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UNIVERSAL STAR (HOLDINGS) LIMITED

星宇(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2346)

PROFIT WARNING

This announcement is made by Universal Star (Holdings) Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary assessment of the unaudited consolidated management accounts of the Group and the information currently available to the Company for the year ended 31 December 2020 (the “**Year**”), the Group is expected to record a consolidated profit attributable to shareholders (the “**Net Profit**”) of approximately RMB 20.2 million for the Year, which is a decrease of approximately 62% as compared to a net profit of approximately RMB52.6 million for the corresponding period in 2019.

The decrease in net profit for the Year is mainly due to (i) the decline in demand from the Group’s customers, which had a material adverse impact on the Group’s revenue, influenced by the outbreak of the Coronavirus (COVID-19); (ii) the increase of the Group’s raw material procurement costs as a result of sharp increase in the price of rare earth materials, which led to the decrease in gross profit margin; and (iii) the Group invested in its Research and Development (“**R&D**”) projects which resulted in the increase in R&D expenses, in order to further strengthen its product competitiveness in the market.

The Group has been closely monitoring the operation and market situation and made adjustments to its business strategies in due course. During the Year, the Group increased its development in overseas market and introduced to international high-end customers, which has greatly increased the proportion of its export sales to about 10% of the total revenue.

The Company is still in the process of preparing and finalising the annual results of the Group for the Year. This announcement is only a preliminary assessment by the Board based on the information currently available, and the annual results of the Company are still subject to review by the auditor and the audit committee of the Company, and may be subject to amendments. The results may be different from the current preliminary assessment by the Board. Details of the Group’s annual results for the Year are expected to be published by the end of March 2021.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Universal Star (Holdings) Limited
Lyu Zhufeng
Chairman, CEO and Executive Director

Hong Kong, 5 March 2021

As at the date of this announcement, the Board comprises Mr. Lyu Zhufeng as the executive Director; Mr. Lu Qingxing as the non-executive Director; and Mr. Yan Aru, Mr. Lee Ming Tak and Mr. Tsang Chun Yiu as the independent non-executive Directors.