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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)**

### **CONTINUING CONNECTED TRANSACTIONS ENTERING INTO THE FRAMEWORK AGREEMENT**

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



#### **ENTERING INTO THE FRAMEWORK AGREEMENT**

The Board hereby announces that, on 10 July 2023 (after trading hours), the Company and Mr. Tsoi entered into the Framework Agreement, 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, subject to early termination by any party therein giving at least three months' prior written notice to the other party.

The 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.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, 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.

## **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).

The Independent Board Committee of the Company will advise the Independent Shareholders on the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps). Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps).

A circular containing, inter alia, further details regarding the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps), a letter from the Independent Board Committee, a letter from Octal Capital, together with a notice to convene the EGM to approve the conduct of the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps) will be issued by the Company and despatched to the Shareholders on or before 31 July 2023.

## **INTRODUCTION**

The Board hereby announces that, on 10 July 2023 (after trading hours), the Company entered into the Framework Agreement with Mr. Tsoi.

## **FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are summarised below:

### **Date**

10 July 2023

### **Parties**

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

## **Nature of transactions**

Subject to the fulfillment of the condition 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 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.

## **Condition 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 from time to time and as necessary.

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.

### **Proposed 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:

	<b>For the six months ending 31 December 2023 (HK\$'Million)</b>	<b>For the year ending 31 December 2024 (HK\$'Million)</b>	<b>For the year ending 31 December 2025 (HK\$'Million)</b>
Proposed Annual Caps	78.2	164.2	172.5

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.

## INFORMATION ON THE PARTIES

### The Company

The Company is an investment holding company. The Company's subsidiaries are primarily engaged in (i) manufacturing of lace and provision of dyeing services; and (ii) sales of shoes.

### Mr. Tsoi and Mr. Tsoi's Associated Companies

Mr. Tsoi is an executive Director, chairman of the Board and a controlling shareholder of the Company. Mr. Tsoi's Associated Companies include but not limited to (i) 莆田啟明鞋業有限公司(Putian Qiming Shoes Co., Ltd.)\*(**"Putian Qiming"**); and (ii) QI HENG XIN FACTORY CO., LTD. (**"Qi Heng Xin"**).

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the date of this announcement:

- (i) Putian Qiming, a private limited company incorporated in the PRC on 31 January 2000, is principally engaged in the manufacture, retailing 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 Hong Kong private company limited by shares and is directly wholly-owned by Ms. Tsoi Wing Yuet Willy (the sister of Mr. Tsoi); and
- (ii) Qi Heng Xin, a company incorporated in Cambodia on 17 January 2023 with limited liability, is principally engaged as a shoes and bags manufacturer, 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.

## 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:

- (1) all purchase orders shall be reviewed and approved by the merchandising department and other relevant department(s) and personnel of the Group to ensure that the terms are in compliance with the Framework Agreement under which the transactions are entered into, and in this connection, the relevant departments and personnel must be satisfied that (i) the pricing policies and internal procedures adopted by the Group have been

fully complied with; (ii) each transaction thereunder is on normal commercial terms; (iii) the purchase price of the relevant products from Mr. Tsoi's Associated Companies are no less favourable than the prices at which such products are offered to the Group by Independent Third Parties; and (iv) the proposed Annual Caps have not been and will not be exceeded having taking into account the details of the relevant purchase orders;

- (2) 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 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. 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;
- (3) 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;
- (4) 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
- (5) 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.

## **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 reputation and years of manufacturing experience of Mr. Tsoi and the production capabilities of Mr. Tsoi's Associated Companies; (iv) the transportation networks surrounding Mr Tsoi's Associated Companies' production facilities are well-developed; (v) 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; and (vi) the Group's strategic decision to enhance its supply chain resilience 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, the Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be sent to the Shareholders) 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.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, 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, therefore, 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.

## **GENERAL INFORMATION**

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).

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 and his associates 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 and his associates, 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 Independent Board Committee of the Company will advise the Independent Shareholders on the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps). Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps).

A circular containing, inter alia, further details regarding the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps), a letter from the Independent Board Committee, a letter from Octal Capital, together with a notice to convene the EGM to approve the conduct of the transactions contemplated under the Framework Agreement (including the relevant proposed Annual Caps) will be issued by the Company and despatched to the Shareholders on or before 31 July 2023.



## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meaning respectively ascribed below:

“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“Annual Caps”	the proposed annual caps contemplated under the Framework Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 (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
“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
“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
“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”	(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  (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.
“PRC”	the People’s Republic of China, which shall for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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.

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

Hong Kong, 10 July 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 purpose only