
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **STAR SHINE HOLDINGS GROUP LIMITED (formerly known as Deyun Holding Ltd.)**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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STAR SHINE HOLDINGS GROUP LIMITED

應星控股集團有限公司

(formerly known as Deyun Holding Ltd.)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1440)

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT; AND
(2) NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

 **金融有限公司**
OCTAL Capital Limited

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee in respect of the Framework Agreement and the proposed Annual Caps is set out on page 19 of this circular. A letter of advice from Octal Capital Limited, the Independent Financial Adviser, in respect of the same to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 33 of this circular.

A notice convening the EGM to be held at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong at 11:00 a.m. on Monday, 4 September 2023 or any adjustment thereof is set out on pages 40 to 41 of this circular. A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

18 August 2023

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise is required:

| | |
|---------------------------|---|
| “30%-controlled company” | has the meaning ascribed to it under the Listing Rules |
| “Annual Cap(s)” | the proposed annual cap(s) contemplated under the Framework Agreement |
| “Articles of Association” | the articles of association of the Company as amended, supplemented or otherwise modified from time to time and “Article” shall mean an article of the Articles of Association |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “BVI” | British Virgin Islands |
| “Company” | STAR SHINE HOLDINGS GROUP LIMITED (formerly known as Deyun Holding Ltd.), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1440) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened for the purpose of considering and approving by the Independent Shareholders, and by way of ordinary resolution(s), the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps) |
| “family member(s)” | has the meaning ascribed to it under the Listing Rules |
| “Framework Agreement” | the framework agreement entered into by the Company and Mr. Tsoi dated 10 July 2023, in relation to the sales of footwear manufactured by Mr. Tsoi’s Associated Companies to the Group |

DEFINITIONS

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|--|---|
| “Glorious Way” | Glorious Way Investments Limited, an investment holding company incorporated in the BVI and wholly-owned by Mr. Tsoi |
| “Group” | the Company and its subsidiaries from time to time |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “immediate family member(s)” | has the meaning ascribed to it under the Listing Rules |
| “Independent Board Committee” | the independent board committee of the Board, comprising all independent non-executive Directors, namely Mr. Chow Kit Ting, Dr. Chiu Kwok Hung, Justin and Mr. Chan Hoi Shan, established for the purpose of advising the Independent Shareholders in respect of the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps) |
| “Independent Financial Adviser” or “Octal Capital” | Octal Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps) |
| “Independent Shareholder(s)” | the Shareholder(s) other than Mr. Tsoi and his associates who will abstain from voting on the resolutions at the EGM in respect of the transactions contemplated under the Framework Agreement |
| “Independent Third Party(ies)” | an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates |
| “Latest Practicable Date” | 15 August 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |

DEFINITIONS

| | |
|-----------------------------------|---|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| “Main Board” | the main board maintained and operated by the Stock Exchange |
| “majority-controlled company” | has the meaning ascribed to it under the Listing Rules |
| “Mr. Tsoi” | Mr. Tsoi Wing Sing, an executive Director, the chairman of the Board and a controlling shareholder of the Company |
| “Mr. Tsoi’s Associated Companies” | <p>(i) a 30%-controlled company directly or indirectly held by Mr. Tsoi, his immediate family member(s) and/or the trustees (individually or together), or any of its subsidiaries; or</p> <p>(ii) a majority-controlled company held, directly or indirectly, by Mr. Tsoi’s family members (individually or together), or held by Mr. Tsoi’s family members together with Mr. Tsoi, his immediate family members and/or the trustees, or any of its subsidiaries,</p> <p>which, as at the Latest Practicable Date, include (i) Putian Qiming; (ii) Qi Heng Xin; and (iii) Qi Ming Xin, only that meet the requirements to manufacture the Group’s footwear</p> |
| “PRC” | the People’s Republic of China, which shall for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Putian Qiming” | 莆田啟明鞋業有限公司(Putian Qiming Shoes Co., Ltd.*), a limited company established in the PRC |
| “Qi Heng Xin” | QI HENG XIN FACTORY CO., LTD., a private limited company incorporated in Cambodia |
| “Qi Ming Xin” | QI MING XIN FACTORY CO., LTD., a private limited company incorporated in Cambodia |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

DEFINITIONS

| | |
|------------------------------|--|
| “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 |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “%” | per cent. |

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

** For identification purposes only*

LETTER FROM THE BOARD

STAR SHINE HOLDINGS GROUP LIMITED

應星控股集團有限公司

(formerly known as Deyun Holding Ltd.)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1440)

Executive Directors:

Mr. Tsoi Wing Sing (*Chairman*)

Mr. Lin Minqiang

Mr. Larry Stuart Torchin

Ms. Jian Xuegen

Registered office in the

Cayman Islands:

71 Fort Street

P.O. Box 500

George Town

Grand Cayman KY1-1106

Cayman Islands

Independent Non-executive Directors:

Mr. Chow Kit Ting

Dr. Chiu Kwok Hung, Justin

Mr. Chan Hoi Shan

Place of business in Hong Kong:

Unit 1705, 17/F

Strand 50

50 Bonham Strand

Sheung Wan

Hong Kong

18 August 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT; AND
(2) NOTICE OF EGM**

I. INTRODUCTION

The purpose of this circular is to provide you with, among other things, further information in respect of the continuing connected transactions in relation to the Framework Agreement, together with the proposed Annual Caps thereunder to enable you to make an informed decision on whether to vote in favour of or against the relevant resolutions at the EGM.

II. CONTINUING CONNECTED TRANSACTIONS

1. Background

Reference is made to the announcement of the Company dated 10 July 2023 in relation to, among other things, the Framework Agreement.

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On 10 July 2023 (after trading hours), the Company entered into the Framework Agreement with Mr. Tsoi, pursuant to which Mr. Tsoi's Associated Companies that own production facilities located in the PRC and/or Southeast Asia (as the case may be) shall manufacture and supply various footwear to the Group.

2. Framework Agreement

The principal terms of the Framework Agreement are set out below:

Date: 10 July 2023 (after trading hours)

Parties: (a) The Company; and
(b) Mr. Tsoi.

Nature of transactions: Subject to the fulfilment of the conditions precedent, Mr. Tsoi agreed that certain PRC and Southeast Asian companies controlled by his associates that own production facilities located in the PRC and/or Southeast Asia (as the case may be) shall manufacture and supply various footwear to the Group. The specific type(s), quantity(ies) and other specifications of the footwear to be manufactured and supplied by Mr. Tsoi's Associated Companies will be subject to further written confirmation(s) between the members of the Group and Mr. Tsoi's Associated Companies on arm's length and on normal commercial terms from time to time and as necessary.

The annual transaction amounts shall not exceed the proposed Annual Cap and if exceeded, the Company will comply with the relevant Listing Rules accordingly.

Duration: The term of the Framework Agreement shall be for a period commencing from the date on which the Framework Agreement is approved by the Independent Shareholders at the EGM and ending on 31 December 2025, subject to early termination by any party therein giving at least three months' prior written notice to the other party.

The parties therein may extend or renew such term by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

LETTER FROM THE BOARD

Conditions precedent: The Framework Agreement shall become effective upon the approval by the Independent Shareholders with respect to the entering into of the Framework Agreement and the transactions contemplated therein having been obtained.

Pricing policy: The prices payable by the members of the Group for the footwear manufactured by Mr. Tsoi's Associated Companies in accordance with the specifications of the members of the Group shall be subject to further written confirmation(s) between the members of the Group and Mr. Tsoi's Associated Companies, and be negotiated on arm's length and on normal commercial terms before a new purchase order for a new style of footwear is placed by a member of the Group.

In order to determine and ascertain that the price of the footwear to be supplied to the members of the Group under the Framework Agreement and the terms offered by Mr. Tsoi's Associated Companies are (i) made on a fair and reasonable basis; (ii) in accordance with normal commercial terms; and (iii) comparable to those offered by Independent Third Parties, the members of the Group shall obtain fee quotation(s) from other comparable supplier(s) that is/are Independent Third Party(ies) for the manufacturing and supply of the same or comparable type, nature and quality of footwear in similar quantities.

The members of the Group shall only purchase from Mr. Tsoi's Associated Companies on terms no less favourable than those available to the members of the Group from comparable Independent Third Party suppliers.

Payment terms: The payment terms shall be no less favourable than those offered to the Group by Independent Third Parties and, in any case, the payment terms shall not be less than 30 calendar days from the completion of delivery. The actual settlement price and the payment method for each transaction shall be negotiated by the members of the Group and Mr. Tsoi's Associated Companies on an arm's length basis to ensure the relevant payment terms are fair and reasonable and on normal commercial terms.

LETTER FROM THE BOARD

3. Annual Caps

The proposed Annual Caps in respect of the amounts payable by the Group to Mr. Tsoi's Associated Companies under the Framework Agreement for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025 are as follows:

| | For the six months ending 31 December 2023 (HK\$'million) | For the year ending 31 December 2024 (HK\$'million) | For the year ending 31 December 2025 (HK\$' million) |
|----------------------|--|--|---|
| Proposed Annual Caps | 78.2 | 164.2 | 172.5 |

The aforementioned proposed Annual Caps were derived by multiplying the estimated average purchase price of footwear by the estimated purchase volume of the footwear by the Group from Mr. Tsoi's Associated Companies. The estimated average purchase price of footwear and estimated purchase volume of footwear by the Group from Mr. Tsoi's Associated Companies and Independent Third Parties for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025 are as follows:

| | For the six months ending 31 December 2023 | For the year ending 31 December 2024 | For the year ending 31 December 2025 |
|--|---|---|---|
| Estimated average purchase price for each pair of footwear (HK\$) | 66 | 69 | 73 |
| Estimated purchase volume (pair '000) | 2,368 | 4,735 | 4,735 |
| Estimated purchase amount of footwear by the Group (HK\$ million) | 156.4 | 328.5 | 344.9 |
| Estimated amount to be purchased from | | | |
| – Mr. Tsoi's Associated Companies (i.e. the proposed Annual Caps) (HK\$ million) | 78.2 | 164.2 | 172.5 |
| – Independent Third Parties (HK\$ million) | 78.2 | 164.2 | 172.5 |

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Prior to the entering into of the Framework Agreement, the Group has no transactions with Mr. Tsoi's Associated Companies.

4. Basis of Proposed Annual Caps

In arriving at the proposed Annual Caps, the Company has considered the following principal factors:

- (i) the historical purchase price for similar products paid by the members of the Group;
- (ii) the historical purchase volume for similar products purchased by the members of the Group;
- (iii) the footwear orders secured by the Group; and
- (iv) the anticipated increase in the price of the raw materials required to manufacture footwear.

The Company determined the estimated average purchase price of the footwear for the six months ending 31 December 2023 from (i) the estimated sale amount of the Group's footwear for the six months ending 31 December 2023; and (ii) the estimated gross profit margin of the Group for the six months ending 31 December 2023. The estimated sale amount of the Group's footwear for the six months ending 31 December 2023 is approximately HK\$176.7 million, which is determined based on (a) the sale amount of footwear of the Group for six months ended 31 December 2022 of approximately HK\$29.8 million; and (b) annualising the new purchase orders secured by the Group and to be delivered during the third quarter of 2023 of approximately HK\$73.4 million. The Company expects that the Group's gross profit margin for the sale of footwear will range from 9% to 12% for the six months ending 31 December 2023, which is based on the historical gross profit and segment performance of the footwear business of the Group. As the global coronavirus pandemic situation gradually eases and the global economy slowly recovers, the Company is of the view that, having taking into account the PRC Purchasing Price Indices for Industrial Producers, raw material cost for manufacturing footwear in 2024 and 2025 will continue to increase at a low growth rate, thus the Company has adopted an annual growth rate of 5% on the average purchase price of the footwear for the two years ending 31 December 2025.

The Company determined the estimated purchase volume of footwear by the Group for the six months ending 31 December 2023 from (i) the sales volume of footwear of the Group for the six months ended 31 December 2022 of approximately 763,000 pairs; and (ii) annualising the sales volume of the new purchase orders secured by the Group and to be delivered during the third quarter of 2023 of approximately 802,000 pairs. The Company believes that the purchase volume of footwear of the Group for the two years ending 31 December 2025 will maintain at a similar scale.

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Due to the ongoing US-China trade tensions, the footwear customers of the Group have expressed their concerns to the Company that there may be increasing regulatory challenges or enhanced restrictions against PRC companies which may prevent them from sourcing their products from suppliers located in the PRC. In order to address these concerns and to build consumer trust, the Directors consider that it is commercially reasonable to increase the locations from where the Group sources its footwear. Having considered (i) the production facilities of Mr. Tsoi's Associated Companies are located in both the PRC and Southeast Asia; (ii) the production capabilities of Mr. Tsoi's Associated Companies; (iii) the transportation networks surrounding Mr. Tsoi's Associated Companies' production facilities are well-developed; and (iv) the terms offered by Mr. Tsoi's Associated Companies will be no less favourable than those offered by the Independent Third Parties, the Company estimates that 50% of the Group's footwear to be sold to its customers will be supplied by Mr. Tsoi's Associated Companies, while the rest will be supplied by Independent Third Parties.

The Board is satisfied that there will be no material reliance on Mr. Tsoi or Mr. Tsoi's Associated Companies in relation to the manufacture and supply of footwear for the following reasons:

- (i) the proposed Annual Caps serve as the maximum transaction amounts to be conducted between the Group and Mr. Tsoi's Associated Companies. The Group is not obligated to engage Mr. Tsoi's Associated Companies and will only purchase from Mr. Tsoi's Associated Companies on terms no less favourable than those available to the members of the Group from comparable Independent Third Party suppliers;
- (ii) the proposed Annual Caps represent 50% of the total estimated purchase amount of the Group's footwear for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025. The actual purchase amount from Mr. Tsoi's Associated Companies may be reduced if better prices or more favourable terms will be offered by the Independent Third Party suppliers;
- (iii) the Group has maintained a list of qualified suppliers for the manufacturing of the Group's footwear. Unless the footwear customers of the Group have any special requirements, the Group is not restricted from selecting any suppliers and can freely negotiate with and purchase the footwear from any suppliers who can fulfil the specifications of the Group's order on favourable terms;
- (iv) the operation of the Group's footwear business will have no material impact without Mr. Tsoi's Associated Companies; and
- (v) the Group has adopted sufficient and effective internal control measures to monitor the transactions between the Group and Mr. Tsoi's Associated Companies. The quotation team of the Group will obtain quotation(s) from other

LETTER FROM THE BOARD

comparable suppliers who are Independent Third Parties to compare the terms being offered for products of similar specification and quantity by Mr. Tsoi's Associated Companies and Independent Third Party suppliers.

Having considered that (i) as at the Latest Practicable Date, the Group has no intention to enter into any other long-term manufacturing contracts with, and has no procurement commitments to, Mr. Tsoi or Mr. Tsoi's Associated Companies; (ii) the Group is free to select its footwear suppliers which can offer more favourable terms to the Group; and (iii) there are numerous footwear manufacturers in the PRC and Southeast Asia that the Group may select from which should help minimise any disruption to the Group's footwear business; the Directors are of the view that (i) any change in the Group's relationship with Mr. Tsoi or Mr. Tsoi's Associated Companies will not have a material adverse impact on the Group's business; and (ii) the Group will be able to effectively mitigate its exposure to any material adverse change to the relationship with Mr. Tsoi or Mr. Tsoi's Associated Companies, including the termination of the Group's relationship with Mr. Tsoi or Mr. Tsoi's Associated Companies.

As the proposed Annual Caps were determined based on (i) the historical sale and purchase of footwear of the Group; (ii) the actual purchase orders secured by the Group which will need to be delivered during the third quarter of 2023; and (iii) the anticipated increase in raw material costs, the Directors consider that the proposed Annual Caps are fair and reasonable and in the interest of the Company.

5. Internal Control Measures to Ensure the Fairness and Reasonableness of the Transactions under the Framework Agreement

In accordance with the Listing Rules, the Group will at all times comply with Rule 14A.34 and Rules 14A.51 to 14A.59 of the Listing Rules.

In order to safeguard the overall interests of the Company and the Shareholders, the Company has adopted the following internal control measures in order to regulate the Group's transactions with Mr. Tsoi's Associated Companies:

- (i) the quotation team, the merchandising department and the accounting department of the Group shall also ensure that the terms of all purchase orders are in compliance with the Framework Agreement and the relevant departments and personnel must be satisfied that (i) all purchase orders are appropriately reviewed and approved; (ii) the pricing policies and internal procedures adopted by the Group have been fully complied with; (iii) each transaction thereunder is on normal commercial terms; (iv) the purchase price of the relevant products from Mr. Tsoi's Associated Companies are no less favourable than the prices offered by Independent Third Parties; and (v) the proposed Annual Caps have not been and will not be exceeded having taking into account the details of the relevant purchase orders;

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- (ii) before a new purchase order for a new style of footwear is placed by a member of the Group, the Group's quotation team shall obtain at least two fee quotations from other comparable suppliers that are Independent Third Parties for the manufacturing and supply of the same or comparable type, nature and quality of footwear in similar quantities. These fee quotations shall then be reviewed and evaluated by the Group's quotation team and compared against the quote from Mr. Tsoi's Associated Companies to ensure that the quote from Mr. Tsoi's Associated Companies is on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties. The Group will only accept a fee quotation submitted by Mr. Tsoi's Associated Companies if the terms offered by Mr. Tsoi's Associated Companies are competitive and comparable to those offered by other Independent Third Party suppliers;
- (iii) the Group's accounting department will review the transactions with Mr. Tsoi's Associated Companies on a quarterly basis to identify any transactions that may be at risk of exceeding the proposed Annual Caps;
- (iv) the Group's accounting department will submit a quarterly report to the independent non-executive Directors for the purpose of reporting on the transactions with Mr. Tsoi's Associated Companies under the Framework Agreement to enable the independent non-executive Directors to assess as to whether the transactions with Mr. Tsoi's Associated Companies under Framework Agreement have been in compliance with the Group's internal control measures and the terms of the Framework Agreement; and
- (v) transactions under the Framework Agreement will be reviewed annually by the auditors of the Group and the independent non-executive Directors, and reported in the annual reports of the Company in order to ensure that the transactions carried out under the Framework Agreement are in accordance with the terms and conditions of the Framework Agreement, on normal commercial terms (or terms no less favourable than those offered by Independent Third Parties), and in accordance with the Group's pricing policy and the pricing principles stipulated under the Listing Rules.

6. Reasons for and Benefits of the Continuing Connected Transactions

After considering the following factors: (i) the business strategy of the Group to invest more resources into the footwear business; (ii) the market status and trend of the global footwear market; (iii) the Group has maintained a long term and stable relationship with Mr. Tsoi by virtue of his shareholding in the Company. Mr. Tsoi has been an executive Director, chairman of the Board and controlling shareholder of the Company since September 2022 and Mr. Tsoi has been involved in the Group's footwear business since then; (iv) Mr. Tsoi has a strong connection, and has built up a good rapport, with Mr. Tsoi's Associated Companies, this allows Mr. Tsoi to liaise closely with Mr. Tsoi's Associated Companies and communicate with them more efficiently which should (a) help reduce the

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lead-time required for Mr. Tsoi's Associated Companies to complete the Group's orders; (b) allow Mr. Tsoi's Associated Companies to provide reliable services and support in particular on time delivery of the Group's orders; (c) allow the Group to set up a quality control team on the production site to closely control and monitor the quality of the footwear manufactured by Mr. Tsoi's Associated Companies, and in turn allow Mr. Tsoi's Associated Companies to provide a timely response to any quality control issues raised by the Group's quality control team; and (d) help the Group establish a long-term and stable cooperative relationship with Mr. Tsoi's Associated Companies; (v) the extensive experience of Mr. Tsoi's Associated Companies in manufacturing of footwear for several international footwear brands with proven track record and large production capacity of over 6 million pairs of footwear per annum with over 1,200 employees; (vi) the transportation networks surrounding Mr. Tsoi's Associated Companies' production facilities are well-developed, especially the production facilities of Mr. Tsoi's Associated Companies which are close to ports and airports which could reduce the transportation cost; (vii) the growing necessity to diversify product sourcing beyond the PRC in light of the ongoing Sino-American trade tensions as the footwear industry continues to adjust its sourcing strategy in response to socio-political demands; (viii) the Group's strategic decision to enhance its supply chain resilience by increasing the number of qualified suppliers in the Group's list of qualified suppliers to ensure uninterrupted production and delivery of high-quality footwear products to its growing global customer base, which will enable the Group to adapt to evolving market dynamics and secure a robust future within the highly competitive global footwear market; and (ix) the negotiation with, and conducting assessment of, suitable suppliers in Southeast Asia to be included in the Group's list of qualified suppliers can be a long and arduous process, hence the inclusion of Mr. Tsoi's Associated Companies in the Group's list of qualified suppliers will help shorten this selection process and give the Group immediate access and the choice to manufacture its footwear outside of the PRC, the Directors consider that the Framework Agreement and the transactions contemplated therein (including the relevant proposed Annual Caps) (i) have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. Information on the Parties

The Company and its subsidiaries

The Company is an investment holding company. The Company's subsidiaries are currently engaged in and derive revenue from (i) dyeing services; (ii) manufacturing and sales of lace; and (iii) manufacturing and sales of footwear.

As disclosed in the annual report of the Company for the year ended 31 December 2022, as part of the Group's business diversification strategies, the Group tapped into the footwear business in Hong Kong in the second half of 2021 and the revenue from footwear business have experienced a significant growth in 2022.

LETTER FROM THE BOARD

The Group's revenue for its dyeing services decreased by approximately 40.5% from approximately RMB94.2 million for the year ended 31 December 2021 to approximately RMB56.1 million for the year ended 31 December 2022, while the Group's manufacturing and sales of lace revenue decreased by approximately 52.3% from approximately RMB56.2 million for the year ended 31 December 2021 to approximately RMB26.8 million for the year ended 31 December 2022. Such decrease was primarily attributable to the reduction in orders from the Group's customers as a result of the economic downturn, the disruption to the supply chain services and business activities of the Group in the PRC, primarily caused by the coronavirus pandemic lockdown measures in 2022.

Although the PRC economy is slowly recovering from the impact of the coronavirus pandemic, the PRC economy remains weak, the prices of raw materials are expected to continue rising, and the demand for dyeing services and lace products has been low and not yet returned to the level before the coronavirus pandemic. The Group will continue to operate its dyeing services and manufacturing and sales of lace businesses and will actively identify potential business opportunities in the PRC. At the same time, the Group will continue to enhance its production efficiency and reduce operating cost, comply with environmental protection policies in the PRC, and strengthen the research and development capability and quality control of the dyeing services and manufacturing and sales of lace businesses.

In view of the challenges facing the Group's dyeing services and manufacturing and sales of lace businesses, the Group commenced its footwear business in 2021 to strengthen the business portfolio of the Group. As at the Latest Practicable Date, the Company and the Directors have no intention to scale down or discontinue the Group's dyeing services or manufacturing and sales of lace businesses. The manufacturing and sales of footwear serves as an extra revenue stream to the Group which help diversify the revenue source of the Group in overseas market and reduce the impact of any disruption to the Group's dyeing services and lace manufacturing operations. The Group maintains a knowledgeable and comprehensive team of employees to ensure the quality of its footwear meet the expectations of customers and stakeholders. The Group has a design team and merchandising team that is responsible for designing and selecting raw materials for its footwear, a sales team that is responsible for identifying and locating potential customers and securing sales orders. Once a sales order has been confirmed, the Group's quotation team and merchandising department will be jointly responsible for selecting a qualified supplier to manufacture the footwear and the quality control team will be responsible for the quality control of the footwear manufactured by the supplier. The Group's logistics department shall ensure the footwear to be delivered to its customers in a timely and efficient manner. The revenue from the Group's footwear business increased by approximately 2.3 times from approximately RMB15.5 million for the year ended 31 December 2021 to approximately RMB51.3 million for the year ended 31 December 2022 due to an increase in orders of the Group's footwear. In view of the growth potential of the Group's footwear business, the Group will continue to identify

LETTER FROM THE BOARD

qualified suppliers and update the qualified suppliers list of the Group, expand its customers base in the US and European market and strengthen the design and quality of the footwear sold by the Group.

As at the Latest Practicable Date, the Company and the Directors have (i) not entered into any agreement, arrangement, understanding or negotiation about (a) any acquisition or disposal of any assets or business of the Group, or (b) the termination or scaling down of any business of the Group; (ii) not agreed or negotiated on any asset or business disposal or injections; and (iii) no intention to dispose, terminate or scale down any business of the Group.

Mr. Tsoi and Mr. Tsoi's Associated Companies

Mr. Tsoi is an executive Director, the chairman of the Board and a controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Choi's Associated Companies that meet the requirements to manufacture the Group's footwear are only (i) Putian Qiming; (ii) Qi Heng Xin; and (iii) Qi Ming Xin.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) Putian Qiming, a limited company established in the PRC on 31 January 2000, is principally engaged in the manufacture, retail and wholesale of footwear and bags, and is directly owned by Mr. Cai Rong Shou (the brother of Mr. Tsoi) and CALSON INVESTMENT LIMITED (啓星投資有限公司) ("Calson") as to 51% and 49%, respectively. Calson is a private company incorporated in Hong Kong and limited by shares and is directly wholly-owned by Ms. Tsoi Wing Yuet Willy (the sister of Mr. Tsoi). Mr. Tsoi is the supervisor of Putian Qiming;
- (ii) Qi Heng Xin, a private limited company incorporated in Cambodia on 17 January 2023, is principally engaged in the manufacturing of shoes and bags, and is directly owned by Ms. Tsoi Wing Yuet Willy, Mr. Tsoi Pok Yeung (the son of Mr. Tsoi) and Mr. Tsoi Wing Ying (the brother of Mr. Tsoi) as to 45%, 40% and 15%, respectively; and
- (iii) Qi Ming Xin, a private limited company incorporated in Cambodia on 29 December 2016, is principally engaged in the manufacturing of shoes, and is directly owned by Ms. Tsoi Wing Yuet Willy and Mr. Tsoi Wing Ying as to 60% and 40%, respectively.

LETTER FROM THE BOARD

8. Implications under the Listing Rules

As at the date of this circular, Mr. Tsoi is an executive Director, the chairman of the Board and a controlling shareholder of the Company. Accordingly, both Mr. Tsoi and Mr. Tsoi's Associated Companies are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The highest applicable percentage ratio for the proposed Annual Caps for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025 under the Framework Agreement exceeds 5%, the transactions contemplated under the Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Tsoi has material interest in the Framework Agreement and the transactions contemplated thereunder, Mr. Tsoi abstained from voting on the Board resolutions approving the Framework Agreement. Save as disclosed above, to the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, none of the Directors has any material interest in the Framework Agreement and was required to abstain from voting on the Board resolutions approving the Framework Agreement.

9. EGM

The Company proposes to convene an EGM for the purpose of considering and approving by the Independent Shareholders, and by way of ordinary resolution(s), the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps).

A notice of the EGM is set out on pages 40 to 41 of this circular. A form of proxy for use at the EGM dated 18 August 2023 has also been published on the websites of the Company and the Stock Exchange. The EGM will be held at 11:00 a.m. on Monday, 4 September 2023 at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

As at the date of this circular, Glorious Way holds 794,000,000 Shares, representing approximately 63.02% of the issued share capital of the Company; Mr. Tsoi holds 25,000,000 Shares, representing approximately 1.98% of the issued share capital of the Company; Mr. Tsoi and Glorious Way control or are entitled to control over the voting rights in respect of 819,000,000 Shares, representing 65% of the issued share capital of the Company; Ms. Tsoi Wing Yuet Willy (the sister of Mr. Tsoi) holds 19,310,000 Shares, representing approximately 1.53% of the issued share capital of the Company; Mr. Tsoi Wing Ying (the brother of Mr. Tsoi) holds 9,050,000 Shares, representing approximately 0.72% of the issued share capital of the Company; Mr. Tsoi Pok Yeung (the son of Mr. Tsoi) holds 2,565,000 Shares, representing approximately 0.20% of the issued share capital

LETTER FROM THE BOARD

of the Company; and Mr. Cai Rong Shou (the brother of Mr. Tsoi) holds 2,230,000 Shares, representing approximately 0.18% of the issued share capital of the Company.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the transaction must abstain from voting on the resolution. Therefore, Mr. Tsoi, Glorious Way, Ms. Tsoi Wing Yuet Willy, Mr. Tsoi Wing Ying, Mr. Tsoi Pok Yeung and Mr. Cai Rong Shou will abstain from voting on the resolutions with respect to the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps) at the EGM. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from Mr. Tsoi, Glorious Way, Ms. Tsoi Wing Yuet Willy, Mr. Tsoi Wing Ying, Mr. Tsoi Pok Yeung and Mr. Cai Rong Shou, no other Shareholder has a material interest in the Framework Agreement and the transactions contemplated thereunder and shall abstain from voting on the resolution at the EGM with respect to the Framework Agreement and the transactions contemplated thereunder.

Article 79 of the Articles of Association provides that on a poll, every Shareholder present in person or by proxy shall have one vote for every Share of which he is the holder which is fully paid or credited as fully paid. An announcement on the poll vote results will be made by the Company after the EGM, in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The register of members of the Company will be closed from Friday, 1 September 2023 to Monday, 4 September 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 August 2023.

Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

LETTER FROM THE BOARD

10. Recommendations

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on page 19 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Framework Agreement (including the relevant proposed Annual Caps). Your attention is also drawn to the letter of advice received from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, as set out on pages 20 to 33 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Framework Agreement (including the relevant proposed Annual Caps), the casting of votes for or against the resolution(s) approving the Framework Agreement (including the relevant proposed Annual Caps) as well as the principal factors and reasons considered by it in concluding its advice. Your attention is also drawn to the additional information set out in the appendix to this circular.

The Directors (including the independent non-executive Directors but excluding Mr. Tsoi who has a material interest in the transactions contemplated hereunder as described in the section headed “Implications under the Listing Rules” of this circular above) are of the view that the terms of the Framework Agreement (including the relevant proposed Annual Caps) have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and they recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) at the EGM.

Yours faithfully,
For and on behalf of the Board
STAR SHINE HOLDINGS GROUP LIMITED
Tsoi Wing Sing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

STAR SHINE HOLDINGS GROUP LIMITED

應星控股集團有限公司

(formerly known as Deyun Holding Ltd.)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1440)

18 August 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 18 August 2023 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

Under the Listing Rules, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company, and the terms of the Framework Agreement and the transactions contemplated thereunder (including the relevant proposed Annual Caps) are subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider the terms of the Framework Agreement and the transactions contemplated thereunder (including the relevant proposed Annual Caps) and to advise the Independent Shareholders as to whether the terms of the Framework Agreement (including the relevant proposed Annual Caps) are fair and reasonable so far as the Company and the Independent Shareholders are concerned and whether the entering into of the Framework Agreement is in the interests of the Company and the Shareholders as a whole. Octal Capital has been appointed as the Independent Financial Adviser to advise us and you in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we are of the view that the Framework Agreement and the transactions contemplated thereunder (including the relevant proposed Annual Caps) are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favor of the ordinary resolution(s) to be proposed at the EGM to approve the Framework Agreement and the transactions contemplated thereunder (including the relevant proposed Annual Caps).

Yours faithfully,
Mr. Chow Kit Ting
Dr. Chiu Kwok Hung, Justin
Mr. Chan Hoi Shan
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

18 August 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 18 August 2023 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

On 10 July 2023 (after trading hours), the Company entered into the Framework Agreement with Mr. Tsoi, pursuant to which Mr. Tsoi’s Associated Companies that own production facilities located in the PRC and/or Southeast Asia (as the case may be) shall manufacture and supply various footwear to the Group. The term of the Framework Agreement shall be for a period commencing from the date on which the Framework Agreement is approved by the Independent Shareholders at the EGM and ending on 31 December 2025.

The proposed Annual Caps with respect to the transactions contemplated under the Framework Agreement for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025 are HK\$78.2 million, HK\$164.2 million and HK\$172.5 million, respectively.

As at the Latest Practicable Date, Mr. Tsoi is an executive Director, the chairman of the Board and a controlling shareholder (as defined under the Listing Rules) of the Company. Accordingly, Mr. Tsoi and his associates are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The highest applicable percentage ratio for the proposed Annual Caps for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025 under the Framework Agreement exceeds 5%, the transactions contemplated under the Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee comprising all of the independent non-executive Directors, namely Mr. Chow Kit Ting, Dr. Chiu Kwok Hung, Justin, and Mr. Chan Hoi Shan, has been established to advise the Independent Shareholders on the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM.

We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Group or Mr. Tsoi or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, we have not been engaged by the Company as an independent financial adviser to the Company. Accordingly, we consider that we are independent to act as the independent financial adviser pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Framework Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice, among other things, (i) the Framework Agreement; (ii) the purchase orders of footwear from the Group's customers; (iii) the historical sales of footwear of the Group for the year ended 31 December 2022; (iv) samples of reference documents referred by the Company in determining the proposed Annual Caps; (v) the annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"); (vi) internal control policies governing the connected transactions of the Company; and (vii) other information as set out in the Circular. We have no reason to suspect that any material facts have been omitted or withheld from the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Mr. Tsoi and their respective associates, nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps), we have considered the following principal factors and reasons:

1. Background Information on the Parties

The Company and the Group

The Company is an investment holding company. The Group is principally engaged in (i) manufacturing and sales of lace (the “**Lace Business**”); (ii) provision of dyeing services of lace and swimwear fabrics (the “**Dyeing Business**”); and (iii) trading of footwear (the “**Footwear Business**”).

The table below summarises the major items of the financial information of the Group for the two years ended 31 December 2021 and 2022 (“**FY2021**” and “**FY2022**”, respectively) as extracted from the 2022 Annual Report.

| | FY2021 | FY2022 |
|---|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (audited) | (audited) |
| Lace Business | 56,161 | 26,762 |
| Dyeing Business | 94,244 | 56,108 |
| Footwear Business | 15,537 | 51,285 |
| Total revenue | 165,942 | 134,155 |
| Gross profit/(loss) | 39,194 | (3,811) |
| Profit/(loss) for the year attributable to equity shareholders of the Company | 21,182 | (8,937) |

Source: 2022 Annual Report

The revenue of the Group decreased from approximately RMB165.9 million for FY2021 to approximately RMB134.2 million for FY2022, representing a decrease of approximately RMB31.8 million or approximately 19.2%. The decrease in revenue was mainly attributable to the decrease in the orders from customers in relation to the Lace

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Business and Dyeing Business as a result of the disruption to the supply chain and business activities of the Group in the PRC, which caused by the lockdown measures in response to the outbreak of COVID-19 during FY2022. As part of the business diversification strategies, the Group tapped into the Footwear Business in Hong Kong in the second half of 2021 and the revenue from Footwear Business have a significant growth from approximating RMB15.5 million for FY2021 to approximately RMB51.3 million for FY2022, representing an increase of approximately RMB35.7 million or 230.1%. The revenue from the Footwear Business accounted for approximately 38.2% of the total revenue of the Group during FY2022.

The Group recorded a gross loss of approximately RMB3.8 million for FY2022 as compared to the gross profit of approximately RMB39.2 million for FY2021. Such decrease was mainly attributable to (i) the decrease in sales of dyeing services and lace products; (ii) the decrease in price of dyeing services due to the fierce competition; and (iii) the increase in cost of raw materials.

The Group recorded net loss of approximately RMB8.9 million for FY2022 as compared to the net profit of approximately RMB21.2 million for FY2021. Such decrease was mainly due to (i) the decrease in revenue and gross profit as discussed above; and (ii) the increase in the staff cost in relation to the Footwear Business.

Mr. Tsoi and Mr. Tsoi's Associated Companies

Mr. Tsoi is the executive Director, the chairman of the Board and the controlling shareholder of the Company. Mr. Tsoi's Associated Companies include Putian Qiming; (ii) Qi Heng Xin; and (iii) Qi Ming Xin.

Putian Qiming, a limited company established in the PRC on 31 January 2000, is principally engaged in the manufacture, retail and wholesale of footwear and bags, and is directly owned by Mr. Cai Rong Shou (the brother of Mr. Tsoi) and CALSON INVESTMENT LIMITED (啓星投資有限公司) ("Calson") as to 51% and 49%, respectively. Calson is a private company incorporated in Hong Kong and limited by shares and is directly wholly-owned by Ms. Tsoi Wing Yuet Willy (the sister of Mr. Tsoi).

Qi Heng Xin, a private limited company incorporated in Cambodia on 17 January 2023, is principally engaged in manufacturing of shoes and bags, and is directly owned by Ms. Tsoi Wing Yuet Willy, Mr. Tsoi Pok Yeung (the son of Mr. Tsoi) and Mr. Tsoi Wing Ying (the brother of Mr. Tsoi) as to 45%, 40% and 15%, respectively.

Qi Ming Xin, a private limited company incorporated in Cambodia on 29 December 2016, is principally engaged in manufacturing of shoes, and is directly owned by Ms. Tsoi Wing Yuet Willy and Mr. Tsoi Wing Ying as to 60% and 40%, respectively.

2. Reasons for and Benefits of Entering into the Framework Agreement

As part of the business diversification strategies, the Group tapped into the Footwear Business in Hong Kong in the second half of 2021 and the revenue from Footwear Business was approximately RMB51.3 million for FY2022. As advised by the management of the Company, the business model of the footwear business of the Group cover sourcing and design of footwear, quality control, logistic and sale of footwear. In view of the growth potential of the footwear business of the Group and the experience of the management of the Company, the Group intended to invest more resources into this business to strive for more customers and orders.

According to the World Footwear 2022 Yearbook published by World Footwear, the PRC exported approximately 7,887 million pairs of footwear in 2021, representing a compound decrease of approximately 9.1% as compared to that in 2019. The total exports quantity of footwear from the PRC accounted for approximately 63.6% of global exported quantity in 2019, decreased to approximately 61.1% in 2020 and further decreased to 60.4% in 2021. As advised by the management of the Company, although the PRC remains a key manufacturing centre for footwear, the Southeast Asian countries are becoming increasingly competitive in terms of labour cost and industrial development. This trend reflects the ongoing shift of global manufacturing activities from the PRC to other Southeast Asian countries and was driven by factors such as rising wages in the PRC, stricter environmental regulations, and ongoing Sino-American trade tensions.

The Sino-American trade war has resulted in the imposition of tariffs on goods made in China by the United States, including footwear products, which has made it more expensive for American companies to import footwear made in China. As a result, many American companies have shifted part of their sourcing to other countries, especially the Southeast Asian countries. As advised by the management of the Company, the footwear customers of the Group are diversifying their product sourcing beyond the PRC, thus, it is necessary for the Group to enrich its qualified supplier list to cover suppliers based in different locations in order to minimise the risk and to strive for more customers and orders. Since the negotiation with, and conducting assessment of, suitable suppliers in Southeast Asia countries to be included in the Group's list of qualified suppliers can be a long and arduous process, the inclusion of Mr. Tsoi's Associated Companies in the Group's list of qualified suppliers will help shorten this selection process and give the Group immediate access and the choice to manufacture its footwear outside of the PRC.

Mr. Tsoi's Associated Companies including Putian Qiming, Qi Heng Xin and Qi Ming Xin. Putian Qiming has over 20 years of experience in the production of footwear and has a total of 15 production facilities with an area of approximately 20,000 square meters which equipped with over 900 production machinery in the PRC. Putian Qiming has an annual production volume of over 6.6 million pairs of footwear. Qi Heng Xin and Qi Ming Xin in aggregate has a total production area of approximately 170,000 square meters in Cambodia with an annual production volume of 18 million pairs of footwear. As advised by the management of the Company, the transportation networks surrounding Mr. Tsoi's

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Associated Companies are well-developed. The production facilities of Putian Qiming is located in the economic development zone in Putian City, PRC and is close to the sea port while the production facilities of Qi Heng Xin and Qi Ming Xin is near the international airport of Cambodia. Mr. Tsoi's Associated Companies have fulfilled the requirement and quality inspection of the Group and are qualified suppliers to the Group. Entering into the Framework Agreement could extend the qualified suppliers list of the Group beyond the PRC and diversify the source of the Group's footwear.

Furthermore, the Group has maintained a long term and stable relationship with Mr. Tsoi by virtue of his shareholding in the Company. Mr. Tsoi has been an executive Director, chairman of the Board and controlling shareholder of the Company since September 2022 and Mr. Tsoi has been involved in the Group's footwear business since then. Mr. Tsoi has a strong connection, and has built up a good rapport, with Mr. Tsoi's Associated Companies, this allows Mr. Tsoi to liaise closely with Mr. Tsoi's Associated Companies and communicate with them more efficiently which should (i) help reduce the lead-time required for Mr. Tsoi's Associated Companies to complete the Group's orders; (ii) allow Mr. Tsoi's Associated Companies to provide reliable services and support in particular on time delivery of the Group's orders; (iii) allow the Group to set up a quality control team on the production site to closely control and monitor the quality of the footwear manufactured by Mr. Tsoi's Associated Companies, and in turn allow Mr. Tsoi's Associated Companies to provide a timely response to any quality control issues raised by the Group's quality control team; and (iv) help the Group establish a long-term and stable cooperative relationship with Mr. Tsoi's Associated Companies.

Having considered the above, we concur with the Directors that the Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal Terms under the Framework Agreement

The principal terms of the Framework Agreement are summarised below:

Date:

10 July 2023

Parties:

- (a) The Company; and
- (b) Mr. Tsoi.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nature of transactions:

Subject to the fulfilment of the conditions precedent, Mr. Tsoi agreed that certain companies controlled by his associates that own production facilities located in the PRC and/or Southeast Asia (as the case may be) shall manufacture and supply various footwear to the Group. The specific type(s), quantity(ies) and other specifications of the footwear to be manufactured and supplied by Mr. Tsoi's Associated Companies will be subject to further written confirmation(s) between the members of the Group and Mr. Tsoi's Associated Companies on arm's length and on normal commercial terms from time to time and as necessary.

The annual transaction amounts shall not exceed the proposed Annual Caps and if exceeded, the Company will comply with the relevant Listing Rules accordingly.

Duration:

The term of the Framework Agreement shall be for a period commencing from the date on which the Framework Agreement is approved by the Independent Shareholders at the EGM and ending on 31 December 2025, subject to early termination by any party therein giving at least three months' prior written notice to the other party.

The parties therein may extend or renew such term by mutual agreement, provided that the requirements under the relevant laws, regulations and the Listing Rules are complied with.

Pricing policy:

The prices payable by the members of the Group for the footwear manufactured by Mr. Tsoi's Associated Companies in accordance with the product specifications shall be subject to further written confirmation(s) between the members of the Group and Mr. Tsoi's Associated Companies, and be negotiated on arm's length and on normal commercial terms when a new purchase order for a new style of footwear is placed by a member of the Group.

In order to determine and ascertain that the price of the footwear to be supplied to the members of the Group under the Framework Agreement and the terms offered by Mr. Tsoi's Associated Companies are (i) made on a fair and reasonable basis; (ii) in accordance with normal commercial terms; and (iii) comparable to those offered by Independent Third Parties, the members of the Group shall obtain fee quotation(s) from other comparable supplier(s) that is/are Independent Third Party(ies) for the manufacturing and supply of the same or comparable type, nature and quality of footwear in similar quantities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The members of the Group shall only purchase from Mr. Tsoi's Associated Companies on terms no less favourable than those available to the members of the Group from comparable Independent Third Party suppliers.

For further details of the Framework Agreement, please refer to the Letter from the Board.

4. The Annual Caps

As disclosed in the Letter from the Board, the proposed Annual Caps were derived by multiplying the estimated average purchase price of footwear by the estimated purchase volume of the footwear by the Group from Mr. Tsoi's Associated Companies. The estimated average purchase cost for each pair of footwear, the estimated purchase volume of footwear by the Group from Mr. Tsoi's Associated Companies and the proposed Annual Caps in respect of the amounts payable by the Group to Mr. Tsoi's Associated Companies under the Framework Agreement for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025 (the "**Review Period**") are as follow:

| | For the six months ending 31 December 2023 | For the years ending 31 December 2024 2025 | |
|---|---|--|-------|
| Estimated average purchase cost for each pair of footwear (<i>HK\$</i>) | 66 | 69 | 73 |
| Estimated purchase volume of footwear from Mr. Tsoi's Associated Companies (<i>pair '000</i>) | 1,184 | 2,368 | 2,368 |
| Proposed Annual Caps (<i>HK\$ million</i>) | 78.2 | 164.2 | 172.5 |

Note: The figures shown as totals and the multiples of the corresponding figures above may be different due to the rounding.

To assess the fairness and reasonableness of the proposed Annual Caps under the Framework Agreement, we have discussed with the management of the Company regarding their basis of determination and reviewed the relevant calculation breakdown for the Review Period (the "**Calculation Breakdown**"), we noted that, the Calculation Breakdown contains the estimated total sale and purchase volume and amount of the Group for the Review Period of which 50% of the estimated purchase amount of footwear will be supplied by Mr. Tsoi's Associated Companies, while the rest will be supplied by the Independent Third Parties, details of which are presented as follows:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Estimated average purchase cost

Based on our review on the Calculation Breakdown, we noted that the average purchase cost for each pair of footwear was determined based on the expected gross profit margin of the Group for the sale of footwear.

The estimated sale amount of the Group for the six months ending 31 December 2023 of approximately HK\$176.7 million was determined based on (i) the half-yearly sale amount of footwear of the Group for FY2022 of approximately HK\$29.8 million; and (ii) annualising the new purchase orders from customers secured by the Group to be delivered during the third quarter of 2023 with an aggregated contract sum of approximately HK\$73.4. As advised by the management of the Company, the expected gross profit margin for sale of footwear ranged from 9% to 12% for the six months ending 31 December 2023.

We have reviewed the historical sale breakdown and noted that the information match with the estimated sale amount in the Calculation Breakdown. We have obtained and reviewed a list of purchase orders of footwear received in the first half of the year 2023 which will be delivered by the Group during the second half of the year 2023 (the “**Customer Purchase Orders**”) and noted that the total contract sum of the Customer Purchase Orders amounted to approximately HK\$126.6 million, representing approximately 70% of the estimated sale amount of the Group for the six months ending 31 December 2023. We have also sample-checked 10 sets of Customer Purchase Orders with the top 10 largest sales amount and cross-checked to the estimated sale amount adopted in the Calculation Breakdown with no irregularities noted. We consider the above samples of the Customer Purchase Orders are fair and representative for the assessment of the estimated sale amount for the six months ending 31 December 2023. Besides the Customer Purchase Orders received by the Group in the first half of the year 2023 covering approximately 70% of the estimated sale amount of the Group for the six months ending 31 December 2023, the Group will continue to expand its clientele and expect to receive additional purchase orders from its customers in the second half of the year 2023. Based on our discussion with the management of the Company, so far the Group is negotiating with its customers for new orders with an estimated aggregate contract sum of approximately HK\$19.4 million, representing over 10% of the estimated sale amount of the Group for the six months ending 31 December 2023.

We have further checked to the actual gross profit margin of Footwear Business for FY2022 and noted that the gross profit margin ranged from 1% to 21% with an average of approximately 8%. The expected gross profit margin adopted in the Calculation Breakdown is within the range of the gross profit margin for FY2022 and close to the average gross profit margin for FY2022. We have further obtained and reviewed the actual sales performance of the footwear business of the Group for the first half of the year 2023 and calculated the gross profit margin which we noted that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the gross profit margin ranged from 9% to 12% which is in line with the expected gross profit margin adopted in the Calculation Breakdown.

For the estimated average purchase cost for each pair of footwear for the two years ending 31 December 2025, the management of the Company adopted an annual growth rate of 5%. As advised by the management of the Company, the annual growth rate adopted representing the growth in production cost with reference to the PRC Purchasing Price Indices for Industrial Producers (the “**Industrial PPI**”). We have obtained the Industrial PPI from the National Bureau of Statistics of China and noted that the Industrial PPI increased by 11.0% in 2021 and 6.1% in 2022 as compared to the respective preceding year.

Estimated purchase volume

Based on the Calculation Breakdown, the estimated purchase volume for the six months ending 31 December 2023 of approximately 2.4 million pairs was determined based on (i) annualising the actual sale volume on the new purchase orders from customers secured by the Group to be delivered during the third quarter of 2023 of approximately 802,000 pairs; and (ii) the half-yearly sale volume for FY2022 of approximately 763,000 pairs. We have reviewed the historical sale breakdown and noted that the sale volume match with the Calculation Breakdown. We have obtained and reviewed the Customer Purchase Orders and noted that the total sale volume of the Customer Purchase Orders is approximately 1.5 million pairs, representing approximately 60% of the estimated purchase volume for the six months ending 31 December 2023. We further sample-checked 10 sets of Customer Purchase Orders and cross-checked to the estimated purchase volume adopted in the Calculation Breakdown with no irregularities noted. As mentioned before, the Group is negotiating with its customers for an estimated sale volume of approximately 301,000 pairs of footwear, representing over 10% of the estimated purchase volume of the Group for the six months ending 31 December 2023.

The estimated purchase volume for the two years ending 31 December 2025 was determined based on the annualised estimated purchase volume for the six months ending 31 December 2023.

Having considered that (i) the estimated sale amount and the estimated purchase volume of the Group for the six months ending 31 December 2023 were derived from the historical transactions amount of the Group and the purchase orders from customers secured by the Group; (ii) the gross profit margin adopted in the Calculation Breakdown is in line with the gross profit margin of the footwear business of the Group for the first half of the year 2023; (iii) the annual growth rate of 5% have made reference to the Industrial PPI; (iv) the Customer Purchase Orders covered approximately 70% of the estimated sale amount and approximately 60% of the estimated purchase volume for the six months ending 31 December 2023; and (v) the Group is discussing the upcoming orders with its customers and expect to confirm

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more orders with its customers in the second half of the year 2023, we are of the view that the proposed Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned and is not excessive.

The management of the Company has estimated that 50% of the Group's footwear will be supplied by Mr. Tsoi's Associated Companies. The Board is satisfied that there will be no material reliance on Mr. Tsoi's Associated Companies in relation to the manufacture and supply of footwear for the following reasons:

- (i) the proposed Annual Caps serve as the maximum limit of potential transaction amounts to be conducted between the Group and Mr. Tsoi's Associated Companies. The Group is not obligated to engage Mr. Tsoi's Associated Companies and will only purchase from Mr. Tsoi's Associated Companies on terms no less favourable than those available to the members of the Group from comparable Independent Third Party suppliers;
- (ii) the proposed Annual Caps represent 50% of the total estimated purchase amount of the Group's footwear for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025. The actual purchase amount from Mr. Tsoi's Associated Companies may be reduced if better prices or more favourable terms offered by the Independent Third Party suppliers;
- (iii) the Group has maintained a qualified suppliers list for the manufacturing of the Group's footwear. Unless the footwear customers of the Group have any special requirements, the Group is not restricted from selecting any suppliers and can freely negotiate with and purchase the footwear from any suppliers who can fulfil the specifications of the Group's order on favourable terms;
- (iv) the operation of the Group's footwear business will have no material impact without Mr. Tsoi's Associated Companies; and
- (v) the Group has adopted sufficient and effective internal control measures to monitor the transactions between the member of the Groups and Mr. Tsoi's Associated Companies. The quotation team of the Group will obtain at least two quotations from other comparable suppliers who are Independent Third Parties to compare the terms being offered for products of similar specification and quantity by Mr. Tsoi's Associated Companies and Independent Third Party suppliers.

Besides, the Framework Agreement is non-exclusive and merely provides the Group with an additional option in sourcing qualified suppliers. We have reviewed the Group's qualified suppliers list and noted that the business relationship with some of the suppliers has been established since the commencement of the Group's Footwear

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Business. We have discussed with the management of the Company and noted that the Group can freely negotiate with and purchase the footwear from any suppliers who can fulfil the specifications of the footwear with more favorable terms to the Group, unless the customers have any special requirements, such as the place of production. The members of the Group shall only purchase from Mr. Tsoi's Associated Companies on terms no less favourable than those available from comparable suppliers. As advised by the management of the Company, the Group will continue to seek qualified suppliers, especially those located outside the PRC, to enrich the qualified suppliers list of the Group in order to diversify the Group's footwear sourcing beyond the PRC market in light of the ongoing Sino American trade tensions. The management of the Company also confirmed that there will be no material adverse impact on the operation of the manufacturing and sales of footwear business of the Group even without Mr. Tsoi's Associated Companies and the likelihood that the relationship between Mr. Tsoi's Associated Companies and the Group will change materially and adversely is low. Having considered that (i) the Group has no intention to enter into any other long-term manufacturing contracts with, and has no procurement commitments to Mr. Tsoi or Mr. Tsoi's Associated Companies; (ii) there is a selection mechanism in place to govern the Group in selecting a footwear supplier; (iii) there are numerous footwear suppliers in the PRC and Southeast Asia market for the Group to select from; (iv) since the commencement of Footwear Business, the Group only engaged with the independent footwear suppliers. Among the latest list of qualified footwear suppliers, over 70% of the qualified suppliers are Independent Third Parties; and (v) the Group has maintained a long-term and stable relationship with Mr. Tsoi by virtue of his shareholding in the Company, we concur with the Board that the Framework Agreement would not give rise to material reliance on Mr. Tsoi's Associated Companies and the Group is able to effectively mitigate its exposure to any material adverse change to the relationship with Mr. Tsoi or Mr. Tsoi's Associated Companies, including the termination of the Group's relationship with Mr. Tsoi or Mr. Tsoi's Associated Companies.

5. Internal Control Measures Governing the Transactions under the Framework Agreement

As set out in the Letter from the Board, the Company has adopted the following internal control measures in order to regulate the Group's transactions with Mr. Tsoi's Associated Companies:

- (i) the quotation team, the merchandising department and the accounting department of the Group shall ensure that the terms of all purchase orders are in compliance with the Framework Agreement and the relevant departments and personnel must be satisfied that (i) all purchase orders are appropriately reviewed and approved (ii) the pricing policies and internal procedures adopted by the Group have been fully complied with; (iii) each transaction thereunder is on normal commercial terms; (iv) the purchase price of the relevant products from Mr. Tsoi's Associated

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Companies are no less favourable than the prices offered by Independent Third Parties; and (v) the proposed Annual Caps have not been and will not be exceeded having taking into account the details of the relevant purchase orders;

- (ii) before a new purchase order for a new style of footwear is placed by a member of the Group, the Group's quotation team shall obtain at least two fee quotations from other comparable suppliers that are Independent Third Parties for the manufacturing and supply of the same or comparable type, nature and quality of footwear in similar quantities. These fee quotations shall then be reviewed and evaluated by the Group's quotation team and compared against the quote from Mr. Tsoi's Associated Companies to ensure that the quote from Mr. Tsoi's Associated Companies is on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties. The Group will only accept a fee quotation submitted by Mr. Tsoi's Associated Companies if the terms offered by Mr. Tsoi's Associated Companies are competitive and comparable to those offered by other Independent Third Party suppliers;
- (iii) the Group's accounting department will review the transactions with Mr. Tsoi's Associated Companies on a quarterly basis to identify any transactions that may be at risk of exceeding the proposed Annual Caps;
- (iv) the Group's accounting department will submit a quarterly report to the independent non-executive Directors for the purpose of reporting on the transactions with Mr. Tsoi's Associated Companies under the Framework Agreement to enable the independent non-executive Directors to assess as to whether the transactions with Mr. Tsoi's Associated Companies under Framework Agreement have been in compliance with the Group's internal control measures and the terms of the Framework Agreement; and
- (v) transactions under the Framework Agreement will be reviewed annually by the auditors of the Group and the independent non-executive Directors, and reported in the annual reports of the Company in order to ensure that the transactions carried out under the Framework Agreement are in accordance with the terms and conditions of the Framework Agreement, on normal commercial terms (or terms no less favourable than those offered by Independent Third Parties), and in accordance with the Group's pricing policy and the pricing principles stipulated under the Listing Rules.

For the purpose of evaluating the effectiveness of internal control measures are in place to monitor the transactions under the Framework Agreement and ensure that the Annual Caps would not be exceeded, we have discussed with the management of the Company and understood the quotation team of the Group will obtain at least two fee quotations from other comparable suppliers that are Independent Third Parties and compared against the quote from Mr. Tsoi's Associated Companies to ensure the quote from

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Mr. Tsoi's Associated Companies is on normal commercial terms and on terms no less favourable to the Group than those offered by Independent Third Parties. The accounting department of the Group will be responsible for monitoring the transactions with Mr. Tsoi's Associated Companies on a quarterly basis to ensure the transaction amount not exceeding the proposed Annual Caps. The Group's accounting department will prepare a quarterly report to the independent non-executive Directors including the fees payable to Mr. Tsoi's Associated Companies and utilisation of the proposed Annual Caps. We believe that these control procedures could ensure that the proposed Annual Caps will not be exceeded. We have obtained and reviewed the internal control manual which list out all the internal control measures as discussed above and noted that the internal control manual was prepared by the management of the Company and has been approved by the Board in the Board meeting. Given that there is no historical transaction between the Group and Mr. Tsoi's Associated Companies prior to the date of the Framework Agreement, there is no internal approval document available in respect of the transactions contemplated under the Framework Agreement for our review. In view of the above, we consider that the internal control measures to be adopted by the Group in governing the continuing connected transactions contemplated under the Framework Agreement is fairly structured and reasonable and there are sufficient and effective procedures and hierarchy to monitor and ensure that the pricing and terms of the transactions contemplated under the Framework Agreement are on normal commercial terms and no less favourable than those terms offered by Independent Third Party suppliers.

RECOMMENDATION

Having considered the above, we are of the opinion that (i) the continuing connected transactions under the Framework Agreement are in the ordinary and usual course of business of the Group; and (ii) the terms of the Framework Agreement and the proposed Annual Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the terms of the Framework Agreement (including the proposed Annual Caps).

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Celina Yuen

Managing Director

Associate Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Ms. Celina Yuen is a licensed person and a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Yuen has over 15 years of experience in corporate finance industry and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

At the Latest Practicable Date, save as disclosed below, none of the Directors nor the chief executive of the Company nor their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

| Name of Director | Long position/ short position | Capacity and nature of interest | Number of Shares held | Percentage of shareholding in the Company (%) |
|---------------------------------------|----------------------------------|---|--------------------------|--|
| Mr. Tsoi (<i>Note 1</i>) | Long position | Interests of controlled corporation and beneficial owner | 819,000,000 | 65.00% |
| Mr. Lin Minqiang (<i>Note 2</i>) | Long position | Interests of controlled corporation and interest held jointly with other persons | 126,000,000 | 10.00% |

Notes:

- Mr. Tsoi (i) directly and beneficially holds 1.98% of the Shares; and (ii) beneficially owns 100% of the issued shares of Glorious Way, which in turn holds 63.02% of the Shares. Mr. Tsoi is a director of Glorious Way. Therefore, Mr. Tsoi is deemed or taken to be interested in the Shares held by Glorious Way for the purposes of the SFO and in aggregate holds 65.00% of the Shares.

2. These Shares are held by Deyong Investment Co., Ltd (“**Deyong Investment**”). Deyong Investment is an investment holding company incorporated in the British Virgin Islands (the “**BVI**”) and is owned by Mr. Lin Minqiang as to 60%. Mr. Lin Minqiang is a director of Deyong Investment. Therefore, Mr. Lin Minqiang is deemed or taken to be interested in the Shares held by Deyong Investment for the purposes of the SFO.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

| Name of Director | Long position/ short position | Capacity and nature of interest | Number of Shares held | Percentage of shareholding in the Company (Approximate) (%) |
|-------------------------------|----------------------------------|--|--------------------------|---|
| Glorious Way (Note 1) | Long position | Beneficial owner | 794,000,000 | 63.02% |
| Ms. Wu Chor Har (Note 2) | Long position | Interest of spouse | 819,000,000 | 65.00% |
| Deyong Investment (Note 3) | Long position | Beneficial owner | 126,000,000 | 10.00% |
| Mr. Lin Chaoji (Note 4) | Long position | Interest held jointly with other persons | 126,000,000 | 10.00% |
| Mr. Lin Bingzhong (Note 4) | Long position | Interest held jointly with other persons | 126,000,000 | 10.00% |
| Mr. Lin Chaowei (Note 4) | Long position | Interest held jointly with other persons | 126,000,000 | 10.00% |
| Mr. Lin Chaowen (Note 4) | Long position | Interest held jointly with other persons | 126,000,000 | 10.00% |

| Name of Director | Long position/ short position | Capacity and nature of interest | Number of Shares held | Percentage of shareholding in the Company (Approximate) (%) |
|------------------------------|----------------------------------|------------------------------------|--------------------------|---|
| Ms. Lin Yueyun (Note 5) | Long position | Interest of spouse | 126,000,000 | 10.00% |
| Ms. Jiang Yanyun (Note 6) | Long position | Interest of spouse | 126,000,000 | 10.00% |
| Ms. Zheng Xiuqin (Note 7) | Long position | Interest of spouse | 126,000,000 | 10.00% |
| Ms. Lin Yunzhen (Note 8) | Long position | Interest of spouse | 126,000,000 | 10.00% |
| Ms. Lin Aimei (Note 9) | Long position | Interest of spouse | 126,000,000 | 10.00% |

Notes:

- Glorious Way is an investment holding company incorporated in the BVI and is wholly owned by Mr. Tsoi.
- Ms. Wu Chor Har is the spouse of Mr. Tsoi. Therefore, Ms. Wu Chor Har is deemed or taken to be interested in the Shares which Mr. Tsoi is interested in for the purposes of the SFO.
- Deyong Investment is an investment holding company incorporated in the BVI and is owned by Mr. Lin Minqiang, Mr. Lin Bingzhong, Mr. Lin Chaoji, Mr. Lin Chaowei and Mr. Lin Chaowen as to 60%, 11.6%, 10.54%, 9.22% and 8.64%, respectively.
- On 31 December 2019, Mr. Lin Minqiang, Mr. Lin Bingzhong, Mr. Lin Chaoji, Mr. Lin Chaowei and Mr. Lin Chaowen entered into an acting in concert agreement to acknowledge and confirm (among other things) that they are parties acting in concert during the three years ended 31 December 2019 and six months ended 30 June 2020 and that to continue to act in the same manner in the Group after the Company's listing. As such, by virtue of the SFO, Mr. Lin Minqiang, Mr. Lin Bingzhong, Mr. Lin Chaoji, Mr. Lin Chaowei and Mr. Lin Chaowen are deemed to be interested in all the Shares held by Deyong Investment.
- Ms. Lin Yueyun is the spouse of Mr. Lin Minqiang. Therefore, Ms. Lin Yueyun is deemed or taken to be interested in the Shares which Mr. Lin Minqiang is interested in for the purposes of the SFO.
- Ms. Jiang Yanyun is the spouse of Mr. Lin Bingzhong. Therefore, Ms. Jiang Yanyun is deemed or taken to be interested in the Shares which Mr. Lin Bingzhong is interested in for the purposes of the SFO.
- Ms. Zheng Xiuqin is the spouse of Mr. Lin Chaoji. Therefore, Ms. Zheng Xiuqin is deemed or taken to be interested in the Shares which Mr. Lin Chaoji is interested in for the purposes of the SFO.
- Ms. Lin Yunzhen is the spouse of Mr. Lin Chaowei. Therefore, Ms. Lin Yunzhen is deemed or taken to be interested in the Shares which Mr. Lin Chaowei is interested in for the purposes of the SFO.
- Ms. Lin Aimei is the spouse of Mr. Lin Chaowen. Therefore, Ms. Lin Aimei is deemed or taken to be interested in the Shares which Mr. Lin Chaowen is interested in for the purposes of the SFO.

Save as disclosed above, at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than the Directors and the chief executive of the Company) who had or were deemed or taken interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

4. DIRECTORS' SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered, or proposed to enter into any existing or proposed service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

At the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) At the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which, since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up) had been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) There was no contract or arrangement subsisting as at the Latest Practicable Date in which any Director was materially interested in and which was significant in relation to the business of the Group.

7. EXPERT AND CONSENT

The qualification of the expert, who has given opinions and advice in this circular, is as follows:

| Name | Qualification |
|-----------------------|--|
| Octal Capital Limited | a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

The expert named above confirmed that, as at the Latest Practicable Date (i) it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) it did not have any direct or indirect interests in any assets which have since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (iii) it had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and its letter in the form and context in which they respectively appear.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2022, being the date of which the latest published audited financial statements of the Company were made up.

9. LITIGATION

As at the Latest Practicable Date, the Company is not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

10. GENERAL

- (1) The registered office of the Company is at 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands.
- (2) The principal place of business of the Company in PRC is at No. 97 Longjiangnan Road, Longxia Village, Songxia Town, Changle District, Fuzhou, Fujian, the PRC.
- (3) The place of business of the Company in Hong Kong is at Unit 1705, 17/F, Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong.
- (4) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (5) The company secretary of the Company is Ms. Xu Jing who possesses the necessary qualification and experience, and is capable of performing the functions of a company secretary.

11. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.starshineholdings.com) for a period of 14 days from the date of this circular:

- (1) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (2) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (3) the Framework Agreement;
- (4) the written consent referred to in the section headed “7. EXPERT AND CONSENT” in this appendix; and
- (5) this circular.

NOTICE OF THE EGM

STAR SHINE HOLDINGS GROUP LIMITED

應星控股集團有限公司

(formerly known as Deyun Holding Ltd.)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1440)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of STAR SHINE HOLDINGS GROUP LIMITED (formerly known as Deyun Holding Ltd.) (the “**Company**”) will be held at Units 1203B, 1204-1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong at 11:00 a.m. on Monday, 4 September 2023 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the agreement (the “**Framework Agreement**”) dated 10 July 2023 entered into between the Company and Mr. Tsoi Wing Sing (an executive director of the Company), a copy of which is tabled at the Meeting and marked “A” and initialed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps for the continuing connected transactions contemplated under the Framework Agreement for the six months ending 31 December 2023 and the two years ending 31 December 2024 and 2025 as set out in the circular of the Company dated 18 August 2023 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Framework Agreement.”

By Order of the Board
STAR SHINE HOLDINGS GROUP LIMITED
Tsoi Wing Sing
Chairman

18 August 2023

NOTICE OF THE EGM

Registered office in the Cayman Islands:

71 Fort Street
P.O. Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

Place of business in Hong Kong:

Unit 1705, 17/F
Strand 50
50 Bonham Strand
Sheung Wan
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as its/ his/her proxy to attend and vote instead of it/him/her and so appointed shall have the same right as the member to speak at the meeting. A member who is the holder of two or more Shares may appoint one or more proxies to attend and vote instead of it/him/her. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed herewith.
3. The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
4. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged at the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 48 hours (i.e. 11:00 a.m. on 2 September 2023) before the time appointed for holding the Meeting or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Meeting or at any adjourned meeting (as the case may be) should they so wish.
5. The register of members of the Company will be closed from Friday, 1 September 2023 to Monday, 4 September 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 August 2023.