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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Star Shine Holdings Group Limited (formerly known as Deyun Holding Ltd.) (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Interim Period**”), together with the comparative figures for the six months ended 30 June 2022.

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

KEY FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Interim Period was approximately RMB47.1 million, representing a decrease of approximately 41.5% as compared with those for corresponding period in 2022.
- Gross loss of the Group for the Interim Period was approximately RMB1.4 million, as opposed to the gross profit of approximately RMB4.3 million for corresponding period in 2022.
- Loss attributable to owners of the Company for the Interim Period was approximately RMB5.6 million, as opposed to the profit of approximately RMB4.9 million for the corresponding period in 2022.
- Basic and diluted loss per share attributable to owners of the Company was approximately RMB0.44 cents for the Interim Period.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		Unaudited	Unaudited
		RMB'000	RMB'000
Revenue	4	47,065	80,386
Cost of sales	5	(48,497)	(76,080)
Gross (loss)/profit		(1,432)	4,306
Other income	6	314	4,604
Other gains, net	7	2,376	2,469
Selling and distribution expenses	5	(686)	(911)
Administrative expenses	5	(6,840)	(6,475)
Net impairment losses on financial assets and contract assets	5	(352)	(23)
Operating (loss)/profit		(6,620)	3,970
Finance income, net	8	1,065	1,283
(Loss)/profit before income tax		(5,555)	5,253
Income tax credit/(expense)	10	3	(356)
(Loss)/profit for the period attributable to owners of the Company		(5,552)	4,897
(Loss)/earnings per share attributable to owners of the Company			
Basic and diluted (<i>RMB cents</i>)	11	(0.44)	0.39

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
(Loss)/profit for the period	(5,552)	4,897
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<u>122</u>	<u>123</u>
Total comprehensive (loss)/income for the period attributable to owners of the Company	<u>(5,430)</u>	<u>5,020</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		30 June	31 December
		2023	2022
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment	12	134,852	142,567
Right-of-use asset	12	2,514	2,555
Investment property		268	281
Intangible assets		512	743
Prepayments	13	–	25
		138,146	146,171
Current assets			
Inventories	14	9,149	7,955
Contract assets	15	7,429	6,198
Trade and bills receivables	15	6,243	6,137
Prepayments, deposits and other receivables	13	782	572
Cash and cash equivalents		193,409	187,910
		217,012	208,772
Total assets		355,158	354,943
EQUITY			
Equity attributable to owners of the Company			
Share capital		10,511	10,511
Reserves		309,957	315,387
Total equity		320,468	325,898

		30 June 2023	31 December 2022
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Other payables	16	1,399	1,425
Deferred tax liabilities		538	549
		<u>1,937</u>	<u>1,974</u>
Current liabilities			
Trade payables	17	15,407	10,096
Other payables and accruals	16	9,576	11,657
Contract liabilities	16	287	365
Loan from ultimate holding company		3,702	–
Current income tax liabilities		3,781	4,953
		<u>32,753</u>	<u>27,071</u>
Total liabilities		<u>34,690</u>	<u>29,045</u>
Total equity and liabilities		<u>355,158</u>	<u>354,943</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

With effect from 25 May 2023, the name of the Company was changed from Deyun Holding Ltd. to Star Shine Holdings Group Limited.

The Company is an investment holding company. The Group is principally engaged in (i) manufacturing of lace and provision of dyeing services; and (ii) sales of shoes.

The ultimate holding company of the Company is Glorious Way Investments Limited, a company incorporated in the British Virgin Islands. The ultimate controlling shareholder is Mr. Tsoi Wing Sing.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 13 January 2021.

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

This Interim Financial Information has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

This Interim Financial Information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 New and amended standards adopted by the Group

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

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

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

4 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in (i) manufacturing of lace and provision of dyeing services; and (ii) sales of shoes.

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

In previous years, the directors consider the Group's operation from a business perspective and determine that the Group has two reportable operating segments being manufacturing of lace and provision of dyeing services. In 2021, a new subsidiary was incorporated in Hong Kong which is principally engaged in sales of shoes. Therefore, the Board currently considers the Group's operation from a business perspective and determines that the Group has three reportable operating segments being:

- (i) Manufacturing of lace – principally engaged in manufacturing of lace based on customers' orders for lingerie and other products;
- (ii) Provision of dyeing services – principally engaged in provision of dyeing services of lace and swim wear fabrics based on customers' orders; and
- (iii) Sales of shoes – principally engaged in trading of causal and sports footwear.

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

(a) Segment revenue by operating segments

The segment information provided to the directors for the reportable segments for the six months ended 30 June 2023 and 2022 is as follows:

	Manufacturing of lace		Provision of dyeing services		Sales of shoes		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	<u>11,876</u>	<u>13,167</u>	<u>21,803</u>	<u>30,355</u>	<u>13,386</u>	<u>36,864</u>	<u>47,065</u>	<u>80,386</u>
Segment results	<u>675</u>	<u>906</u>	<u>(3,340)</u>	<u>374</u>	<u>1,233</u>	<u>3,026</u>	<u>(1,432)</u>	<u>4,306</u>
Other segmental information:								
Depreciation of properties, plant and equipment	3,336	3,719	4,224	4,447	-	-	7,560	8,166
Additions to non-current segment assets	<u>9</u>	<u>564</u>	<u>241</u>	<u>8,291</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>8,855</u>

(b) Disaggregation of revenue from contracts with customers

The Group derived revenue from the sales of goods at a point in time and provision of services over time as follows:

	Six months ended 30 June	
	2023	2022
	Unaudited RMB'000	Unaudited RMB'000
Timing of revenue recognition		
Over time		
– Provision of services	33,679	43,522
At a point in time		
– Sales of goods	13,386	36,864
	<u>47,065</u>	<u>80,386</u>

(c) Segment revenue by customers' geographical location

The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Six months ended 30 June	
	2023	2022
	Unaudited RMB'000	Unaudited RMB'000
The PRC	33,384	43,031
Hong Kong	13,387	36,953
Others	294	402
	<u>47,065</u>	<u>80,386</u>

(d) Information about major customer

Revenue derived from customers individually contributing over 10% of the Group's total revenue during the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June	
	2023	2022
	Unaudited RMB'000	Unaudited RMB'000
Customer A	13,386	36,864

(e) Non-current assets by geographical location

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

5 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets and contract assets are analysed as follows:

	Six months ended 30 June	
	2023	2022
	Unaudited RMB'000	Unaudited RMB'000
Raw materials and merchandise used (<i>Note 14</i>)	23,234	44,733
Employee benefit expenses, including directors' emoluments	13,482	16,108
Manpower service expenses	639	793
Amortisation of intangible assets	231	246
Utilities	4,112	4,144
Depreciation of properties, plant and equipment and right-of-use asset (<i>Note 12</i>)	8,006	8,568
Depreciation of investment property	14	14
Auditor's remuneration	1,203	1,110
Professional fees	1,485	1,504
Provision for impairment of inventories, net (<i>Note 14</i>)	370	–
Other tax and surcharges	364	369
Packaging expenses	354	497
Commission and handling charges	266	2,140
Waste handling charges	924	1,390
Net impairment losses on financial assets and contract assets	352	23
Others	1,339	1,850
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets and contract assets	56,375	83,489

6 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	Unaudited RMB'000	Unaudited RMB'000
Government grants (<i>Note</i>)	204	4,265
Others	110	339
	<hr/>	<hr/>
	314	4,604

Note: Government grants are all income related and there exists no unfulfilled conditions or other contingencies attaching to these government grants.

7 OTHER GAINS, NET

	Six months ended 30 June	
	2023	2022
	Unaudited RMB'000	Unaudited RMB'000
Gain on disposal of properties, plant and equipment	–	1
Exchange differences	2,376	2,468
	<u>2,376</u>	<u>2,469</u>

8 FINANCE INCOME, NET

	Six months ended 30 June	
	2023	2022
	Unaudited RMB'000	Unaudited RMB'000
Finance income		
Interest income	1,071	1,288
Finance costs		
Unwinding of discount on other payables	(6)	(5)
Finance income, net	<u>1,065</u>	<u>1,283</u>

9 DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2023 and 2022.

10 INCOME TAX (CREDIT)/EXPENSE

Taxation has been provided at the appropriate rates prevailing in the jurisdictions in which the Group operates.

During the six months ended 30 June 2023 and 2022, Fujian Deyun Technology Co., Ltd.* (福建德運科技有限公司) (“**Deyun Technology**”), the Company’s subsidiary in the PRC, has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong from the year of assessment 2018/19 onwards, the first Hong Kong dollars (“**HKD**”) 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%.

During the six months ended 30 June 2023 and 2022, Hope Faith Limited, the Company’s subsidiary in Hong Kong, was a qualifying entity under the two- tiered profits tax rates regime with assessable profits less than HKD2 million and is therefore subject to a tax rate of 8.25%, profits above HKD2 million will be taxed at 16.5%.

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax	8	373
Deferred income tax	<u>(11)</u>	<u>(17)</u>
Income tax (credit)/expense	<u>(3)</u>	<u>356</u>

11 (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Unaudited	
	Six months ended 30 June	2022
	2023	
(Loss)/profit attributable to owners of the Company (RMB'000)	(5,552)	4,897
Weighted average number of ordinary shares in issue (thousands of shares)	1,260,000	1,260,000
Basic and diluted (loss)/earnings per share (RMB cents)	<u>(0.44)</u>	<u>0.39</u>

There were no differences between the basic and diluted (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 2022.

12 PROPERTIES, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Sub-total	Right-of-use asset	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023 (Audited)								
Cost	42,778	288,361	4,815	4,058	1,301	341,313	4,121	345,434
Accumulated depreciation	<u>(16,827)</u>	<u>(177,059)</u>	<u>(3,760)</u>	<u>(1,100)</u>	<u>-</u>	<u>(198,746)</u>	<u>(1,566)</u>	<u>(200,312)</u>
Net book amount	<u>25,951</u>	<u>111,302</u>	<u>1,055</u>	<u>2,958</u>	<u>1,301</u>	<u>142,567</u>	<u>2,555</u>	<u>145,122</u>
Six months ended 30 June 2023								
(Unaudited)								
Opening net book amount	25,951	111,302	1,055	2,958	1,301	142,567	2,555	145,122
Additions	-	-	-	-	250	250	-	250
Transfers	-	-	1,005	-	(1,005)	-	-	-
Depreciation (Note 5)	<u>(1,203)</u>	<u>(6,470)</u>	<u>(130)</u>	<u>(162)</u>	<u>-</u>	<u>(7,965)</u>	<u>(41)</u>	<u>(8,006)</u>
Closing net book amount	<u>24,748</u>	<u>104,832</u>	<u>1,930</u>	<u>2,796</u>	<u>546</u>	<u>134,852</u>	<u>2,514</u>	<u>137,366</u>
As at 30 June 2023 (Unaudited)								
Cost	42,778	288,361	5,820	4,058	546	341,563	4,121	345,684
Accumulated depreciation	<u>(18,030)</u>	<u>(183,529)</u>	<u>(3,890)</u>	<u>(1,262)</u>	<u>-</u>	<u>(206,711)</u>	<u>(1,607)</u>	<u>(208,318)</u>
Net book amount	<u>24,748</u>	<u>104,832</u>	<u>1,930</u>	<u>2,796</u>	<u>546</u>	<u>134,852</u>	<u>2,514</u>	<u>137,366</u>

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Right-of-use asset <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022 (Audited)								
Cost	42,475	279,053	4,499	2,922	–	328,949	4,121	333,070
Accumulated depreciation	(14,445)	(162,825)	(3,338)	(865)	–	(181,473)	(1,481)	(182,954)
Net book amount	<u>28,030</u>	<u>116,228</u>	<u>1,161</u>	<u>2,057</u>	<u>–</u>	<u>147,476</u>	<u>2,640</u>	<u>150,116</u>
Six months ended 30 June 2022 (Unaudited)								
Opening net book amount	28,030	116,228	1,161	2,057	–	147,476	2,640	150,116
Additions	85	8,043	355	–	–	8,483	–	8,483
Disposal	–	–	(2)	–	–	(2)	–	(2)
Depreciation (<i>Note 5</i>)	(1,188)	(6,999)	(231)	(108)	–	(8,526)	(42)	(8,568)
Closing net book amount	<u>26,927</u>	<u>117,272</u>	<u>1,283</u>	<u>1,949</u>	<u>–</u>	<u>147,431</u>	<u>2,598</u>	<u>150,029</u>
As at 30 June 2022 (Unaudited)								
Cost	42,559	287,096	4,815	2,923	–	337,393	4,121	341,514
Accumulated depreciation	(15,632)	(169,824)	(3,532)	(974)	–	(189,962)	(1,523)	(191,485)
Net book amount	<u>26,927</u>	<u>117,272</u>	<u>1,283</u>	<u>1,949</u>	<u>–</u>	<u>147,431</u>	<u>2,598</u>	<u>150,029</u>

During the six months ended 30 June 2023 and 2022, depreciation expenses have been charged in cost of sales, selling and distribution expenses and administrative expenses as below:

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	7,560	8,166
Selling and distribution expenses	3	3
Administrative expenses	443	399
	<u>8,006</u>	<u>8,568</u>

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Current portion		
Prepayments to suppliers	397	225
Other prepayments	346	310
Other receivables	2	2
Deposits	37	35
	<u>782</u>	<u>572</u>
Non-current portion		
Prepayments of acquisition of properties, plant and equipment	–	25
	<u>–</u>	<u>25</u>

As at 30 June 2023 and 31 December 2022, the carrying amounts of deposits and other receivables approximated their fair values.

14 INVENTORIES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Raw materials	12,584	11,020
Less: Provision for impairment of inventories, net	<u>(3,435)</u>	<u>(3,065)</u>
	<u>9,149</u>	<u>7,955</u>

The cost of inventories recognised as expense and included in cost of sales during the six months ended 30 June 2023 and 2022 amounted to approximately RMB23,234,000 and RMB44,733,000 respectively.

Provision for impairment of inventories amounting to approximately RMB370,000 in respect of the net amount of the provision for obsolete and defective inventories and the utilisation of provision for obsolete inventories, were recognised in the condensed consolidated income statement and included in the cost of sales for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

15 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Contract assets	7,457	6,226
Less: Provision for impairment of contract assets	<u>(28)</u>	<u>(28)</u>
Contract assets, net	----- 7,429	----- 6,198
Trade receivables	9,252	9,374
Bills receivables	740	160
Less: Provision for impairment of trade receivables, net	<u>(3,749)</u>	<u>(3,397)</u>
Trade and bills receivables, net	----- 6,243	----- 6,137
	<u><u>13,672</u></u>	<u><u>12,335</u></u>

Contract assets represent the Group's rights to consideration for work completed but unbilled for its business. The contract assets are transferred to trade receivables when the rights become unconditional which generally take one to three months. The balances of contract assets fluctuated from year-to-year during the six months ended 30 June 2023 and the year ended 31 December 2022 as the Group provided varying amount of goods or services that were unbilled before the period/year-ends.

As at 30 June 2023 and 31 December 2022, the carrying amounts of contract assets, trade and bills receivables approximated their fair values.

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

As at 30 June 2023 and 31 December 2022, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
1 to 3 months	6,387	4,884
Over 3 months	<u>3,605</u>	<u>4,650</u>
	9,992	9,534
Less: Provision for impairment of trade receivables, net	<u>(3,749)</u>	<u>(3,397)</u>
	<u><u>6,243</u></u>	<u><u>6,137</u></u>

The maximum exposure to credit risk as at 30 June 2023 and 31 December 2022 was the carrying value of the receivables and contract assets mentioned above. The Group did not hold any collateral as security.

16 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Current portion		
Payables for acquisition of properties, plant and equipment	2,173	3,716
Other tax payables	639	2,350
Other payables	542	627
Accruals for auditor's remuneration	1,203	1,592
Accruals for employee benefit expenses	1,902	1,654
Accruals for professional fees	406	282
Other accruals	127	106
Deposits received from customers	2,584	1,330
Contract liabilities	287	365
	<u>9,863</u>	<u>12,022</u>
Non-current portion		
Other payables	<u>1,399</u>	<u>1,425</u>

As at 30 June 2023 and 31 December 2022, the carrying amounts of the Group's other payables and accruals approximated their fair values.

17 TRADE PAYABLES

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
Trade payables	<u>15,407</u>	<u>10,096</u>

As at 30 June 2023 and 31 December 2022, the aging analysis of trade payables, based on invoice date, was as follows:

	30 June 2023 Unaudited RMB'000	31 December 2022 Audited RMB'000
1 to 3 months	11,755	6,279
Over 3 months	<u>3,652</u>	<u>3,817</u>
	<u>15,407</u>	<u>10,096</u>

As at 30 June 2023 and 31 December 2022, the carrying amounts of the Group's trade payables approximated their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

As part of our business diversification strategies, we tapped into the footwear trading business in Hong Kong in the second half of 2021.

During the Interim Period, economic activities in the mainland China have been resuming gradually. However, fragile economic recovery and uncertainty about future income have weighted on consumer confidence. Demand for the apparel and footwear was decreasing. The Group's revenue decreased by approximately 41.5% from approximately RMB80.4 million for the six months ended 30 June 2022 to approximately RMB47.1 million for the Interim Period. The Group recorded a net loss of approximately RMB5.6 million for the Interim Period as apposed a net profit of approximately RMB4.9 million for the six months ended 30 June 2022.

OUTLOOK AND BUSINESS STRATEGY

Looking forward, there are still a lot of uncertainties in the external environment and economic. Economic growth is under pressure and is experiencing a slower than expected recovery. Ongoing geopolitical tensions, trade conflicts will continue to overshadow the prospects for growth. The Group will continue to diversify its customer base and product mix to reduce the business risk and enhance the interests of the Company and its shareholders. In the second half year, the Group will invest more resources into the footwear business and development our team to design, develop, manufacture and sell footwear to domestic and international customers.

FINANCIAL REVIEW

Revenue

The Group derives its revenue from (i) dyeing services; (ii) manufacturing and sales of lace; and (iii) footwear trading business. As part of our business diversification strategies, we tapped into the footwear trading business in Hong Kong in the second half of 2021.

Revenue by product types

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

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Dyeing	21,803	46.4	30,355	37.8
Lace				
– High density	3,908	8.3	10,461	13.0
– Regular density	7,968	16.9	2,706	3.4
Sub-total	11,876	25.2	13,167	16.4
Sales of shoes	13,386	28.4	36,864	45.8
Total	47,065	100.0	80,386	100.0

Revenue by geographical regions

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

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Domestic sales	33,384	70.9	43,031	53.5
International sales	13,681	29.1	37,355	46.5
Total	47,065	100.0	80,386	100.0

Dyeing

The dyeing revenue decreased by approximately 28.2% from approximately RMB30.4 million for the six months ended 30 June 2022 to approximately RMB21.8 million for the Interim Period, primarily due to that the demand decreased as consumers were more cautious on their spending due to the uncertain economic environment.

Lace

The Group's lace products are classified into (i) regular density lace, and (ii) high density lace. The lace revenue decreased by approximately 9.8% from approximately RMB13.2 million for the six months ended 30 June 2022 to approximately RMB11.9 million for the Interim Period, primarily attributable to the same reason for the decrease in dyeing revenue mentioned above.

Sales of shoes

The Group's revenue arising from footwear trading business decreased from approximately RMB36.9 million for the six months ended 30 June 2022 to approximately RMB13.4 million for the Interim Period, which was primary attributable to the decrease in orders from customers under the current challenging market conditions.

Gross (loss)/profit

The Group recorded a gross loss of approximately RMB1.4 million for the Interim Period as compared to the gross profit of approximately RMB4.3 million for the six months ended 30 June 2022, which was mainly due to (i) the decrease of sales; and (ii) the decrease in price of the dyeing services due to the fierce competition.

Other income

Other income decreased from approximately RMB4.6 million for the six months ended 30 June 2022 to approximately RMB0.3 million for the Interim Period, primarily attributable to that one-off government grants in relation to the listing of shares were received and recognised for the six months ended 30 June 2022.

Other gains, net

Other gains mainly represented differences arising from translation of the Group's sales, assets and liabilities denominated in foreign currencies. The Group recorded other gains of approximately RMB2.4 million for the Interim Period (six months ended 30 June 2022: approximately RMB2.5 million).

Selling and distribution expenses

Selling and distribution expenses primarily consist of packaging expenses and staff cost in relation to sales and marketing staff. Selling and distribution expenses decreased by approximately 24.7% from approximately RMB0.9 million for the six months ended 30 June 2022 to approximately RMB0.7 million for the Interim Period, primarily attributable to the decrease in dyeing revenue and sales of lace products.

Administrative expenses

Administrative expenses mainly consist of employment benefit expenses, professional fee, rental expenses, utilities, and office expenses. Administrative expenses increased from approximately RMB6.5 million for the six months ended 30 June 2022 to approximately RMB6.8 million for the Interim Period due to the increased headcount for the footwear business.

Finance income, net

Net finance income decreased from approximately RMB1.3 million for the six months ended 30 June 2022 to approximately RMB1.1 million for the Interim Period, primarily attributable to the decrease in interest income on bank balances.

Income tax (credit)/expenses

Fujian Deyun Technology Co., Ltd.* (福建德運科技有限公司) (“**Deyun Technology**”), principal operating subsidiary of the Company, is recognised as a High and New Technology Enterprise* (高新技術企業) and therefore entitled to a preferential tax rate of 15% for the six months ended 30 June 2022 and the Interim Period. During the Interim Period, Hong Kong profits tax has been provided at the rate of 8.25% on the estimated assessable profits. The income tax expense decreased from approximately RMB0.4 million for the six months ended 30 June 2022 to income tax credit of approximately RMB3.0 thousand for the Interim Period, which were mainly due to the loss-making position of the PRC business and the decrease in the assessable profits from the footwear trading business for the Interim Period.

Net (loss)/profit for the period

As a result of the above factors, the Group recorded a net loss of approximately RMB5.6 million for the Interim Period as compared to the net profit of approximately RMB4.9 million for the six months ended 30 June 2022.

Dividend

The Board does not recommend the payment of dividend for the Interim Period (six months ended 30 June 2022: Nil).

LIQUIDITY, CAPITAL RESOURCES AND GEARING

Net current assets

The Group had net current assets of approximately RMB184.3 million as at 30 June 2023 (31 December 2022: approximately RMB181.7 million). The current ratio of the Group decreased from approximately 7.7 times as at 31 December 2022 to approximately 6.6 times as at 30 June 2023.

Cash and cash equivalents, borrowings and pledge of assets

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

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB193.4 million (31 December 2022: approximately RMB187.9 million) and they were denominated in RMB, USD and HKD.

As at 30 June 2023, the loan from ultimate holding company was approximately RMB3.7 million (31 December 2022: Nil) and is unsecured, interest free and repayable on demand.

As at 30 June 2023 and 31 December 2022, the Group had no undrawn banking facilities.

As at 30 June 2023 and 31 December 2022, the Group did not have any assets pledged as securities.

Gearing ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 1.2% as at 30 June 2023 (31 December 2022: Nil). During the Interim Period, we increase a loan from ultimate holding company of approximately RMB3.7 million. The gearing ratio remained low due to our low level of borrowings and lease liabilities.

Capital structure

As at 30 June 2023, the Company's issued share capital was HKD12,600,000 and the number of issued shares of the Company was 1,260,000,000 ordinary shares of HKD0.01 each.

Capital expenditure

During the Interim Period, the Group purchased properties, plant and equipment in the amount of approximately RMB1.7 million (six months ended 30 June 2022: approximately RMB2.0 million).

Foreign exchange risks and hedging

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

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had capital commitments of approximately RMB0.2 million in relation to the purchase of properties, plant and equipment (31 December 2022: approximately RMB0.4 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: nil).

EMPLOYEES AND REMUNERATION POLICY

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

As at 30 June 2023, the Group had 344 employees (31 December 2022: 362 employees) and the Group's total employee benefit expenses (including directors' emoluments) for the Interim Period amounted to approximately RMB13.5 million (six months ended 30 June 2022: approximately RMB16.1 million).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

FUTURE PLAN FOR MATERIAL INVESTMENTS

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

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Net proceeds from the initial public offering (the “**IPO**”), after deducting underwriting commissions and other relevant expenses, amounted to approximately HKD85.6 million. As of 30 June 2023, the net proceeds from the IPO had been applied as follows:

	Planned use of net proceeds	Unused net proceeds as of 1 January 2023	Net proceeds used for the Interim Period	Net proceeds used as of 30 June 2023	Unused balance as of 30 June 2023	Timeframe for the unused balance
	<i>HKD million</i>	<i>HKD million</i>	<i>HKD million</i>	<i>HKD million</i>	<i>HKD million</i>	
Expand dyeing service capacity and enhance efficiency by way of upgrading, replacing and acquiring machineries and facilities	49.9	13.9	0.5	36.5	13.4	By end of 2024
Strengthen research and development capability and quality control for dyeing services	3.4	0.5	0.5	3.4	–	N/A
Replace a coal-burning-boiler by a natural-gas-boiler	13.6	5.7	–	7.9	5.7	By end of 2024
Expand integrated enterprise planning resource system	0.9	–	–	0.9	–	N/A
Repayment of bank loan	9.5	–	–	9.5	–	N/A
General working capital	8.3	–	–	8.3	–	N/A
	<u>85.6</u>	<u>20.1</u>	<u>66.5</u>	<u>66.5</u>	<u>19.1</u>	

Please refer to the Prospectus for the original intended timeframe for utilisation of the net proceeds. Since the outbreak of the COVID-19 has slowed down the economics of China and the world, and the economic recovery was slower than expected, orders of dyeing services and laces products decreased since 2022, the Group were acting with more caution. Certain plans of the use of proceeds from the IPO were slowing down. The balance of the unutilised proceeds is expected to be utilised by end of 2024.

EVENT AFTER THE INTERIM PERIOD

Saved as disclosed herein, the Group does not have any important events after the Interim Period and up to the date of this announcement.

SHARE OPTION SCHEME

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

As of 30 June 2023 and the date of this announcement, no share options had been granted or agreed to be granted under the Share Option Scheme. As a result, the total number of shares available for issue under the Share Option Scheme as of the date of this announcement was 126,000,000, representing 10% of the issued shares of the Company as of the Adoption Date.

CONNECTED TRANSACTIONS

The continuing connected transactions contemplated under the agreement entered by the Group with World Mart Limited (旺明有限公司) with a term of one year, were exempted from reporting, disclosure and independent shareholders’ approval requirements under the Listing Rules.

The loan from ultimate holding company is unsecured, interest free and repayable on demand, which was also exempted from reporting, disclosure and independent shareholders’ approval requirements under the Listing Rules.

On 10 July 2023, the Company and Mr. Tsoi Wing Sing (“**Mr. Tsoi**”) entered into a framework agreement, pursuant to which Mr. Tsoi’s associated companies that own production facilities located in the PRC and/or Southeast Asia 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. These transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rule. Detailed information please refer to the announcement of the Company dated 10 July 2023 and the circular of the Company dated 18 August 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chow Kit Ting (Chairman), Dr. Chiu Kwok Hung, Justin and Mr. Chan Hoi Shan.

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

AUDITOR

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

CORPORATE GOVERNANCE

The Company has adopted a set of corporate governance practices which aligns with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 14 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code for the Interim Period.

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.starshineholdings.com). The interim report of the Company for the Interim Period will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

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

Hong Kong, 30 August 2023

As of the date of this announcement, the Board comprises of Mr. Tsoi Wing Sing, Mr. Lin Minqiang, Mr. Larry Stuart Torchin, and Ms. Jian Xuegen as executive Directors, and Mr. Chow Kit Ting, Dr. Chiu Kwok Hung, Justin, and Mr. Chan Hoi Shan as independent non-executive Directors.

* *For identification purposes only*