UNIVERSAL STAR (HOLDINGS) LIMITED
星宇(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2346)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB112.4 million, representing a decrease of approximately 26.8% as compared to the same period of last year.
- Gross profit of the Group amounted to approximately RMB19.5 million, representing a decrease of approximately 49.9% as compared to the same period of last year.
- Profit attributable to the shareholders of the Company was approximately RMB5.4 million, representing a decrease of approximately 88.6% as compared to the same period of last year.
- Basic earnings per share was approximately RMB0.011.
- The Board did not recommend the payment of interim dividend for the six months ended 30 June 2021.

The board (the "**Board**") of directors (the "**Directors**") of Universal Star (Holdings) Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020. The unaudited condensed consolidated interim financial statements have not been audited or reviewed by the Company's auditor, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**112,449**	153,537
Cost of sales		**(92,919)**	(114,575)
Gross profit		**19,530**	38,962
Other income and other net gains	*6*	**207**	47,497
Selling and distribution expenses		**(810)**	(1,628)
Administrative expenses		**(13,165)**	(25,092)
Expected credit loss on financial assets		**(2,744)**	(2,218)
Finance costs	*7*	**(873)**	(799)
Profit before income tax expense	*8*	**2,145**	56,722
Income tax expense	*9*	**3,233**	(9,642)
Profit for the period		**5,378**	47,080
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations outside the People's Republic of China ("**PRC**")		**(2,903)**	(45)
Other comprehensive income for the period	*10*	**(2,903)**	(45)
Total comprehensive income for the period		**2,475**	47,035
Earnings per share			
Basic and diluted	*12*	**RMB1.1 cents**	RMB9.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	**133,806**	132,871
Prepayments		**175**	6,766
Deferred tax assets		**2,309**	974
		136,296	140,611
Current assets			
Inventories		**56,172**	36,661
Trade receivables	*14*	**218,227**	169,825
Deposits, prepayments and other receivables	*15*	**3,700**	4,377
Tax recoverable		**2,412**	2,776
Cash and cash equivalents		**78,182**	119,229
		358,693	332,868
Current liabilities			
Trade payables	*16*	**18,856**	11,318
Accruals and other payables	*17*	**44,272**	47,485
Lease liabilities		**351**	341
Income tax payable		**2,223**	–
Borrowings	*18*	**26,000**	26,000
		91,702	85,144
Net current assets		**266,991**	247,724
Total assets less current liabilities		**403,287**	388,335
Non-current liabilities			
Deferred tax liabilities		**10,845**	10,542
Lease liabilities		**373**	551
		11,218	11,093
Net assets		**392,069**	377,242
EQUITY			
Share capital and reserves			
Share capital	*19*	**46,466**	43,024
Reserves		**345,603**	334,218
Total equity		**392,069**	377,242

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1 GENERAL INFORMATION

Universal Star (Holdings) Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Laws Chapter 22 of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 May 2019. The address of the Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is located at the PRC.

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are production and sales of sintered NdFeB magnetic materials, also known as neodymium magnet.

At the date of this announcement, in the opinion of the directors (the "**Directors**") of the Company, the Company's ultimate holding company is Amer Holdings Group Company Limited*, a company incorporated in the PRC with limited liability.

2 BASIS OF PREPARATION AND PRESENTATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirement of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These condensed consolidated financial statements were approved for issue by the board (the "**Board**") of Directors on 30 August 2021.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2020 annual consolidated financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2021. Details of any changes in accounting policies are set out in note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") have no material effect on these condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

The measurement basis used in the preparation of the condensed consolidated financial statements is the historical cost basis. These condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated. Items included in the condensed consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company and certain of its subsidiaries is Hong Kong dollars ("**HK$**"). As the major operations of the Group are within the PRC, the Group presents its consolidated financial statements in RMB, unless otherwise stated.

These condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. These condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2020 consolidated financial statements.

3 ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new/revised HKFRSs — effective 1 January 2020

The Group has applied for the first time the following new and revised standards and interpretation ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning on or after 1 January 2020.

HKAS1 and HKAS 8 Amendments	Definition of Material
HKFRS 3 Amendments	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 Amendments	Interest Rate Benchmark Reform — Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New standards, interpretations and amendments not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for annual reporting periods beginning on or after
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
Amendment to HKFRS 16	COVID-19 related rent concessions	1 June 2020
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Amendments	Interest Rate Benchmark Reform — Phase 2	1 January 2021
HKAS 16 Amendments	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
HKAS 37 Amendments	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
HKFRSs Amendments 2018-2020	Annual Improvements to HKFRSs	1 January 2022
HKAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023

* The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2019.
The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Directors do not anticipate that the application of the new and revised HKFRSs will have material impact on the Group's consolidated financial statements and/or the disclosures to the Group's consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual financial statements.

5 REVENUE AND SEGMENT REPORTING

The executive Director has been identified as the chief operating decision-maker of the Group ("**CODM**") who reviews the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in the production and sales of sintered NdFeB magnetic materials. The CODM assess performance of the operation based on a measure of operating results and considers the operation in a single operating segment. Information reported to the CODM for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — production and sales of sintered NdFeB magnetic materials (finished products and rough cast products).

(i) Information about major customers

No individual external customers accounted for 10% or more of the Group's revenue for each of the six months ended 30 June 2021 and 2020.

(ii) Geographical information

The Group's revenue from external customers are divided into the following geographical location of customers:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC (place of domicile)	**111,296**	148,687
Asia Pacific (exclusive of the PRC)	**1,153**	4,850
	112,449	153,537

The Group's non-current assets are all located in the PRC.

(iii) Disaggregation of revenue

All the Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical markets, major products and timing of revenue recognition.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Primary geographical markets		
The PRC	**111,296**	148,687
Asia Pacific (exclusive of the PRC)	**1,153**	4,850
	112,449	153,537
Major products		
Finished products	**92,724**	129,452
Rough cast products	**19,725**	24,085
	112,449	153,537
Timing of revenue recognition		
Product transferred at a point in time	**112,449**	153,537

6 OTHER INCOME AND OTHER NET GAINS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**171**	192
Exchange losses, net	**(8)**	(7)
Government grants *(Note)*	**–**	19,045
Rental income generated from investment properties	**–**	281
Gain on disposal of property, plant and equipment and investment properties	**44**	28,162
Other net losses	**–**	(176)
	207	47,497

Note: Government grants mainly comprised of subsidy related to the Group's innovation projects, award for industrial development, award for the listing of the Company and relocation compensation. There are no unfulfilled conditions or contingencies attaching to these grants.

7 FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest charge on borrowings	**851**	776
Interest on lease liabilities	**22**	23
	873	799

8 PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging the following:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	**92,919**	114,575
Research and development expenditure	**3,411**	14,684
Depreciation charge:		
— Owned property, plant and equipment	**5,530**	5,283
— Right-of-use-assets included within:		
— Land and buildings	**314**	608
Low-value assets leases expenses	**113**	9
Staff costs (including Directors' emoluments):		
— Salaries, wages and other benefits	**6,928**	9,874
— Retirement scheme contribution	**832**	191
	7,760	10,065

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Tax for the current period	**2,223**	9,877
Overprovision in prior period	**(4,424)**	(358)
Deferred tax		
Charged to profit or loss for the period	**(1,032)**	123
	(3,233)	9,642

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the BVI.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

Under the PRC Corporate Income Tax Law (the "**CIT Law**"), which became effective on 1 January 2008, the Group's PRC entities are subject to income tax at a rate of 25%, unless otherwise specified.

10 OTHER COMPREHENSIVE INCOME

	Before-tax amount	**Tax effect**	**Net-of-tax amount**
	RMB'000	***RMB'000***	***RMB'000***
Six months ended 30 June 2021 (Unaudited)			
Exchange differences on translation of operations outside the PRC	**2,903**	**–**	**2,903**
Other comprehensive income	**2,903**	**–**	**2,903**

	Before-tax amount	Tax effect	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2020 (Unaudited)			
Exchange differences on translation of operations outside the PRC	(45)	–	(45)
Other comprehensive income	(45)	–	(45)

11 DIVIDENDS

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

12 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share *(RMB'000)*	**5,378**	47,080
Number of shares		
Weighted average number of ordinary shares *(note)*	**513,760,667**	500,000,000

Note:

For the six months ended 30 June 2021, the calculation of basic earnings per share is based on the profit attributable to the owners of the Company of RMB5,378,000 and the weighted average number of 513,760,667 ordinary shares.

For the six months ended 30 June 2020, the calculation of basic earnings per share is based on the profit attributable to the owners of the Company of RMB47,080,000 and the weighted average number of 500,000,000 ordinary shares.

Diluted earnings per share are same as the basic earnings per share as there is no dilutive potential ordinary shares in existence during the six months ended 30 June 2021 and 2020.

13 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

The Group has no new lease agreement during the six months ended 30 June 2021. During the six months ended 30 June 2020, the Group has entered into several leases for office. Right-of-use assets amounted to approximately RMB1,200,000 has been recognised for the current period.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group incurred expenditures on additions to property, plant and equipment with a total cost of RMB7,202,000 (six months ended 30 June 2020: RMB4,370,000).

The Group disposed certain of its property, plant and equipment with a carrying amount of approximately RMB1,199,000 which resulted in a disposal profit of approximately RMB44,000 for the six months ended 30 June 2021. The Group disposed certain of its property, plant and equipment with a carrying amount of approximately RMB542,000 which resulted in a disposal loss of approximately RMB478,000 for the six months ended 30 June 2020.

At 30 June 2021 and 31 December 2020, land and buildings with carrying amounts of RMB79,197,000 and RMB81,368,000, respectively were pledged as collateral for the Group's bank borrowings (see Note 18).

14 TRADE RECEIVABLES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**227,463**	176,327
Less: allowance for impairment of trade receivables	**(9,236)**	(6,502)
	218,227	169,825

All of the trade receivables are expected to be recovered within one year.

The Group allows credit periods ranging from 30 to 210 days (31 December 2020: 30 to 210 days) to its customers. Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit term granted to customers is reviewed regularly.

The ageing analysis of trade receivables at the end of each reporting period, net of impairment losses, based on invoice date is as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**27,248**	13,447
31–60 days	**26,916**	12,107
61–90 days	**19,754**	14,744
Over 90 days	**144,309**	129,527
	218,227	169,825

The Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Deposits	**–**	56
Prepayments	**77**	121
Other receivables	**3,623**	4,200
	3,700	4,377

16 TRADE PAYABLES

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Trade payables	**18,856**	11,318

The credit terms of trade payables vary according to the terms agreed with different suppliers, normally range from 30 days to 60 days. Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at 30 June 2021 and 31 December 2020 as follows:

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
0–30 days	**18,856**	4,537
31–90 days	**–**	1
Over 90 days	**–**	6,880
	18,856	11,318

The trade payables are short-term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

17 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Salaries payables	**922**	1,591
Accruals and other payables	**35,547**	41,525
Amount due to a director *(note)*	**6,883**	3,946
Financial liabilities measured at amortised cost	**43,352**	47,062
Other tax payables	**922**	423
	44,274	47,485

Note: The amount due to a director was not trade related, and the balance was unsecured, interest-free and repayable on demand.

18 BORROWINGS

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Bank borrowings:		
— Secured (ii), (iii) & (iv)	**26,000**	26,000

Total bank borrowings were scheduled to repay as follows:

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
On demand or within 1 year	**26,000**	26,000
	26,000	26,000

(i) The interest rate of the bank borrowings was 5.87% per annum for the six months ended 30 June 2021 and the variable interest rates of the bank borrowings was 5.87% for the year ended 31 December 2020.

(ii) The secured bank borrowings are secured by the assets of the Group, the carrying amounts of the assets are as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Land and buildings	**79,197**	81,368
	79,197	81,368

(iii) As at 30 June 2021 and 31 December 2020, guarantees were provided by the original controlling shareholders and their family members for the bank borrowings.

(iv) All the bank borrowings were denominated in RMB.

(v) A summary of facilities granted by banks and the amounts utilised by the Group at 30 June 2021 and 31 December 2020 set out below:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amounts granted	**26,000**	26,000
Amounts utilised	**26,000**	26,000

The securities of the banking facilities were the same as mentioned in (ii).

19 SHARE CAPITAL

The Company	As at 30 June 2021		As at 31 December 2020	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		RMB'000		*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Authorised:				
Initial authorised share capital upon incorporation of HK$0.1 each	**1,000,000,000**	**85,560**	1,000,000,000	85,560
Increase in share capital upon capitalisation of HK$0.1 each	**–**	**–**	–	–
	1,000,000,000	**85,560**	1,000,000,000	85,560
Issued and fully paid share of HK$0.1 each				
At 1 January	**500,000,000**	**43,024**	500,000,000	43,024
Issue of ordinary shares upon capitalisation	**–**	**–**	–	–
Issue of ordinary shares upon placing	**41,282,000**	**3,442**	–	–
At 30 June 2021/31 December 2020	**541,282,000**	**46,466**	500,000,000	43,024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND INDUSTRY REVIEW

The Group is a sintered NdFeB magnetic material ("**SNPM**") manufacturer and supplier in the People's Republic of China (the "**PRC**"). NdFeB magnet, also known as neodymium magnet, is a permanent magnet that is mainly made from an alloy of neodymium, iron and boron. Sintered NdFeB magnets are manufactured by the technology of sintering, a process of magnetically aligning alloy powder into dense blocks through heat or pressure. The Group is principally engaged in the design, development, production and sale of sintered NdFeB magnetic materials. The Group's products can be assembled with different motors and/or electronic products which can then be used in end-use industries such as electroacoustic products, variable-frequency home appliances, energy-saving elevators, wind turbine generators, industrial robots and new energy vehicles.

In the first half of 2021, the Group recorded revenue of approximately RMB112.4 million, down by approximately 26.8% compared to the same period last year. The decrease is primarily due to the decline in demand from the Group's customers, which had a material adverse impact on the Group's revenue, affected by the outbreak of the Coronavirus Disease 2019 ("**COVID-19**"). Furthermore, the increase of the Group's raw material procurement costs as a result of sharp increase in the price of rare earth materials led to a decrease in gross profit margin. The Group will continue to implement appropriate disease prevention and control measures, timely assess and actively respond to the development of the disease, and minimize the adverse impact of the epidemic on the Group's production and operation. The profit attributable to owners of the Company was approximately RMB5.4 million, representing a year-on-year decrease of approximately 88.6% as compared to approximately RMB47.0 million for the corresponding period in 2020.

In the past six months, the sluggish market condition caused by the COVID-19 has adversely impacted the national and even global economy. The Group nor its related upstream and downstream enterprise groups are spared neither. The downstream terminals of rare earth permanent magnetic materials are industries associated with long industrial chains and long payment terms. Therefore, when the outbreak of the epidemic caused the suspension of work and production of the manufacturing industry, it put pressure on the supply chain and production levels. The management of the Group actively responded to the outbreak and made every effort to reduce the adverse impact of the epidemic on the Group's production and sales. At the same time, the Group supports the local fight against the epidemic through donations and donation of supplies, and actively fulfills its corporate social responsibility.

PROSPECT

The impact of the epidemic on the economy is short-lived, the development direction of the industry is, however, clear and the national policies support the development of the high-performance NdFeB permanent magnets. The National Development and Reform Commission further clarified the scope of the concept "new infrastructure". Compared with traditional infrastructures, "new infrastructure" is a new type of infrastructure construction that focuses on science and technology and digitization of information. It mainly includes seven fields: 5G infrastructure, ultra high voltage, inter-city high speed railway and urban rail transit, new energy vehicle charging piles, big data centres, artificial intelligence, and industrial internet. Practitioners of the industry are of the opinion that the construction of 5G base station, wind power development, permanent-magnetic electric motor, new energy vehicles and other "new infrastructure" construction will promote the development of the rare earth industry. It is expected that during the "14th Five Year Plan" period, with the successive implementation of national strategies for instance "Internet Plus" and the accelerated development of emerging industries for instance intelligent manufacturing, new energy vehicles, industrial robots and 3D printing, rare earth magnetic materials will have a broader room for application and development.

In light of the development of the industry and the national development policy, and in order to grasp new opportunities and meet future challenges, the Group's development priorities for the second half of the year include the following:

1. Further optimize the production process and improve production techniques. The Group will strengthen the research and development of new production technologies, research and development of low-heavy/free-heavy rare earth permanent magnetic materials, and the development of new molding processes to improve product performance.

2. The Group will deepen the relationship between users of high-end products, especially cooperating with overseas high-quality customers, in order to gain more market share and optimize the business structure. Following the development direction of the Chinese government and responding to the country's new infrastructure and concept of energy conservation and environmental protection, the Group will actively promote the movement of permanent magnetic material products to high-end level and accelerate the downward extension of the industrial chain.

3. The Group will seek for potential upstream and downstream merging and acquisition opportunities and explore the possibility of vertical integration of the industrial chain. Upstream development can better ensure the supply of raw materials and to a certain extent diversify business risks caused by fluctuations in raw material costs.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2021 (the "**Period under Review**") amounted to approximately RMB112.4 million, representing a decrease of approximately RMB41.1 million, or approximately 26.8% compared to approximately RMB153.5 million for the six months ended 30 June 2020. The decrease in revenue was mainly attributable to the decrease in sales orders from customers. The following table sets out a breakdown of revenue by series of products and its percentage of the total revenue during the Period under Review:

		Six months ended 30 June			
		2021		2020	
			Approximate		*Approximate*
		RMB'000	***%***	*RMB'000*	*%*
		(unaudited)		(unaudited)	
Finished Products					
Low-end:	N series	**19,250**	**17.1**	15,610	10.2
Middle-end:	M series	**1,984**	**1.8**	1,155	0.8
	H series	**4,956**	**4.4**	15,457	10.0
High-end:	SH series	**37,578**	**33.4**	63,186	41.1
	UH series	**24,492**	**21.8**	31,944	20.8
	EH series	**104**	**0.1**	1,994	1.3
Others	–	**4,360**	**3.9**	106	0.1
Finished Products Total		**92,724**	**82.5**	129,452	84.3
Rough Cast Products					
Low-end:	N series	**19,725**	**17.5**	21,382	13.9
Middle-end:	M series	**–**	**–**	362	0.2
	H series	**–**	**–**	681	0.5
High-end:	SH series	**–**	**–**	1,357	0.9
	UH series	**–**	**–**	303	0.2
Rough Cast Products Total		**19,725**	**17.5**	24,085	15.7
Total		**112,449**	**100.0**	153,537	100.0

As shown in the table above, the decrease in revenue was mainly attributable to the decrease in sale from H, SH and UH series of finished products. The decrease in orders was attributable to the outbreak of the COVID-19 and most customers such as high-end equipment manufacturers had delayed the resumption of work and production after the Chinese New Year holiday. The worldwide outbreak of COVID-19 has reduced the demands for consumer electronics and energy-saving home appliances which caused a decrease in sales of low-end SNPM products.

Gross profit and gross profit margin

The gross profit of the Group for the six months ended 30 June 2021 amounted to approximately RMB19.5 million, representing a decrease of approximately RMB19.4 million, or approximately 49.9% compared to approximately RMB39.0 million for the six months ended 30 June 2020, while the Group's gross profit margin for the six months ended 30 June 2021 was approximately 17.4%, representing a decrease of approximately 8.0 percentage points as compared to approximately 25.4% for the six months ended 30 June 2020. The decrease in gross profit and gross profit margin were mainly attributable to the increase in the price of raw materials and manufacturing costs for the six months ended 30 June 2021 compared with the same period in 2020.

Other income and other net gains

The other income and other net gains of the Group for the six months ended 30 June 2021 amounted to approximately RMB0.2 million, representing a decrease of approximately RMB47.3 million compared to approximately RMB47.5 million for the six months ended 30 June 2020. The decrease was mainly due to no government subsidies and gain on disposal of property, plant and equipment and investment properties were received and recognised as other income during the six months ended 30 June 2021, while government subsidies and gain on disposal of property, plant and equipment and investment properties of approximately RMB19.0 million and RMB28.2 million, respectively were recorded as other income for the six months ended 30 June 2020.

Selling and distribution expenses

Selling and distribution expenses amounted to approximately RMB0.8 million and RMB1.6 million for the six months ended 30 June 2021 and 2020, respectively. The decrease in selling and distribution expenses was in line with the decrease in revenue for the six months ended 30 June 2021. Selling and distribution expenses as a percentage of the revenue decreased from approximately 1.1% for the six months ended 30 June 2020 to approximately 0.7% for the six months ended 30 June 2021, since the management of the Company applied tight cost control in 2021 due to the impact of COVID-19.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 June 2021 amounted to approximately RMB13.2 million, representing a decrease of approximately RMB11.9 million or approximately 47.5% compared to approximately RMB25.1 million for the six months ended 30 June 2020. The decrease was mainly due to a decrease of approximately RMB12 million in research and development expenditures due to the decrease of sales.

Finance costs

The Group recorded approximately RMB0.9 million of finance costs for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately RMB0.8 million). The finance costs represent interest expenses of bank borrowing and interest expenses of lease liabilities.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately 88.6% from approximately RMB47.1 million for the six months ended 30 June 2020 to approximately RMB5.4 million for the six months ended 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB78.2 million (31 December 2020: approximately RMB119.2 million). The decrease was primarily due to the net cash used in operating activities.

For the first half year of 2021, the Company's net cash used in operating activities amounted to approximately RMB56.1 million, while the net cash used in operating activities amounted to approximately RMB41.8 million in the same period of the previous year. The increase in net cash used in operating activities was mainly due to changes in working capital.

For the first half year of 2021, the Company's net cash generated from investing activities amounted to approximately RMB0.4 million while the net cash generated from investing activities amounted to approximately RMB5.8 million in the same period of the previous year. The decrease in net cash generated from investing activities was mainly due to proceeds received and recognized resulting from disposal of property, plant and equipment for the six months ended 30 June 2020.

For the first half year of 2021, the Company's net cash generated from financing activities amounted to approximately RMB14.3 million, while the net cash generated from financing activities amounted to approximately RMB26.4 million in the same period of the previous year. The decrease in net cash generated from financing activities was mainly due to the proceeds from the issue of subscription shares in June 2020 were received and recognised during the six months ended 30 June 2020. However, as certain conditions precedent under the subscription have not been fulfilled, the subscription did not proceed. For further details, please refer to the announcements of the Company dated 10 June 2020, 10 July 2020 and 10 August 2020.

Current ratio increased from 3.90 as at 31 December 2020 to 3.91 as at 30 June 2021, mainly due to the increase in trade receivables and inventories. Gearing ratio increased from 25.5% as at 31 December 2020 to 26.3% as at 30 June 2021, mainly attributable to the increase in trade payables and income tax payable of the Group. The gearing ratio is calculated based on total debt divided by total equity at the end of the respective period.

The Directors believe that the Group is in a healthy financial position to expand its business and achieve its business objectives.

TREASURY POLICIES

The Group adopts a prudent financial management approach for its treasury policies. The Group strives to reduce its exposure to credit risks by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The functional currencies of the Group's operations, assets and liabilities are mostly denominated in RMB. Therefore, the Group was not exposed to any significant foreign exchange risk, except for its HK$ denominated bank balances. The Group currently does not have a foreign currency hedging policy. The Group did not engage in any derivatives agreements and did not commit to any financial instruments to hedge its foreign exchange exposure throughout the six months ended 30 June 2021. The management will closely monitor foreign currency exposure and will consider hedging significant foreign currency exposure should such need arises.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

PLEDGE OF ASSETS

For details of pledge of assets, please refer to note 18 to the condensed consolidated financial statements.

CAPITAL COMMITMENTS

The Group's capital commitments as at 30 June 2021 were approximately RMB1,231,000, which were relating to the purchase of property, plant and equipment related to its production facilities (31 December 2020: approximately RMB1,606,000).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group disposed certain of its property, plant and equipment with a carrying amount of approximately RMB1,199,000 which resulted in a disposal gain of approximately RMB44,000 for the six months ended 30 June 2021.

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021. As at 30 June 2021, the Group did not hold any significant investments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group has 173 employees (31 December 2020: 181 employees). Total staff costs (including Directors' emoluments) were approximately RMB7,760,000 for the six months ended 30 June 2021 (30 June 2020: RMB10,065,000). The employees of the Group are remunerated in accordance with their education background, position, experience and performance. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. Performance of individual employee is also reviewed periodically to determine adjustments to employee salaries. Apart from the provident fund scheme (operated in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to the assessment of individual performance. In addition, share options may be granted under the share option scheme of the Company to eligible employees on the basis of their individual performance to attract and retain talents to contribute the Group. The Group also provides various training to its employees.

The emoluments of the Directors are determined by the Board after recommendation from the remuneration committee of the Company, having considered factors including the Group's financial performance, educational background, qualifications, experience and performance of the Directors, etc.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 16 May 2019. Based on the offer price of HK$1.00 per offer share, the net proceeds received by the Company from the global offering, after deducting the underwriting fees and commissions and other offering expenses in relation to the global offering borne by the Company, were approximately HK$80.9 million. The Company will continue to apply the net proceeds in accordance with the manner disclosed in the prospectus of the Company dated 30 April 2019 ("**Prospectus**"). For further details of the listing, please refer to the Prospectus.

As at 30 June 2021, approximately HK$72.45 million of the net proceeds has been used by the Group. The unutilised proceeds were deposited with the licensed banks in Hong Kong and the PRC. The balance of the unutilised proceeds is expected to be utilised at the end of 2021. Set out below is a summary of the utilisation of the net proceeds:

	%	Original plan allocation of net proceeds *HK$ million*	Actual utilised amount as at 30 June 2021 *HK$ million*	Unutilised amount as at 30 June 2021 *HK$ million*
For the expansion of production capacity and the enhancement of operational efficiency	48.3	39.1	30.65	8.45
For modifying and optimising production process and technology, and implementing key research and development projects	17.4	14.1	14.1	–
For repayment of part of the borrowings	31.3	25.3	25.3	–
For working capital and general corporate purposes	3.0	2.4	2.4	–
	100.0	80.9	72.45	8.45

USE OF PROCEEDS FROM PLACING

Reference is made to the announcements of the Company dated 24 March 2021, 26 March 2021, 21 April 2021 and 29 April 2021. For the purpose of strengthening the Company's financial position and for business development, the Company entered into a placing agreement (the "**Placing Agreement**") with the placing agent, CNI Securities Group Limited (the "**Placing Agent**"), whereby the Company has conditionally agreed to place, through the Placing Agent, up to an aggregate of 100,000,000 Shares (the "**Placing Shares**") on a best effort basis to not less than six placees at a price of HK$0.37 per Placing Share pursuant to the terms and conditions of the Placing Agreement.

On 29 April 2021, the Placing Agent has successfully placed an aggregate of 41,282,000 Placing Shares to not less than six placees who are independent third parties of the Company at a price of HK$0.37 per Placing Shares. The net proceeds from the Placing (after deducting the relevant expenses) are approximately HK$14.6 million, representing a net issue price of approximately HK$0.354 per Placing Share. The net proceeds from the placing is for business development or investment purposes when opportunities arise, as well as for operating funds and general group purposes. The unutilized net proceeds up to 30 June 2021 amounted to approximately HK$0.5 million and is expected to be fully utilized in the end of December 2021.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the resolution of the then shareholders passed on 2 April 2019. The purposes of the Share Option Scheme are to enable the Group to provide rewards to selected participants for their contributions to the Group and to promote the success of the business of the Group. The Share Option Scheme will help motivate the participants to optimise their future contributions and attract and retain or otherwise maintain on-going relationships with the participants whose contributions are beneficial to the performance, growth or success of the Group.

No share option has been granted by the Company under the Share Option Scheme since its adoption and up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of the shareholders' value. The Company has adopted the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, Mr. Lyu Zhufeng has performed these two roles during the six months ended 30 June 2021. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of five Directors in the Board during the six months ended 30 June 2021, there is sufficient independent voice within the Board to protect the interests of the Company and its shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed above, the Board considers that, the Company has fully complied, to the extent applicable and permissible, with the code provisions set out in the CG Code during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2021.

REVIEW OF THE INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with the CG Code has been adopted. The Audit Committee comprises three members, all being non-executive Directors, namely Mr. Lai Wai Leuk (Chairman), Mr. Yan Aru and Mr. Zhang Jiantao, who together have sufficient accounting and financial management expertise and business experience to discharge their duties. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

EVENT AFTER THE END OF THE REPORTING PERIOD

On 13 July 2021, Ms. Liang Lixia has been appointed as an executive Director and chairlady of the Board, Mr. Zhang Jiantao has been appointed as a non-executive Director and Mr. Gong Peiyue has been appointed as an independent non-executive Director. Mr. Lyu Zhufeng has resigned as an executive Director and chairman of the Board. Mr. Lee Ming Tak has resigned as an independent non-executive Director. Mr. Leung Yiu Cho has been appointed as the company secretary of the Company and Ms. So Hiu Tung Miranda has resigned as the company secretary of the Company. For details please refer to the announcement of the Company dated 13 July 2021.

Save as disclosed above, there was no significant event that took place after 30 June 2021.

By Order of the Board
Universal Star (Holdings) Limited
Liang Lixia
Chairlady and Executive Director

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises Ms. Liang Lixia as the executive Director; Mr. Zhang Jiantao and Mr. Lu Qingxing as the non-executive Directors; and Mr. Yan Aru, Mr. Gong Peiyue and Mr. Lai Wai Leuk as the independent non-executive Directors.

* *The English translation of Chinese name in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese name.*