

# TARGET

## Intelligence Report

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S A T U R D A Y

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**DEYUN HOLDING LTD:  
WHAT LOGIC AND VALIDITY OF REASONING  
DID MANAGEMENT DETERMINE TO LIST ITS COMPANY'S SHARES  
ON THE STOCK EXCHANGE OF HONGKONG LTD ?**

At the cessation of business on November 30, 2020, Deyun Holding Ltd (德運控股有限公司) (Code: 1440, Main Board, The Stock Exchange of Hongkong Ltd) did not have any material debts – at all!

For a company with a Total Revenue of about 203,443,000 renminbi (about \$HK243,448,032.00), in respect of the 2019 Financial Year, ended December 31, this is more than just a little unusual.

In fact, it is almost something rarely heard, especially at a time that interest rates are as low as they are today.

In spite of the Total Revenue in respect of the 2019 Financial Year, being at a record-high level, the Government of the People's Republic of China (PRC) awarded the Company a Grant of 3,383,000 renminbi (about \$HK4,056,014.00) in respect of the six months, ended June 30, 2020.

This June 30, 2020 Grant represented an increase, Period-On-Period, of about 559.45 percent.

In addition, still with regard to the 2019 Financial Year, the Company hit a new profit milestone, chalking up a record-high-level of Net Profit after Taxation of 41,851,000 renminbi (about \$HK50,080,581.00), being an increase, Year-On-Year, of about 32.65 percent.

In view of the above-mentioned, one has to ponder:

*For what reason, therefore, did Senior Management of this lace manufacturer determine that it needed to have its shares, listed on the premier equity market of The Stock Exchange of Hongkong Ltd?*

**The Initial Public Offering (IPO) Of Deyun Holding Ltd**

On Monday, December 28, 2020, Management of Deyun Holding Ltd published and disseminated its Share Offer Prospectus in the **Hongkong Special Administrative Region (HKSAR)** of the PRC.

The Company was desirous of selling 315 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 40 cents to a high of 50 cents.

Investors of the HKSAR were offered the opportunity to subscribe to 31.50 million Offer Shares (the HKSAR Public Offer Shares tranche) and (presumably) International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities in which this class of investors is deemed, legally and beneficially, to have equity control – were induced to subscribe to 283.50 million Offer Shares via Share Placements (the Placing Shares tranche).

On Tuesday, January 12, 2021, Management of Deyun Holding Ltd announced that the Offer Price Per Share had been struck at 40 cents – the lowest level of the Indicative Offer Price range – and that the Company would be enriched by about \$HK85.60 million from the Share Offer.

With regard to the HKSAR Public Offer Shares tranche, one was told, on the January 12, 2021 Announcement, that a total of 38,550 valid applications had been received for a total of 1,059,095,000 Public Offer Shares, representing about 33.62 times the 31.50 million Offer Shares, initially available under this tranche.

As to the Placing Shares tranche, this Announcement stated that it had *‘been slightly under-subscribed, representing approximately 95.60 percent of the total number of 283,500,000 Offer Shares, initially available’* under the Placing.

At Page Eight of this Announcement of January 12, 2021, Management stated its present intentions as to how the net proceeds of the Share Offer would be utilised:

- Approximately, \$HK49.90 million, that is about 58.20 percent of the net proceeds from the Share Offer, *‘will be used to expand our dyeing service capacity and enhance efficiency by way of upgrading, replacing and acquiring machineries and facilities’*;
- Approximately, \$HK3.40 million, that is about 4.00 percent of the net proceeds from the Share Offer, *‘will be used to strengthen our research and development capability and quality control for our dyeing services’*;
- Approximately, \$HK13.60 million, that is about 15.90 percent of the net proceeds from the Share Offer, *‘will be used for continuous compliance with local policies through replacement of a coal-burning-boiler by a natural-gas-boiler’*;
- Approximately, \$HK0.90 million, that is about 1.10 percent of the net proceeds from the Share Offer, *‘will be used to expanding our integrated ERP system (Enterprise Resource Planning System)’*;

- Approximately, \$HK9.50 million, that is about 11.10 percent of the net proceeds from the Share Offer, '*will be used for repayment of bank loan*'; and,
- Approximately, \$HK8.30 million, that is about 9.70 percent of the net proceeds from the Share Offer, '*will be used for our general working capital.*'

### **The History And Business Of Deyun Holding Ltd**

The history of Deyun Holding Ltd can be traced back to the incorporation in the PRC, proper, being separate and distinct of the HKSAR of the PRC, of Fujian Deyun Technology Company Ltd (福建德運科技有限公司), formerly known as Fuzhou Desheng Weaving and Dyeing Company Ltd (福州德盛織染有限公司) and Fujian Deyun Technology Company Ltd (福建德運科技股份有限公司), a limited liability company, incorporated on December 11, 2002, and an indirect, wholly owned subsidiary of Deyun Holding Ltd, as at today's date.

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