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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)

PROFIT WARNING

This announcement is made by Deyun Holding Ltd. (the “**Company**” together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and the potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2022 and information currently available to the Company, the Group expects that its net profit for the six months ended 30 June 2022 will decrease by not less than 65% from approximately RMB19.9 million for the six months ended 30 June 2021.

The Board believes that the decline in the Group’s results is mainly due to, among other things:

- (i) a new wave of COVID-19 occurred in the People’s Republic of China (the “**PRC**”) during the six months ended 30 June 2022. In response to the COVID-19 pandemic, the PRC government had to implement lockdown measures, which caused disruptions to the supply chain and business activities of many PRC enterprises including the Group and its business partners;
- (ii) revenue from the Group’s lace manufacturing and dyeing services for the six months ended 30 June 2022 is expected to decrease by approximately 45% to 50% as compared with the six months ended 30 June 2021 which was mainly due to the disruption to the supply chain and business activities of the Group in the PRC, caused by the lockdown measures in response to the outbreak of novel coronavirus; and

* *For identification purposes only*

- (iii) the Group's gross profit margin for the six months ended 30 June 2022 is also expected to decrease substantially because of the drop in revenue contributed by the Group's lace manufacturing and dyeing services while cost of sales are mostly fixed and did not decrease in line with revenue.

The information contained in this announcement is only based on the information currently available to the Company and the preliminary review by the Board on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2022, which have not been reviewed or audited by the independent auditors and/or the audit committee of the Company, and is subject to further changes and adjustments. The actual financial results of the Group for the six months ended 30 June 2022 may differ from what is disclosed in this announcement. Shareholders and potential investors are advised to read carefully the interim results announcement of the Company for the six months ended 30 June 2022, which is expected to be published at the end of July 2022.

Reference is also made to the joint announcement issued by the Company and Glorious Way Investments Limited dated 27 June 2022 (the “**Joint Announcement**”) in accordance with Rule 3.5 of the Takeovers Code.

The profit warning included in this announcement (the “**Profit Warning**”) constitutes a profit forecast under Rule 10 of the Takeovers Code and should be reported on by the Company's financial adviser and auditors or accountants in accordance with Rule 10.4 of the Takeovers Code. As the Profit Warning was made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the SFO, which require the Company to disclose any inside information as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties time-wise in meeting the requirements of Rule 10.4 of the Takeovers Code. Accordingly, the Profit Warning does not meet the standard required by Rule 10 of the Takeovers Code.

Under Rule 10.4 and Practice Note 2 of the Takeovers Code, if the Profit Warning is first published in an announcement, it must be repeated in full, together with the reports from the Company's financial advisers and auditors or accountants on the Profit Warning, in the next document to be sent to the Shareholders (the “**Shareholders' Document**”). The Profit Warning will be reported on by the Company's financial advisers and auditors or accountants as soon as possible in compliance with the Takeovers Code and such reports will be contained in the next Shareholders' Document. However, if the interim results announcement of the Company for the six months ended 30 June 2022 which fall within the ambit of Rule 10.9 of the Takeovers Code has been published by the time of release of the next Shareholders' Document and the relevant results together with the notes to the financial statements are included in the next Shareholders' Document, the requirements to report on the Profit Warning under Rule 10.4 of the Takeovers Code will no longer apply.

Warnings: Shareholders and potential investors of the Company should note that the Profit Warning has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Profit Warning in assessing the merits and demerits of the Offer (as defined in the Joint Announcement). Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 12 July 2022

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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.