equity holders of the Company was approximately RMB1.61 cents for the Interim Period.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

|  |             | <b>Six months ended 30 June</b> |                |
|--|-------------|---------------------------------|----------------|
|  |             | <b>2021</b>                     | 2020           |
|  | <i>Note</i> | <b>Unaudited</b>                | Audited        |
|  |             | <b>RMB'000</b>                  | <b>RMB'000</b> |
| Revenue  | 4           | <b>83,059</b>                   | 95,087         |
| Cost of sales  | 5           | <b>(56,009)</b>                 | (63,341)       |
| <b>Gross profit</b>  |             | <b>27,050</b>                   | 31,746         |
| Other income   | 6           | <b>1,069</b>                    | 3,570          |
| Other gains, net   | 7           | <b>468</b>                      | 558            |
| Selling and distribution expenses  | 5           | <b>(1,299)</b>                  | (1,074)        |
| Administrative expenses  | 5           | <b>(4,387)</b>                  | (8,877)        |
| Net impairment losses on financial assets and contract assets              |             | <b>(243)</b>                    | (200)          |
| <b>Operating profit</b>  |             | <b>22,658</b>                   | 25,723         |
| Finance income/(costs), net  | 8           | <b>287</b>                      | (272)          |
| <b>Profit before income tax</b>  |             | <b>22,945</b>                   | 25,451         |
| Income tax expense   | 9           | <b>(3,053)</b>                  | (4,206)        |
| <b>Profit for the period attributable to equity holders of the Company</b> |             | <b>19,892</b>                   | 21,245         |
| <b>Earnings per share attributable to equity holders of the Company</b>    |             |                                 |                |
| Basic and diluted ( <i>RMB cents</i> )                                     | 10          | <b>1.61</b>                     | 2.25           |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

|   | <b>Six months ended 30 June</b> |                |
|---|---------------------------------|----------------|
|   | <b>2021</b>                     | 2020           |
|   | <b>Unaudited</b>                | Audited        |
|   | <i>RMB'000</i>                  | <i>RMB'000</i> |
| <b>Profit for the period</b>                                | <b>19,892</b>                   | 21,245         |
| <b>Other comprehensive income:</b>                          |                                 |                |
| <i>Item that will not be reclassified to profit or loss</i> |                                 |                |
| Currency translation differences                            | —                               | (1)            |
| <b>Total comprehensive income for the period</b>            |                                 |                |
| <b>attributable to equity holders of the Company</b>        | <b>19,892</b>                   | 21,244         |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2021*

|   |             | <b>30 June</b>        | 31 December    |
|---|-------------|-----------------------|----------------|
|   |             | <b>2021</b>           | 2020           |
|   |             | <b>Unaudited</b>      | Audited        |
|   | <i>Note</i> | <b>RMB'000</b>        | <b>RMB'000</b> |
| <b>ASSETS</b>   |             |                       |                |
| <b>Non-current assets</b>                                   |             |                       |                |
| Properties, plant and equipment                             | 11          | <b>153,511</b>        | 146,651        |
| Right-of-use asset  | 11          | <b>2,681</b>          | 2,722          |
| Investment property   |             | <b>322</b>            | 341            |
| Intangible assets   |             | <b>781</b>            | 645            |
| Prepayments   | 12          | <b>232</b>            | 277            |
|   |             | <u><b>157,527</b></u> | <u>150,636</u> |
| <b>Current assets</b>                                       |             |                       |                |
| Inventories   | 13          | <b>8,831</b>          | 9,272          |
| Contract assets   | 14          | <b>11,303</b>         | 7,556          |
| Trade and bills receivables                                 | 14          | <b>13,723</b>         | 13,060         |
| Prepayments and other receivables                           | 12          | <b>1,879</b>          | 10,013         |
| Cash and cash equivalents                                   |             | <b>186,464</b>        | 109,483        |
|   |             | <u><b>222,200</b></u> | <u>149,384</u> |
| <b>Total assets</b>   |             | <u><b>379,727</b></u> | <u>300,020</u> |
| <b>EQUITY</b>   |             |                       |                |
| <b>Equity attributable to equity holders of the Company</b> |             |                       |                |
| Share capital   |             | <b>10,511</b>         | —*             |
| Reserves  |             | <b>322,924</b>        | 222,951        |
| <b>Total equity</b>   |             | <u><b>333,435</b></u> | <u>222,951</u> |

\* The balance was rounded to the nearest thousand

|                                     |             | <b>30 June<br/>2021</b> | 31 December<br>2020 |
|-------------------------------------|-------------|-------------------------|---------------------|
|                                     |             | <b>Unaudited</b>        | Audited             |
|                                     | <i>Note</i> | <b>RMB'000</b>          | <b>RMB'000</b>      |
| <b>LIABILITIES</b>                  |             |                         |                     |
| <b>Non-current liabilities</b>      |             |                         |                     |
| Other payables                      | 15          | <b>1,507</b>            | 1,533               |
| Deferred tax liabilities            |             | <b>426</b>              | 346                 |
|                                     |             | <u><b>1,933</b></u>     | <u>1,879</u>        |
| <b>Current liabilities</b>          |             |                         |                     |
| Trade payables                      | 16          | <b>13,902</b>           | 10,706              |
| Other payables and accruals         | 15          | <b>21,702</b>           | 37,859              |
| Contract liabilities                | 15          | <b>3,379</b>            | 3,440               |
| Current income tax liabilities      |             | <b>5,376</b>            | 10,185              |
| Bank borrowings                     |             | <b>–</b>                | 13,000              |
|                                     |             | <u><b>44,359</b></u>    | <u>75,190</u>       |
| <b>Total liabilities</b>            |             | <u><b>46,292</b></u>    | <u>77,069</u>       |
| <b>Total equity and liabilities</b> |             | <u><b>379,727</b></u>   | <u>300,020</u>      |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 January 2019 as an exempted company with limited liability under the Companies Law Cap. 22, Law 3 of 1961 as consolidated and revised of the Cayman Islands. The address of the Company's registered office is 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in manufacturing of lace and provision of dyeing services. The ultimate holding company of the Company is Deyong Investment Co., Limited ("**Deyong Investment**"), a company incorporated in the British Virgin Islands ("**BVI**"). The ultimate controlling shareholders are Mr. Lin Minqiang, Mr. Lin Bingzhong, Mr. Lin Chaoji, Mr. Lin Chaowei, Mr. Lin Chaowen acting in concert.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**") on 13 January 2021.

This condensed consolidated interim financial information ("**Interim Financial Information**") is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated.

This Interim Financial Information has not been audited.

## 2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2021 has 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**"). This Interim Financial Information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### 3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### 3.2 Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### 4 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in manufacturing of lace and provision of dyeing services.

The chief operating decision-maker has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has two reportable operating segments being manufacturing of lace and provision of dyeing services:

Manufacturing of lace – principally engaged in manufacturing of lace based on customers' orders for lingerie and other products;

Provision of dyeing services – principally engaged in provision of dyeing services of lace and swim wear fabrics based on customers' orders.

The directors assess the performance of the operating segments based on a measure of revenue and gross profit.

During the six months ended 30 June 2021 and 2020, all of the Group's revenues are from contracts with customers and are recognised over time.

##### (a) Segment revenue by operating segments

The segment information provided to the directors for the reportable segments for the six months ended 30 June 2021 and 2020 is as follows:

|   | Manufacturing of lace         |                               | Provision of dyeing services  |                               | Total                         |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | Six months ended 30 June 2021 | Six months ended 30 June 2020 | Six months ended 30 June 2021 | Six months ended 30 June 2020 | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|   | Unaudited                     | Audited                       | Unaudited                     | Audited                       | Unaudited                     | Audited                       |
|   | <i>RMB'000</i>                | <i>RMB'000</i>                | <i>RMB'000</i>                | <i>RMB'000</i>                | <i>RMB'000</i>                | <i>RMB'000</i>                |
| Segment revenue                                 | <u>30,121</u>                 | <u>37,631</u>                 | <u>52,938</u>                 | <u>57,456</u>                 | <u>83,059</u>                 | <u>95,087</u>                 |
| Segment results (gross profit)                  | <u>11,088</u>                 | <u>14,174</u>                 | <u>15,962</u>                 | <u>17,572</u>                 | <u>27,050</u>                 | <u>31,746</u>                 |
| Other segmental information:                    |                               |                               |                               |                               |                               |                               |
| Depreciation of properties, plant and equipment | 3,723                         | 3,813                         | 3,824                         | 3,636                         | 7,547                         | 7,449                         |
| Additions to non-current segment assets         | <u>1,900</u>                  | <u>–</u>                      | <u>13,018</u>                 | <u>2,926</u>                  | <u>14,918</u>                 | <u>2,926</u>                  |

**(b) Segment revenue by customers' geographical location**

The Group is domiciled in the People's Republic of China (the "PRC"). The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

|           | Six months ended 30 June |                    |
|-----------|--------------------------|--------------------|
|           | 2021                     | 2020               |
|           | Unaudited<br>RMB'000     | Audited<br>RMB'000 |
| The PRC   | 82,096                   | 94,326             |
| Hong Kong | 484                      | 342                |
| Others    | 479                      | 419                |
|           | <u>83,059</u>            | <u>95,087</u>      |

**(c) Non-current assets by geographical location**

All of the Group's non-current assets were located in the PRC.

**5 EXPENSES BY NATURE**

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

|   | Six months ended 30 June |                    |
|---|--------------------------|--------------------|
|   | 2021                     | 2020               |
|   | Unaudited<br>RMB'000     | Audited<br>RMB'000 |
| Raw materials and consumables used ( <i>Note 13</i> )                                     | 22,532                   | 29,213             |
| Employee benefit expenses, including directors' emoluments                                | 18,370                   | 18,908             |
| Manpower service expenses   | 952                      | 877                |
| Amortisation of intangible assets   | 243                      | 124                |
| Utilities   | 4,909                    | 4,089              |
| Depreciation of properties, plant and equipment and right-of-use asset ( <i>Note 11</i> ) | 7,869                    | 7,765              |
| Depreciation of investment property   | 19                       | 20                 |
| Auditor's remuneration  | 1,081                    | –                  |
| Listing expenses  | –                        | 5,686              |
| Professional fees   | 1,277                    | 869                |
| Other tax and surcharges  | 681                      | 812                |
| Packaging expenses  | 558                      | 683                |
| Waste handling charges  | 1,775                    | 1,902              |
| Others  | 1,429                    | 2,344              |
|   | <u>61,695</u>            | <u>73,292</u>      |

Total cost of sales, selling and distribution expenses and administrative expenses



**6 OTHER INCOME**

|                   | <b>Six months ended 30 June</b> |                |
|-------------------|---------------------------------|----------------|
|                   | <b>2021</b>                     | 2020           |
|                   | <b>Unaudited</b>                | Audited        |
|                   | <i>RMB'000</i>                  | <i>RMB'000</i> |
| Government grants | 943                             | 3,383          |
| Rental income     | 17                              | 17             |
| Others            | 109                             | 170            |
|                   | <u>1,069</u>                    | <u>3,570</u>   |

**7 OTHER GAINS, NET**

|                      | <b>Six months ended 30 June</b> |                |
|----------------------|---------------------------------|----------------|
|                      | <b>2021</b>                     | 2020           |
|                      | <b>Unaudited</b>                | Audited        |
|                      | <i>RMB'000</i>                  | <i>RMB'000</i> |
| Exchange differences | 468                             | 558            |

**8 FINANCE INCOME/(COSTS), NET**

|   | <b>Six months ended 30 June</b> |                |
|---|---------------------------------|----------------|
|   | <b>2021</b>                     | 2020           |
|   | <b>Unaudited</b>                | Audited        |
|   | <i>RMB'000</i>                  | <i>RMB'000</i> |
| <b>Finance income</b>                   |                                 |                |
| Interest income                         | 405                             | 30             |
| <b>Finance costs</b>                    |                                 |                |
| Unwinding of discount on other payables | (4)                             | (4)            |
| Interest expenses on bank borrowings    | (119)                           | (329)          |
| Less: capitalised on qualifying assets  | 5                               | 31             |
|   | <u>(118)</u>                    | <u>(302)</u>   |
| <b>Finance income/(costs), net</b>      | <u>287</u>                      | <u>(272)</u>   |

Borrowing costs have been capitalised at rates of 4.35% and 5.00% per annum on qualifying assets for the six months ended 30 June 2021 and 2020 respectively.

## 9 INCOME TAX EXPENSE

During the six months ended 30 June 2021 and 2020, Fujian Deyun Technology Co., Ltd.\* (福建德運科技有限公司) (“**Deyun Technology**”), the Company’s subsidiary in the PRC, has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

During the six months ended 30 June 2021 and 2020, no provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group had no assessable profit in Hong Kong.

|                     | Six months ended 30 June |             |
|---------------------|--------------------------|-------------|
|                     | 2021                     | 2020        |
|                     | Unaudited                | Audited     |
|                     | RMB’000                  | RMB’000     |
| Current income tax  | 2,973                    | 4,518       |
| Deferred income tax | 80                       | (312)       |
|                     | <hr/>                    | <hr/>       |
| Income tax expense  | <b>3,053</b>             | 4,206       |
|                     | <hr/> <hr/>              | <hr/> <hr/> |

## 10 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

In determining the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 2021 and 2020, 944,980,000 ordinary shares, after taking into account the capitalisation issue that took place on 13 January 2021 were deemed to have been issued since 1 January 2020. Details of these events were stated in the annual consolidated financial statements for the year ended 31 December 2020.

|  | Unaudited                |         |
|--|--------------------------|---------|
|  | Six months ended 30 June |         |
|  | 2021                     | 2020    |
| Profit attributable to equity holders of the Company (RMB’000)               | 19,892                   | 21,245  |
| Weighted average number of ordinary shares in issue<br>(thousands of shares) | 1,239,116                | 945,000 |
| Basic and diluted earnings per share (RMB cents)                             | 1.61                     | 2.25    |

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 and 2020.

## 11 PROPERTIES, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

|  | Buildings<br>RMB'000 | Plant and<br>machinery<br>RMB'000 | Office<br>equipment<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Sub-total<br>RMB'000 | Right-of-use<br>asset<br>RMB'000 | Total<br>RMB'000 |
|--|----------------------|-----------------------------------|--------------------------------|------------------------------|--|----------------------|----------------------------------|------------------|
| <b>As at 1 January 2021 (Audited)</b>            |                      |                                   |                                |                              |  |                      |                                  |                  |
| Cost   | 41,093               | 264,444                           | 4,251                          | 1,090                        | 8,271                                  | 319,149              | 4,121                            | 323,270          |
| Accumulated depreciation                         | (12,341)             | (156,401)                         | (2,952)                        | (804)                        | -                                      | (172,498)            | (1,399)                          | (173,897)        |
| Net book amount                                  | <u>28,752</u>        | <u>108,043</u>                    | <u>1,299</u>                   | <u>286</u>                   | <u>8,271</u>                           | <u>146,651</u>       | <u>2,722</u>                     | <u>149,373</u>   |
| <b>Six months ended 30 June 2021 (Unaudited)</b> |                      |                                   |                                |                              |  |                      |                                  |                  |
| Opening net book amount                          | 28,752               | 108,043                           | 1,299                          | 286                          | 8,271                                  | 146,651              | 2,722                            | 149,373          |
| Additions  | -                    | 11,180                            | 36                             | -                            | 3,472                                  | 14,688               | -                                | 14,688           |
| Transfers  | -                    | 11,743                            | -                              | -                            | (11,743)                               | -                    | -                                | -                |
| Depreciation (Note 5)                            | (1,048)              | (6,559)                           | (189)                          | (32)                         | -                                      | (7,828)              | (41)                             | (7,869)          |
| Closing net book amount                          | <u>27,704</u>        | <u>124,407</u>                    | <u>1,146</u>                   | <u>254</u>                   | <u>-</u>                               | <u>153,511</u>       | <u>2,681</u>                     | <u>156,192</u>   |
| <b>As at 30 June 2021 (Unaudited)</b>            |                      |                                   |                                |                              |  |                      |                                  |                  |
| Cost   | 41,093               | 287,367                           | 4,287                          | 1,090                        | -                                      | 333,837              | 4,121                            | 337,958          |
| Accumulated depreciation                         | (13,389)             | (162,960)                         | (3,141)                        | (836)                        | -                                      | (180,326)            | (1,440)                          | (181,766)        |
| Net book amount                                  | <u>27,704</u>        | <u>124,407</u>                    | <u>1,146</u>                   | <u>254</u>                   | <u>-</u>                               | <u>153,511</u>       | <u>2,681</u>                     | <u>156,192</u>   |
| <b>As at 1 January 2020 (Audited)</b>            |                      |                                   |                                |                              |  |                      |                                  |                  |
| Cost   | 40,997               | 258,809                           | 3,808                          | 1,090                        | 1,513                                  | 306,217              | 4,121                            | 310,338          |
| Accumulated depreciation                         | (10,262)             | (145,831)                         | (2,591)                        | (700)                        | -                                      | (159,384)            | (1,317)                          | (160,701)        |
| Net book amount                                  | <u>30,735</u>        | <u>112,978</u>                    | <u>1,217</u>                   | <u>390</u>                   | <u>1,513</u>                           | <u>146,833</u>       | <u>2,804</u>                     | <u>149,637</u>   |
| <b>Six months ended 30 June 2020 (Audited)</b>   |                      |                                   |                                |                              |  |                      |                                  |                  |
| Opening net book amount                          | 30,735               | 112,978                           | 1,217                          | 390                          | 1,513                                  | 146,833              | 2,804                            | 149,637          |
| Additions  | 96                   | 67                                | 443                            | 73                           | 31                                     | 710                  | -                                | 710              |
| Depreciation (Note 5)                            | (1,036)              | (6,464)                           | (171)                          | (53)                         | -                                      | (7,724)              | (41)                             | (7,765)          |
| Closing net book amount                          | <u>29,795</u>        | <u>106,581</u>                    | <u>1,489</u>                   | <u>410</u>                   | <u>1,544</u>                           | <u>139,819</u>       | <u>2,763</u>                     | <u>142,582</u>   |
| <b>As at 30 June 2020 (Audited)</b>              |                      |                                   |                                |                              |  |                      |                                  |                  |
| Cost   | 41,093               | 258,876                           | 4,251                          | 1,163                        | 1,544                                  | 306,927              | 4,121                            | 311,048          |
| Accumulated depreciation                         | (11,298)             | (152,295)                         | (2,762)                        | (753)                        | -                                      | (167,108)            | (1,358)                          | (168,466)        |
| Net book amount                                  | <u>29,795</u>        | <u>106,581</u>                    | <u>1,489</u>                   | <u>410</u>                   | <u>1,544</u>                           | <u>139,819</u>       | <u>2,763</u>                     | <u>142,582</u>   |

During the six months ended 2021 and 2020, depreciation expenses have been charged in cost of sales, selling and distribution expenses and administrative expenses as below:

|                                   | <b>Six months ended 30 June</b> |                |
|-----------------------------------|---------------------------------|----------------|
|                                   | <b>2021</b>                     | 2020           |
|                                   | <b>Unaudited</b>                | Audited        |
|                                   | <b>RMB'000</b>                  | <b>RMB'000</b> |
| Cost of sales                     | 7,547                           | 7,449          |
| Selling and distribution expenses | 3                               | 3              |
| Administrative expenses           | 319                             | 313            |
|                                   | <u>7,869</u>                    | <u>7,765</u>   |

## 12 PREPAYMENTS AND OTHER RECEIVABLES

|   | <b>30 June</b>   | 31 December    |
|---|------------------|----------------|
|   | <b>2021</b>      | 2020           |
|   | <b>Unaudited</b> | Audited        |
|   | <b>RMB'000</b>   | <b>RMB'000</b> |
| <b>Current portion</b>  |                  |                |
| Prepayments to suppliers                                      | 646              | 613            |
| Other prepayments   | 212              | 9              |
| Other tax receivables   | –                | 895            |
| Other receivables ( <i>Note a</i> )                           | 1,021            | 2,167          |
| Prepaid listing expenses ( <i>Note b</i> )                    | –                | 6,329          |
|   | <u>1,879</u>     | <u>10,013</u>  |
| <b>Non-current portion</b>                                    |                  |                |
| Prepayments of acquisition of properties, plant and equipment | <u>232</u>       | <u>277</u>     |

*Notes:*

- (a) As at 30 June 2021 and 2020, the carrying amounts of other receivables approximated their fair values.
- (b) The prepaid listing expenses as at 31 December 2020 were incurred in connection with the listing of the Group and have been deducted from equity upon listing.

### 13 INVENTORIES

|               | <b>30 June<br/>2021<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2020<br>Audited<br>RMB'000 |
|---------------|---|---|
| Raw materials | <b>8,831</b>                                      | 9,272                                     |

The cost of inventories recognised as expense and included in cost of sales during the six months ended 30 June 2021 and 2020 amounted to approximately RMB22,532,000 and RMB29,213,000 respectively (Note 5).

### 14 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

|   | <b>30 June<br/>2021<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2020<br>Audited<br>RMB'000 |
|---|---|---|
| Contract assets                                     | <b>11,315</b>                                     | 7,564                                     |
| Less: Provision for impairment of contract assets   | <b>(12)</b>                                       | (8)                                       |
| Contract assets, net                                | <b>11,303</b>                                     | 7,556                                     |
| Trade receivables                                   | <b>14,533</b>                                     | 10,461                                    |
| Bills receivables                                   | <b>90</b>   | 3,260                                     |
| Less: Provision for impairment of trade receivables | <b>(900)</b>                                      | (661)                                     |
| Trade and bills receivables, net                    | <b>13,723</b>                                     | 13,060                                    |
|   | <b>25,026</b>                                     | 20,616                                    |

Contract assets represent the Group's rights to consideration for work completed but unbilled for its business. The contract assets are transferred to trade receivables when the rights become unconditional which generally take one to three months.

As at 30 June 2021 and 31 December 2020, the carrying amounts of contract assets, trade and bills receivables approximated their fair values.

The Group's sales were generally on credit terms primarily from 30 to 60 days.

As at 30 June 2021 and 31 December 2020, the aging analysis of trade and bills receivables, based on invoice date, is as follows:

|   | <b>30 June<br/>2021<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2020<br>Audited<br>RMB'000 |
|---|---|---|
| 1 to 3 months                                       | <b>10,562</b>                                     | 10,768                                    |
| Over 3 months                                       | <b>4,061</b>                                      | 2,953                                     |
|   | <b>14,623</b>                                     | 13,721                                    |
| Less: Provision for impairment of trade receivables | <b>(900)</b>                                      | (661)                                     |
|   | <b>13,723</b>                                     | 13,060                                    |

The maximum exposure to credit risk as at 30 June 2021 and 31 December 2020 was the carrying value of the receivables and contract assets mentioned above. The Group did not hold any collateral as security.

## 15 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

|   | <b>30 June<br/>2021<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2020<br>Audited<br>RMB'000 |
|---|---|---|
| <b>Current portion</b>                                      |   |   |
| Payables for acquisition of properties, plant and equipment | <b>13,576</b>                                     | 16,550                                    |
| Value-added tax and other tax payables                      | <b>2,064</b>                                      | –   |
| Other payables  | <b>615</b>  | 369                                       |
| Accruals for employee benefit expenses                      | <b>2,862</b>                                      | 2,744                                     |
| Accruals for professional fees                              | <b>1,193</b>                                      | 3,277                                     |
| Other accruals  | <b>162</b>  | 173                                       |
| Accrued listing expenses                                    | –   | 10,747                                    |
| Deposits from customers                                     | <b>1,230</b>                                      | 3,999                                     |
| Contract liabilities  | <b>3,379</b>                                      | 3,440                                     |
|   | <b>25,081</b>                                     | 41,299                                    |
| <b>Non-current portion</b>                                  |   |   |
| Other payables  | <b>1,507</b>                                      | 1,533                                     |

As at 30 June 2021 and 31 December 2020, the carrying amounts of the Group's other payables and accruals approximated their fair values.

## 16 TRADE PAYABLES

|                | <b>30 June<br/>2021<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2020<br>Audited<br>RMB'000 |
|----------------|---|---|
| Trade payables | <b>13,902</b>                                     | 10,706                                    |

As at 30 June 2021 and 31 December 2020, the aging analysis of trade payables, based on invoice date, is as follows:

|               | <b>30 June<br/>2021<br/>Unaudited<br/>RMB'000</b> | 31 December<br>2020<br>Audited<br>RMB'000 |
|---------------|---|---|
| 1 to 3 months | <b>11,914</b>                                     | 9,631                                     |
| Over 3 months | <b>1,988</b>                                      | 1,075                                     |
|               | <b>13,902</b>                                     | 10,706                                    |

As at 30 June 2021 and 31 December 2020, the carrying amounts of the Group's trade payables approximated their fair values.

## 17 DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2021 and 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

We are a long-established lace manufacturer and dyeing service provider based in Fuzhou City, Fujian, the People's Republic of China (the "PRC"). We are primarily engaged in manufacturing and sales of lace to our customers to produce branded lingerie products on order-by-order basis. For our dyeing services, our customers are mainly lace and swim wear manufacturers who would provide us with their own lace and swimwear fabrics to dye before further fabrication.

During the Interim Period, the global economy was gradually recovering from the outbreak of the novel coronavirus (the "COVID-19") and demand on lace products and dyeing services from the PRC market remained stable. Regional pandemic control measures taken by the government had sometimes caused certain interruption of business activities of different industries, such as the manufacturing industry. However, the interruptions usually only last for a few weeks and business would be resumed as soon as a regional outbreak was under control.

In February 2021, a fire incident broke out in a dyeing factory in Fujian and it raised the concerns of the relevant PRC government authorities on fire safety. The dyeing factories in Fujian were ordered to halt operations and enhance their fire protection measures. We halted operations for approximately three weeks, which caused interruptions to our production schedule and sales. The relevant PRC government authorities were satisfied with our enhance fire protection measures. Further, an outbreak of COVID-19 in Guangdong Province in May 2021 caused interruptions to business activities of some of our Guangdong-based customers, which in turn negatively affected our sales performance. We recorded revenue of approximately RMB83.1 million for the Interim Period, representing a decrease of approximately 12.6% from approximately RMB95.1 million for the six months ended 30 June 2020. Our net profit for the Interim Period decreased by approximately 6.1% to approximately RMB19.9 million from approximately RMB21.2 million for the six months ended 30 June 2020.

### **OUTLOOK AND BUSINESS STRATEGY**

Going forward, our business growth is expected to be driven by rising disposable income, growing retail value of women's outerwear and lingerie, wider application of lace fabric, further expansion of online retailing and improved trading efficiency brought by the development of e-commerce. The lace dyeing industry will also become more concentrated when the government authorities roll out more stringent environmental protection policies from time to time.

In order to capture the upcoming business opportunities and maximise the interests of the Company and its shareholders, we will continue to expand our production capacity and enhance efficiency; comply with environmental protection policies; and strengthen our research and development capability and quality control.



## FINANCIAL REVIEW

### Revenue

The Group provides dyeing services as well as manufacturing and sales of lace to its customers. The Group's customers are mainly lace and swim wear manufacturers. Substantial portion of the Group's revenue are domestic sales.

#### *Revenue by product types*

Breakdown of the Group's revenue by product types is as follows:

|                   | Six months ended 30 June |                     |                |                     |
|-------------------|--------------------------|---------------------|----------------|---------------------|
|                   | 2021                     |                     | 2020           |                     |
|                   | <i>RMB'000</i>           | <i>% of revenue</i> | <i>RMB'000</i> | <i>% of revenue</i> |
| Dyeing            | <b>52,938</b>            | <b>63.7</b>         | 57,456         | 60.4                |
| Lace              |                          |                     |                |                     |
| – High density    | <b>24,338</b>            | <b>29.3</b>         | 24,675         | 25.9                |
| – Regular density | <b>5,783</b>             | <b>7.0</b>          | 12,956         | 13.7                |
| Sub-total         | <b>30,121</b>            | <b>36.3</b>         | 37,631         | 39.6                |
| Total             | <b>83,059</b>            | <b>100.0</b>        | 95,087         | 100.0               |

#### *Revenue by geographical regions*

Breakdown of the Group's revenue by geographical regions is as follows:

|                     | Six months ended 30 June |                     |                |                     |
|---------------------|--------------------------|---------------------|----------------|---------------------|
|                     | 2021                     |                     | 2020           |                     |
|                     | <i>RMB'000</i>           | <i>% of revenue</i> | <i>RMB'000</i> | <i>% of revenue</i> |
| Domestic sales      | <b>82,096</b>            | <b>98.8</b>         | 94,326         | 99.2                |
| International sales | <b>963</b>               | <b>1.2</b>          | 761            | 0.8                 |
| Total               | <b>83,059</b>            | <b>100.0</b>        | 95,087         | 100.0               |

## ***Dyeing***

The dyeing revenue decreased by approximately 7.9% from approximately RMB57.5 million for the six months ended 30 June 2020 to approximately RMB52.9 million for the Interim Period, primarily attributable to a fire incident broke out in a dyeing factory in Fujian in February 2021. This fire incident raised the concerns of the relevant PRC government authorities on fire safety. The dyeing factories in Fujian were ordered to halt operations and enhance their fire protection measures. We halted operations for approximately three weeks, which caused interruptions to our production schedule and sales. The relevant PRC government authorities were satisfied with our enhanced fire protection measures. Further, an outbreak of COVID-19 in Guangdong Province in May 2021 caused interruptions to business activities as some of our Guangdong-based customers were ordered to suspend operation, which resulted in reduction of orders from these customers.

## ***Lace***

The Group's lace products are classified into (i) regular density lace, and (ii) high density lace. The lace revenue decreased by approximately 19.9% from approximately RMB37.6 million for the six months ended 30 June 2020 to approximately RMB30.1 million for the Interim Period, primarily attributable to the three-week business suspension and the outbreak of COVID-19 in Guangdong Province mentioned above.

## **Gross profit and gross profit margin**

Gross profit decreased by approximately 14.5% from approximately RMB31.7 million for the six months ended 30 June 2020 to approximately RMB27.1 million for the Interim Period, primarily attributable to the decrease in dyeing revenue and sales of lace products.

Gross profit margin remained relatively stable at approximately 32.6% for the Interim Period as compared with approximately 33.4% for the six months ended 30 June 2020.

## **Other income**

Other income decreased from approximately RMB3.6 million for the six months ended 30 June 2020 to approximately RMB1.1 million for the Interim Period, primarily attributable to the decrease in one-off government grants in relation to the listing of the shares of the Company.

## **Other gains, net**

Other gains represented differences arising from translation of the Group's sales, assets and liabilities denominated in foreign currencies. The Group recorded other gains of approximately RMB0.5 million for the Interim Period (six months ended 30 June 2020: approximately RMB0.6 million).

### **Selling and distribution expenses**

Selling and distribution expenses primarily consist of packaging expenses and staff cost in relation to sales and marketing staff. Selling and distribution expenses increased by approximately 18.2% from approximately RMB1.1 million for the six months ended 30 June 2020 to approximately RMB1.3 million for the Interim Period, primarily attributable to the increase in the employee benefit expenses.

### **Administrative expenses**

Administrative expenses decreased from approximately RMB8.9 million for the six months ended 30 June 2020 to approximately RMB4.4 million for the Interim Period as the Group recognised one-off listing expenses of approximately RMB5.7 million for the six months ended 30 June 2020.

### **Finance income/(costs), net**

The Group recorded net finance income of approximately RMB0.3 million for the Interim Period and net finance costs of approximately RMB0.3 million for the six months ended 30 June 2020, primarily attributable to the increase in interest income on bank balances and decrease in interest expenses on bank borrowings during the Interim Period.

### **Income tax expenses**

Deyun Technology, principal operating subsidiary of the Company, is recognised as a High and New Technology Enterprise\* (高新技術企業) and therefore entitled to a preferential tax rate of 15%. The income tax expenses decreased from approximately RMB4.2 million for the six months ended 30 June 2020 to approximately RMB3.1 million for the Interim Period, primarily attributable to the decrease in assessable profits.

Effective income tax rate decreased from approximately 16.5% for the six months ended 30 June 2020 to approximately 13.3% for the Interim Period, primarily attributable to the recognition of one-off listing expenses of approximately RMB5.7 million for the six months ended 30 June 2020, which were non-deductible for tax purpose.

### **Net profit and net profit margin**

As a result of foregoing, the Group's net profit for the Interim Period decreased by approximately 6.1% to approximately RMB19.9 million from approximately RMB21.2 million for the six months ended 30 June 2020. Net profit margin increased from approximately 22.3% for the six months ended 30 June 2020 to approximately 23.9% for the Interim Period.

## **Dividend**

The Board does not recommend the payment of dividend for the Interim Period (six months ended 30 June 2020: nil).

## **LIQUIDITY, CAPITAL RESOURCES AND GEARING**

### **Net current assets**

The Group had net current assets of approximately RMB177.8 million as at 30 June 2021 (31 December 2020: approximately RMB74.2 million). The current ratio of the Group increased from approximately 2.0 times as at 31 December 2020 to approximately 5.0 times as at 30 June 2021. The increase in net current assets and improvement of current ratio as at 30 June 2021 was primarily attributable to the increase in cash and cash equivalents after receiving the proceeds of listing and the repayment of bank borrowings.

### **Cash and cash equivalents, borrowings and pledge of assets**

The Group funds its business and working capital requirements by using a balanced mix of internal resources, borrowings and funds from listing. The Group will adjust its mix of funding mix depending on the costs of funding and its actual needs.

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB186.5 million (31 December 2020: approximately RMB109.5 million) and they were denominated in RMB, (United States dollar “USD”) and (Hong Kong dollar “HKD”). The significant increase in cash and cash equivalents as at 30 June 2021 was primarily due to the successful listing of the shares of the Company.

As at 30 June 2021, the Group had repaid its bank borrowings and had no bank borrowings (31 December 2020: approximately RMB13.0 million).

As at 30 June 2021, the Group’s total undrawn banking facilities amounted to approximately RMB75.0 million (31 December 2020: approximately RMB62.0 million).

### **Gearing ratio**

As at 30 June 2021, the Group had a gearing ratio of nil, calculated by dividing total debt by total equity (31 December 2020: approximately 5.8%). The decrease in the gearing ratio was primarily due to the repayment of bank borrowings during the Interim Period.

### **Capital structure**

As at the date of this announcement, the Company’s issued share capital was HKD12,600,000 and the number of issued shares of the Company was 1,260,000,000 ordinary shares of HKD0.01 each.

## **Capital expenditure**

For the Interim Period, the Group incurred cash flows on capital expenditures for the purchase of properties, plant and equipment in the amount of approximately RMB17.8 million (six months ended 30 June 2020: approximately RMB3.4 million).

## **Foreign exchange risks and hedging**

The majority of assets and liabilities of the Group are denominated in RMB, USD and HKD, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than RMB, which is the functional currency of the major operating companies within the Group. During the Interim Period, the Group did not hedge its foreign currency exposure. The Group regularly monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **CAPITAL COMMITMENTS**

As at 30 June 2021, the Group had capital commitments of approximately RMB1.9 million in relation to the purchase of properties, plant and equipment (31 December 2020: approximately RMB2.8 million).

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: nil).

## **EMPLOYEES AND REMUNERATION POLICY**

The Group's employees are generally remunerated by way of fixed salary and they may also be entitled to a number of welfare benefits, including but not limited to job-nature based subsidy, performance-based bonus, paid leave and share options. The Group also make contributions to mandatory social security funds for its employees. The Group utilises an appraisal system for its employees and considers the appraisal results of individual employees when conducting their salary review and determining the amount of bonuses. To enhance the performance of the employees, the Group provides its employees with adequate and regular trainings.

As at 30 June 2021, the Group had 526 employees (31 December 2020: 469 employees) and the Group's total employee benefit expenses (including directors' emoluments) for the Interim Period amounted to approximately RMB18.4 million (six months ended 30 June 2020: approximately RMB18.9 million).

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed herein, the Group did not have any significant investments, material acquisitions and disposals during the Interim Period.

## FUTURE PLAN FOR MATERIAL INVESTMENTS

During the Interim Period, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 December 2020 (the “**Prospectus**”), the Group had no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

## USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Net proceeds from the initial public offering (the “**IPO**”), after deducting underwriting commissions and other relevant expenses, amounted to approximately HK\$85.6 million. As of the date of this announcement, the net proceeds from the IPO had been applied as follows:

| Planned use of net proceeds   | Planned use of net proceeds<br><i>HKD million</i> | Net proceeds used as at<br>30 June 2021<br><i>HKD million</i> | Unused balance as at<br>30 June 2021<br><i>HKD million</i> | Timeframe for the unused balance |
|---|---|---|--|----------------------------------|
| Expand dyeing service capacity and enhance efficiency by way of upgrading, replacing and acquiring machineries and facilities | 49.9  | 17.2  | 32.7   | By end of 2022                   |
| Strengthen research and development capability and quality control for dyeing services  | 3.4   | 1.5   | 1.9  | By end of 2021                   |
| Replace a coal-burning-boiler by a natural-gas-boiler   | 13.6  | 5.1   | 8.5  | By end of 2021                   |
| Expand integrated enterprise planning resource system   | 0.9   | 0.9   | –  | N/A                              |
| Repayment of bank loan  | 9.5   | 9.5   | –  | N/A                              |
| General working capital   | 8.3   | 8.3   | –  | N/A                              |
|   | <b>85.6</b>                                       | <b>42.5</b>   | <b>43.1</b>  |                                  |

As of the date of this announcement, the Group has applied the net proceeds from the IPO in the manner and proportion set out in the Prospectus.

## **SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 16 December 2020 (the “**Adoption Date**”), which became effective on the 13 January 2021. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to eligible participants; and to promote the success of the business of the Group.

As of 30 June 2021 and the date of this announcement, no share options had been granted or agreed to be granted under the Share Option Scheme. As a result, the total number of shares available for issue under the Share Option Scheme as of the date of this announcement was 126,000,000, representing 10% of the issued shares of the Company as of the Adoption Date.

## **CORPORATE GOVERNANCE**

The Board recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted a set of corporate governance practices which aligns with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) since the Listing Date. The Company has complied with the code provisions set out in the CG Code during the Interim Period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the Interim Period.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the Interim Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **SUFFICIENCY OF PUBLIC FLOAT**

According to the information that is publicly available to the Company and within the knowledge of the Board, as of the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

## **AUDIT COMMITTEE**

The Group established an audit committee (the “**Audit Committee**”) on 16 December 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 and paragraph D3 of the Code as set forth in Appendix 14 to the Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee consists of four independent non-executive Directors, namely Mr. Chow Kit Ting (*Chairman*), Mr. Sheng Zijiu, Mr. Yip Koon Shing and Mr. Wong Chun Sek Edmund.

The Audit Committee has reviewed with the management of the Company the unaudited condensed consolidated interim financial information of the Group for the Interim Period, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

## **AUDITOR**

PricewaterhouseCoopers, the auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **EVENT AFTER THE REPORTING PERIOD**

The Group does not have any important events after the Interim Period and up to the date of this announcement.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company’s website ([www.ds-lace.com](http://www.ds-lace.com)). The interim report of the Company for the Interim Period will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board  
**Deyun Holding Ltd.**  
**Mr. Lin Minqiang**  
*Chairman*

Hong Kong, 30 August 2021



*As of the date of this announcement, the Board comprises of Mr. Lin Minqiang, Mr. Lin Chaowei, Mr. Lin Chaowen, Mr. Lin Bingzhong, Mr. Wei Cunzhuo and Ms. Lin Lili as executive Directors, and Mr. Sheng Zijiu, Mr. Chow Kit Ting, Mr. Yip Koon Shing, and Mr. Wong Chun Sek Edmund as independent non-executive Directors.*

*\* For identification purposes only*