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STAR SHINE HOLDINGS GROUP LIMITED

應星控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1440)

(1) ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND (2) CHANGE IN USE OF PROCEEDS

The board (the “**Board**”) of directors (the “**Directors**”) of Star Shine Holdings Group Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Interim Period**”), together with the comparative figures for the six months ended 30 June 2023.

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 RMB273.4 million, representing an increase of approximately 480.9% as compared with those for corresponding period in 2023.
- Gross profit of the Group for the Interim Period was approximately RMB28.2 million, as opposed to the gross loss of approximately RMB1.4 million for the corresponding period in 2023.
- Loss attributable to owners of the Company for the Interim Period was approximately RMB0.9 million, representing a decrease of approximately 82.9% as compared with those for the corresponding period in 2023.
- Basic and diluted loss per share attributable to owners of the Company was approximately RMB0.08 cents for the Interim Period.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		Unaudited	Unaudited
		RMB'000	RMB'000
Revenue	4	273,397	47,065
Cost of sales	5	(245,239)	(48,497)
Gross profit/(loss)		28,158	(1,432)
Other income	6	913	314
Other gains, net	7	2,791	2,376
Selling and distribution expenses	5	(16,248)	(686)
Administrative expenses	5	(16,112)	(6,840)
Net provision for loss allowance on financial assets and contract assets	5	(76)	(352)
Operating loss		(574)	(6,620)
Finance (costs)/income, net	8	(57)	1,065
Loss before income tax		(631)	(5,555)
Income tax (expenses)/credit	10	(317)	3
Loss for the period attributable to owners of the Company		(948)	(5,552)
Loss per share attributable to owners of the Company			
Basic and diluted (<i>RMB cents</i>)	11	(0.08)	(0.44)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Loss for the period	(948)	(5,552)
Other comprehensive (loss)/income:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
– Exchange differences on translation of foreign operations	(170)	122
	<hr/>	<hr/>
Total comprehensive loss for the period attributable to owners of the Company	(1,118)	(5,430)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

		30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	117,379	122,014
Right-of-use assets	12	5,591	6,326
Intangible assets		496	452
Prepayments	13	—	121
		123,466	128,913
		123,466	128,913
Current assets			
Inventories	14	7,108	6,301
Contract assets	15	4,654	6,854
Trade and bills receivables	15	81,741	78,185
Prepayments, deposits and other receivables	13	13,343	2,944
Cash and cash equivalents		212,359	268,978
		319,205	363,262
		319,205	363,262
Total assets		442,671	492,175
EQUITY			
Equity attributable to owners of the Company			
Share capital		10,511	10,511
Reserves		304,255	305,373
		314,766	315,884
Total equity		314,766	315,884

		30 June	31 December
		2024	2023
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Other payables	16	1,347	1,373
Lease liabilities		1,832	2,528
Deferred tax liabilities		678	532
		<u>3,857</u>	<u>4,433</u>
Current liabilities			
Trade payables	17	68,164	108,793
Other payables and accruals	16	11,892	19,877
Contract liabilities	16	502	220
Interest-bearing borrowing	18	33,588	33,440
Lease liabilities		1,396	1,355
Loan from ultimate holding company	19	3,655	3,411
Current income tax liabilities		4,851	4,762
		<u>124,048</u>	<u>171,858</u>
Total liabilities		<u>127,905</u>	<u>176,291</u>
Total equity and liabilities		<u>442,671</u>	<u>492,175</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Star Shine Holdings Group Limited (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.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) is principally engaged in (i) manufacturing of lace and provision of dyeing services; and (ii) footwear business.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Glorious Way Investments Limited (“**Glorious Way**”), a company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling shareholder is Mr. Tsoi Wing Sing.

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 indicated.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rule**”).

Preparation of the Interim Financial Information requires the directors of the Company to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Interim Financial Information includes an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2023 and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023 (the “**2023 Audited Financial Statements**”).

In preparing the Interim Financial Information, significant judgements made by the directors of the Company in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied in the 2023 Audited Financial Statements.

The Interim Financial Information is unaudited, but has been reviewed by the Company’s audit committee and the Company’s external auditor 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 HKICPA.

3 PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information has been prepared on the historical cost basis.

The accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30 June 2024 are consistent with those followed in the preparation of the 2023 Audited Financial Statements.

The adoption of the new/revised HKFRSs which are relevant to the Group and effective for current period does not have any significant impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

At the date of authorisation of the Interim Financial Information, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results and the financial position of the Group.

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) footwear business.

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segment based on these reports. 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 swimwear fabrics based on customers' orders; and
- (iii) Footwear – principally engaged in design, research and development, sourcing, merchandising, quality control and sales of casual and sports footwear.

The CODM assesses the performance of the operating segments based on a measure of revenue and gross profit.

No analysis of the Group's assets and liabilities by operating segments is presented as it is not regularly provided to the CODM for review.

(a) **Segment revenue by operating segments**

The segment information provided to the directors of the Company for the reportable segments for the six months ended 30 June 2024 and 2023 is as follows:

	Manufacturing of lace		Provision of dyeing services		Footwear		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2024	2023	2024	2023	2024	2023	2024	2023
	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>7,342</u>	<u>11,876</u>	<u>31,656</u>	<u>21,803</u>	<u>234,399</u>	<u>13,386</u>	<u>273,397</u>	<u>47,065</u>
Segment results	<u>467</u>	<u>675</u>	<u>969</u>	<u>(3,340)</u>	<u>26,722</u>	<u>1,233</u>	<u>28,158</u>	<u>(1,432)</u>
Other segment information:								
Depreciation of property, plant and equipment	1,867	3,336	3,004	4,224	-	-	4,871	7,560
Additions to non-current segment assets	-	9	518	241	-	-	518	250
Write-down of inventories	195	185	3	185	-	-	198	370
Research and development expenditures	-	-	3,301	6,546	5,302	-	8,603	6,546
Commission and handling charges	-	-	-	-	10,217	266	10,217	266

(b) **Disaggregation of revenue from contracts with customers within HKFRS 15 by the timing of revenue is as follows:**

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Timing of revenue recognition		
Over time		
– provision of services	38,998	33,679
At a point in time		
– sales of goods	<u>234,399</u>	<u>13,386</u>
	<u>273,397</u>	<u>47,065</u>

(c) **Segment revenue by operating geographical location**

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

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Mainland China and Hong Kong	273,397	47,065

(d) **Information about major customers**

Revenue derived from customers individually contributing over 10% of the Group's total revenue during the six months ended 30 June 2024 and 2023 is as follows:

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
From footwear business segment		
Customer A	N/A*	13,386
Customer B	204,344	–
	204,344	13,386

* The corresponding customer did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2024.

(e) **Non-current assets by geographical location**

No geographical analysis on segment assets is provided as substantially all of the Group's non-current assets were located in the Mainland China.

5 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and net provision for loss allowance on financial assets and contract assets are analysed as follows:

	Six months ended 30 June	
	2024	2023
	Unaudited RMB'000	Unaudited RMB'000
Raw materials and merchandise used	220,208	23,234
Employee benefit expenses, including directors' emoluments	26,070	13,482
Manpower service expenses	559	639
Amortisation of intangible assets	85	231
Utilities	4,739	4,112
Depreciation of property, plant and equipment and right-of-use assets (<i>Note 12</i>)	6,684	8,006
Depreciation of investment property	–	14
Write-down of inventories	198	370
Auditor's remuneration	729	1,203
Professional fees	874	1,485
Other tax and surcharges	523	364
Packaging expenses	471	354
Commission and handling charges	10,217	266
Waste handling charges	1,145	924
Net provision for loss allowance on financial assets and contract assets	76	352
Customs clearance fees	627	–
Design fees	688	–
Travelling expenses	911	500
Courier and telephone	539	72
Repair and maintenance	319	350
Entertainment expenses	624	27
Office expenses	294	187
Others	1,095	203
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, administrative expenses and net provision for loss allowance on financial assets and contract assets	277,675	56,375
	<hr/> <hr/>	<hr/> <hr/>

Note: During the six months ended 30 June 2024 and 2023, research and development expenditures of approximately RMB8,603,000 and RMB6,546,000 were included in the respective amounts as disclosed above.

6 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (<i>Note</i>)	245	204
Others	668	110
	<u>913</u>	<u>314</u>

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	
	2024	2023
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange differences	2,791	2,376

8 FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income	1,397	1,071
Finance costs		
Unwinding of discount on other payables	(6)	(6)
Interest expenses on lease liabilities	(103)	–
Interest expenses on interest-bearing borrowing	(1,345)	–
	<u>(1,454)</u>	<u>(6)</u>
Finance (costs)/income, net	<u>(57)</u>	<u>1,065</u>

9 DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2024 and 2023.

10 INCOME TAX EXPENSES/(CREDIT)

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

The group entities incorporated in the Cayman Islands and the BVI are exempted from corporate income tax of those jurisdictions.

During the six months ended 30 June 2024 and 2023, Fujian Deyun Technology Co., Ltd* (福建德運科技有限公司), the Group's subsidiary in the People's Republic of China (the "PRC"), has qualified for high and new technology enterprises status since December 2022 with a valid period of 3 years and is therefore subject to a preferential income tax rate of 15% during the valid period.

The State Taxation Administration of the PRC announced in March 2021 that enterprises engaging in research and development activities would be entitled to claim at maximum 200% of their research and development expenses as "Super Deduction". The directors of the Company consider the eligibility of a PRC subsidiary and recognise the additional tax deduction for the six months ended 30 June 2024 and 2023.

During the six months ended 30 June 2024, Putian Yingchuang Trading Company Limited* (莆田盈創貿易有限公司) was recognised as a micro and small enterprise ("MSE") in the PRC which can enjoy a tax relief on 75% of the annual taxable income and a preferential tax rate of 20% on the remaining 25% of the annual taxable income.

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 2024 and 2023, one of the Group's subsidiaries in Hong Kong, was a qualifying entity under the two-tiered profits tax rates regime, the first HKD2 million of profits will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%.

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
The PRC corporate income tax	12	–
Hong Kong profits tax	159	8
	<u>171</u>	<u>8</u>
Deferred income tax	146	(11)
	<u>146</u>	<u>(11)</u>
Income tax expenses/(credit)	<u>317</u>	<u>(3)</u>

* For identification purposes only

11 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023.

	Unaudited	
	Six months ended 30 June	
	2024	2023
Loss for the period attributable to owners of the Company (RMB'000)	(948)	(5,552)
Weighted average number of ordinary shares in issue (thousands of shares)	1,260,000	1,260,000
Basic and diluted loss per share (RMB cents)	(0.08)	(0.44)

There were no differences between the basic and diluted loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2024 and 2023.

12 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Sub-total	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2024								
(Unaudited)								
Opening net carrying amount	24,594	92,859	1,770	2,695	96	122,014	6,326	128,340
Additions	-	844	8	449	-	1,301	-	1,301
Depreciation	(983)	(4,593)	(164)	(196)	-	(5,936)	(748)	(6,684)
Exchange realignment	-	-	-	-	-	-	13	13
Closing net carrying amount	<u>23,611</u>	<u>89,110</u>	<u>1,614</u>	<u>2,948</u>	<u>96</u>	<u>117,379</u>	<u>5,591</u>	<u>122,970</u>
At 30 June 2024 (Unaudited)								
Cost	43,705	282,748	5,837	4,567	96	336,953	8,379	345,332
Accumulated depreciation and impairment loss	(20,094)	(193,638)	(4,223)	(1,619)	-	(219,574)	(2,788)	(222,362)
Net carrying amount	<u>23,611</u>	<u>89,110</u>	<u>1,614</u>	<u>2,948</u>	<u>96</u>	<u>117,379</u>	<u>5,591</u>	<u>122,970</u>
At 31 December 2023 (Audited)								
Cost	43,705	281,904	5,829	4,118	96	335,652	8,362	344,014
Accumulated depreciation and impairment loss	(19,111)	(189,045)	(4,059)	(1,423)	-	(213,638)	(2,036)	(215,674)
Net carrying amount	<u>24,594</u>	<u>92,859</u>	<u>1,770</u>	<u>2,695</u>	<u>96</u>	<u>122,014</u>	<u>6,326</u>	<u>128,340</u>

During the six months ended 30 June 2024 and 2023, depreciation expenses have been charged to cost of sales, selling and distribution expenses and administrative expenses as below:

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of sales	5,305	7,560
Selling and distribution expenses	2	3
Administrative expenses	1,377	443
	<u>6,684</u>	<u>8,006</u>

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June	31 December
	2024	2023
	Unaudited	Audited
	RMB'000	RMB'000
Current portion		
Prepayments to suppliers	11,782	1,378
Other prepayments	596	568
Other receivables	65	89
Deposits	233	233
Other tax receivables	667	580
Amount due from a related company (<i>Note</i>)	–	96
	<u>13,343</u>	<u>2,944</u>
Non-current portion		
Prepayments of acquisition of property, plant and equipment	–	121

Note: The amount due from a related company is unsecured, interest free and repayable on demand.

14 INVENTORIES

	30 June	31 December
	2024	2023
	Unaudited	Audited
	RMB'000	RMB'000
Raw materials	11,827	10,822
Less: Allowance on inventories	<u>(4,719)</u>	<u>(4,521)</u>
	<u>7,108</u>	<u>6,301</u>

Allowance on inventories amounting to approximately RMB198,000 was recognised in the condensed consolidated income statement and included in cost of sales for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately RMB370,000).

15 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Contract assets	4,727	6,906
Less: Loss allowance on contract assets	<u>(73)</u>	<u>(52)</u>
Contract assets, net	----- 4,654	----- 6,854
Trade receivables	84,568	81,377
Bills receivables	600	180
Less: Loss allowance on trade receivables	<u>(3,427)</u>	<u>(3,372)</u>
Trade and bills receivables, net	----- 81,741	----- 78,185
	===== 86,395	===== 85,039

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 2024 and the year ended 31 December 2023 as the Group provided varying amount of goods or services that were unbilled before the period/year-ends.

The Group grants credit up to 90 days (31 December 2023: up to 90 days) upon issuance of invoice.

At 30 June 2024 and 31 December 2023, the ageing analysis of trade and bills receivables, based on invoice date, was as follows:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
1 to 3 months	82,334	78,737
Over 3 months	<u>2,834</u>	<u>2,820</u>
	85,168	81,557
Less: Loss allowance on trade receivables	<u>(3,427)</u>	<u>(3,372)</u>
	===== 81,741	===== 78,185

16 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Current portion		
Payables for acquisition of property, plant and equipment	2,467	2,743
Commission payables	4,102	10,816
Other payables	488	693
Accruals for auditors' remuneration	776	909
Accruals for employee benefit expenses	3,020	3,479
Accruals for professional fees	45	222
Other accruals	305	482
Deposits received from customers	689	533
Contract liabilities	502	220
	<u>12,394</u>	<u>20,097</u>
Non-current portion		
Other payables	<u>1,347</u>	<u>1,373</u>

17 TRADE PAYABLES

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Trade payables		
To related parties	695	8,341
To third parties	67,469	100,452
	<u>68,164</u>	<u>108,793</u>

The trade payables are interest free and with normal credit terms up to 30 days (31 December 2023: up to 30 days).

At 30 June 2024 and 31 December 2023, the ageing analysis of trade payables, based on invoice date, was as follows:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
1 to 3 months	65,397	107,210
Over 3 months	2,767	1,583
	<u>68,164</u>	<u>108,793</u>

18 INTEREST-BEARING BORROWING

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
Interest-bearing borrowing – unsecured		
– Within one year	<u>33,588</u>	<u>33,440</u>

At 31 December 2023, the unsecured interest-bearing borrowing is wholly repayable within six months since its inception at a fixed interest rate of 8.0% per annum. The unsecured borrowing is borrowed from a financial institution which is an independent third party.

On 17 May 2024, the Group entered into a supplementary agreement with the financial institution, pursuant to which, both parties agreed to extend the maturity date of the unsecured interest-bearing borrowing for six months, from the original maturity date on 21 May 2024 to 20 November 2024. The principal amount remained at HKD36,800,000 (equivalent to approximately RMB33,588,000) with a fixed interest rate of 8.0% per annum.

19 LOAN FROM ULTIMATE HOLDING COMPANY

The loan from ultimate holding company is unsecured, interest free, repayable on demand and denominated in HKD.

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. We are also engaged in footwear business, including design, research and development, sourcing, merchandising, quality control and sales of shoes. The revenue from footwear business segment increased significantly during the Interim Period.

The Group’s revenue increased by approximately 480.9% from approximately RMB47.1 million for the six months ended 30 June 2023 to approximately RMB273.4 million for the Interim Period. The Group recorded a net loss of approximately RMB0.9 million for the Interim Period, representing a decrease of approximately 82.9% as compared with those for the six months ended 30 June 2023.

OUTLOOK AND BUSINESS STRATEGY

In the medium to long term, with the increasing environmental awareness and the determined implementation of “dual-carbon” goals, it is foreseeable that more environmental protection policies will be introduced in the PRC. All of these factors raise concerns about the prospects of our Group’s lace manufacturing and dyeing business. In light of the explosive growth in the footwear business, our Group will gradually reduce investment of further resources in the lace manufacturing and dyeing business and shift focus to the footwear business. The Group continues to invest more resources in footwear business to catch up with the fashion trend and market demand in order to strive for more customers and orders. We believe that these actions will enable us to reduce the risk of the Group and contribute positively to our Group’s future earnings and improve the financial position of our Group.

Going forward, we will adopt a prudent approach to run our existing business and actively identify potential business opportunities that are in the interests of the Company and its shareholders. We will continue to enhance our production efficiency and reduce our operating cost; comply with environmental protection policies; and strengthen our research and development capability and quality control.

FINANCIAL REVIEW

Revenue

The Group derives its revenue from (i) dyeing services; (ii) manufacturing and sales of lace; and (iii) footwear business. The revenue from footwear business maintains a significant growth in the Interim Period.

Revenue by product types

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Dyeing	31,656	11.6	21,803	46.4
Lace				
– High density	2,552	0.9	3,908	8.3
– Regular density	4,790	1.8	7,968	16.9
Sub-total	7,342	2.7	11,876	25.2
Footwear	234,399	85.7	13,386	28.4
Total	273,397	100.0	47,065	100.0

Revenue by operating geographical regions

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Mainland China and Hong Kong	273,397	100.0	47,065	100.0

Dyeing

The dyeing revenue increased by approximately 45.2% from approximately RMB21.8 million for the six months ended 30 June 2023 to approximately RMB31.7 million for the Interim Period, primarily due to the higher order volume from customers.

Lace

The Group's lace products are classified into (i) regular density lace, and (ii) high density lace. The lace revenue decreased by approximately 38.2% from approximately RMB11.9 million for the six months ended 30 June 2023 to approximately RMB7.3 million for the Interim Period, primarily due to a lower consumption of our high-end lace products.

Footwear

The Group's revenue arising from footwear business increased from approximately RMB13.4 million for the six months ended 30 June 2023 to approximately RMB234.4 million for the Interim Period mainly due to the contribution from a new customer.

Gross profit/(loss)

The Group recorded a gross profit of approximately RMB28.2 million for the Interim Period as opposed to the gross loss of approximately RMB1.4 million for the six months ended 30 June 2023, which was mainly due to the considerable growth in footwear business.

Other income

Other income increased from approximately RMB0.3 million for the six months ended 30 June 2023 to approximately RMB0.9 million for the Interim Period.

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 RMB2.8 million for the Interim Period (six months ended 30 June 2023: approximately RMB2.4 million).

Selling and distribution expenses

Selling and distribution expenses primarily consist of packaging expenses, commission and staff cost in relation to sales and marketing staff. Selling and distribution expenses increased to approximately 23.7 times from approximately RMB0.7 million for the six months ended 30 June 2023 to approximately RMB16.2 million for the Interim Period, which was in line with the increase in revenue from footwear business.

Administrative expenses

Administrative expenses mainly consist of employment benefit expenses, professional fee, utilities and office expenses. Administrative expenses increased from approximately RMB6.8 million for the six months ended 30 June 2023 to approximately RMB16.1 million for the Interim Period due to the increased headcount for the footwear business.

Finance costs/(income), net

Net finance costs for the Interim Period was approximately RMB0.1 million, as opposed to the net finance income of approximately RMB1.1 million for the corresponding period in 2023, primarily attributable to the increase in interest expenses on interest-bearing borrowing.

Income tax expenses/(credit)

The income tax expense was approximately RMB0.3 million for the Interim Period, as opposed to the income tax credit of approximately RMB3,000 for the corresponding period in 2023 which was mainly due to the profit-making position of the footwear business for the Interim Period.

Net loss for the period

As a result of the above factors, the Group recorded a net loss of approximately RMB0.9 million for the Interim Period representing a decrease of approximately 82.9% as compared with those for the corresponding period in 2023.

Dividends

The Board does not recommend the payment of dividend for the Interim Period (six months ended 30 June 2023: Nil).

LIQUIDITY, CAPITAL RESOURCES AND GEARING

Net current assets

The Group had net current assets of approximately RMB195.2 million at 30 June 2024 (31 December 2023: approximately RMB191.4 million). The current ratio of the Group increased from approximately 2.1 times at 31 December 2023 to approximately 2.6 times as at 30 June 2024.

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.

At 30 June 2024, the Group had cash and cash equivalents of approximately RMB212.4 million (31 December 2023: approximately RMB269.0 million) and they were denominated in RMB, USD and HKD.

At 30 June 2024, the Group had borrowings of approximately RMB37.2 million (31 December 2023: approximately RMB36.9 million).

At 30 June 2024 and 31 December 2023, the Group had no undrawn banking facilities.

At 30 June 2024 and 31 December 2023, the Group did not have any assets pledged as securities.

Gearing ratio

At 30 June 2024, the Group had a gearing ratio of 0.1 (31 December 2023: 0.1), calculated by dividing total debt (borrowings and lease liabilities) by total equity.

Capital structure

At 30 June 2024, 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 incurred cash flows on capital expenditure for the purchase of equipment and intangible assets in the amount of approximately RMB1.4 million (six months ended 30 June 2023: approximately RMB1.7 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

At 30 June 2024, the Group had capital commitments of approximately RMB0.1 million in relation to the purchase of property, plant and equipment (31 December 2023: approximately RMB0.2 million).

CONTINGENT LIABILITIES

At 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: 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.

At 30 June 2024, the Group had 472 employees (31 December 2023: 527 employees) and the Group's total employee benefit expenses (including directors' emoluments) for the Interim Period amounted to approximately RMB26.1 million (six months ended 30 June 2023: approximately RMB13.5 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, 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.

CHANGE IN USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the global offering of ordinary shares (the “**Net Proceeds**”), after deducting underwriting commission and other relevant expenses, were approximately HKD85.6 million. At 30 June 2024, the Group utilized approximately HKD68.7 million of the Net Proceeds and the remaining unutilized amount is approximately HKD16.9 million (the “**Unutilized Net Proceeds**”), among of which (i) approximately HKD11.2 million was originally allocated for expanding dyeing service capacity and enhancing efficiency by way of upgrading, replacing and acquiring machineries and facilities; and (ii) approximately HKD5.7 million was originally allocated for the ancillary equipment in relation to the system of natural gas boiler.

After careful consideration and detailed evaluation of the factors set out in the paragraph headed “REASONS FOR THE CHANGE IN USE OF PROCEEDS” below and the current operation of the Group, the Board has resolved to reallocate the Unutilized Net Proceeds of approximately HKD16.9 million for repayment of interest-bearing borrowing on or before 31 December 2024. The following table summarizes the utilization of the Net Proceeds at 30 June 2024 and the proposed change in the Unutilized Net Proceeds.

Planned use of Net Proceeds	Planned use of Net Proceeds HKD million	Net proceeds used at 1 January 2024 HKD million	Net proceeds used for the Interim Period HKD million	Unutilized Net Proceeds at 30 June and 28 August 2024 HKD million	Re-allocation of the Unutilized Net Proceeds at 28 August 2024 HKD million
Expand dyeing service capacity and enhance efficiency by way of upgrading, replacing and acquiring machineries and facilities	49.9	38.7	–	11.2	–
Strengthen research and development capability and quality control for dyeing services	3.4	3.4	–	–	–
Replace a coal-burning-boiler by a natural-gas-boiler	13.6	7.9	–	5.7	–
Expand integrated enterprise planning resource system	0.9	0.9	–	–	–
Repay interest-bearing borrowing	9.5	9.5	–	–	16.9
General working capital	8.3	8.3	–	–	–
	<u>85.6</u>	<u>68.7</u>	<u>–</u>	<u>16.9</u>	<u>16.9</u>

The Unutilized Net Proceeds have been placed with licensed banks in Hong Kong at 28 August 2024 and is expected to be fully utilized on or before 31 December 2024.

REASONS FOR THE CHANGE IN USE OF PROCEEDS

During the year ended 31 December 2023, the revenue from provision of dyeing services was approximately RMB53.3 million, representing a decrease of approximately RMB2.8 million as compared to that of the year ended 31 December 2022. The decline in the revenue is due to the decrease in orders from customers, During the Interim Period, although the revenue from provision of dyeing services rebounded to approximately RMB31.7 million, the Group is encountering difficulties to secure stable volume of orders from customers due to the weak market demand of dyeing services. Moreover, the revenue from manufacturing of lace was approximately RMB20.7 million during the year ended 31 December 2023, representing a decrease of approximately RMB6.1 million as compared to that for the year ended 31 December 2022. The revenue for the Interim Period further reduced to approximately RMB7.3 million as compared to that for the first six months of 2023 of approximately RMB11.9 million due to a lower consumption of high-end lace products. The customer demand of dyeing services and lace products is still recovering and has not yet returned to the level before the pre-pandemic years. The Board has reviewed the utilization rate of dyeing production lines and the lace weaving production lines which have not been fully utilized. Having considered the potential order pipelines of lace products and dyeing services, the recent low utilization rate of production lines and the weakened market demand of lace products in the PRC, the Board considers that the Group should take a prudent approach to expand and enhance the production lines which have been sufficient to support the anticipated customer orders. On the other hand, the Group has spent approximately HKD7.9 million for constructing a system of natural-gas-boiler. According to the current production scale, the energy consumption and the fuel cost of natural gas and coal, the Board considers that the existing boiler system has been sufficient to maintain the upcoming production volume of the Group and there is no urgency to further increase the power generation capacity of the boiler system.

The Board believes that reallocating the Unutilized Net Proceeds of approximately HKD16.9 million from the originally intended usage to repay interest-bearing borrowing will reduce the Group's finance cost burden and improve the overall financial debt position. The Board is of the view that the proposed change in use of the Unutilized Net Proceeds will not have any material adverse impact on the existing business and operation of the Group and is in the interests of the Group and the shareholders of the Company as a whole.

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.

At 30 June 2024 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.

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 Audit Committee has reviewed 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 with the management of the Company.

AUDITOR

Forvis Mazars CPA Limited (formerly known as Mazars CPA Limited), 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 Appendix C1 of 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 C3 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, 28 August 2024

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