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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 on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) 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 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 unaudited consolidated management accounts of the Group for the year ended 31 December 2021 and information currently available to the Company, the Group expects that its net profit for the year ended 31 December 2021 will decrease by not less than 40% from approximately RMB43.8 million for the year ended 31 December 2020. The expected decrease in net profit is mainly attributable to the combination effect of the following incidents: (i) an outbreak of COVID-19 in Guangdong Province in May 2021 caused interruptions to business activities of some of the Group’s Guangdong-based customers, which in turn negatively affected the sales performance for the first half of 2021; (ii) two dyeing factories in Fujian had fire incidents and the dyeing factories in Fujian were ordered to halt operations and enhance their fire protection measures during the year ended 31 December 2021; (iii) factories in the PRC were required under the power-cut policy of the China government to reduce their electricity usage in order to meet the environmental targets. As a result of the fire incidents and the power-cut policy, the Group’s production schedule was delayed, leading to a decrease in revenue by approximately 20% to 30% for the year ended 31 December 2021; and (iv) the Group’s gross profit margin for the year ended 31 December 2021 decreased as a result of rising cost of raw materials and other production costs.

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 year ended 31 December 2021, which have not been reviewed or audited by the independent auditors and/or the audit committee of the Company. The actual financial results of the Group for the year ended 31 December 2021 may differ from what is disclosed in this announcement. Shareholders and potential investors are advised to read carefully the annual results announcement of the Company for the year ended 31 December 2021, which is expected to be published in March 2022 in accordance with the requirements of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 28 January 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.

* *For identification purposes only*