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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)

CONTINUING CONNECTED TRANSACTIONS ENTERING INTO SUPPLY FRAMEWORK AGREEMENT AND CONTINUED SUSPENSION OF TRADING

ENTERING INTO SUPPLY FRAMEWORK AGREEMENT

On 2 September 2022 (after trading hours of the Stock Exchange), Ningde Xingyu (an indirectly wholly-owned subsidiary of the Company) and Shenyang Zhongwei entered into the Supply Framework Agreement, pursuant to which, Ningde Xingyu agreed to supply and Shenyang Zhongwei agreed to procure raw materials of rare earth metals, auxiliary materials, magnetic materials and mechanical equipment.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Shenyang Zhongwei is indirectly wholly-owned by Zhengwei Holding, a substantial Shareholder. Therefore, Shenyang Zhongwei is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. In light of the above, the transactions contemplated under the Supply Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the annual caps for the supply of products contemplated under the Supply Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUPPLY FRAMEWORK AGREEMENT

On 2 September 2022 (after trading hours of the Stock Exchange), Ningde Xingyu (an indirectly wholly-owned subsidiary of the Company) and Shenyang Zhongwei entered into the Supply Framework Agreement.

The principal terms of the Supply Framework Agreement are set out below:

- Date:** 2 September 2022 (after trading hours of the Stock Exchange)
- Parties:** **Supplier:** Ningde Xingyu
Purchaser: Shenyang Zhongwei
- Subject Matter:** Ningde Xingyu, as a supplier, agreed to supply and Shenyang Zhongwei, as a purchaser, agreed to procure raw materials of rare earth metals, auxiliary materials, magnetic materials and mechanical equipment (“**Goods**”).
- Period:** From 2 September 2022 to 31 December 2024
- Purchase order:** Ningde Xingyu shall supply and Shenyang Zhongwei shall purchase the Goods at the price, specifications and delivery arrangement agreed in the purchase order to be placed by Shenyang Zhongwei pursuant to the Supply Framework Agreement from time to time.

Pricing basis:

The price of the Goods shall be determined after arm's length negotiation between Ningde Xingyu and Shenyang Zhongwei in accordance with normal commercial terms or no less favourable to the Group than the prevailing market price of the same or similar products supplied by Ningde Xingyu to at least two Independent Third Parties in the same or neighbouring regions based on normal commercial terms and in the ordinary and usual course of business of Ningde Xingyu. When determining and approving the price and terms of the supply of the Goods, Ningde Xingyu will consider, among others, product types, quality and quantity of products, labour costs, production costs, delivery time, transportation costs, any other factors that may affect the products' prices, and the historical price of Ningde Xingyu's products of similar types, quality, and quantity.

Ningde Xingyu shall from time to time refer to its other quotations provided to Independent Third Parties to ensure that the terms provided by Ningde Xingyu to Shenyang Zhongwei under the Supply Framework Agreement are on normal commercial terms and all terms, as a whole, will be no less favorable to the Group than those terms offered to Independent Third Parties.

Payment terms:

The amount payable shall be calculated in accordance with the actual amount purchased and shall be settled upon delivery of the Goods. Such amount shall be settled through bank transfer.

Delivery terms:

The delivery location shall be the location designated by Shenyang Zhongwei. The transportation costs for the delivery shall be borne by Ningde Xingyu.

THE ANNUAL CAPS AND BASIS OF DETERMINATION

Ningde Xingyu and Shenyang Zhongwei did not conduct any similar transactions as those under the Supply Framework Agreement in the past. Therefore, there is no historical transaction amount in this regard.

The annual caps for the maximum transaction amounts to be paid by Ningde Xingyu to Shenyang Zhongwei in respect of the purchase of the Goods under the Supply Framework Agreement for the period between 2 September 2022 to 31 December 2022 and the two years ending 31 December 2023 and 2024 are RMB1.6 million, RMB2.8 million and RMB2.8 million, respectively.

The annual caps have been determined with reference to, amongst other things:

- (i) the historical transaction amounts in relation to the purchase of products similar to the Goods from Independent Third Parties by Shenyang Zhongwei;
- (ii) Shenyang Zhongwei's estimated demand for the Goods, with reference to its size of operation, expected production capacities, existing and expected orders of products from customers and expected market demand;
- (iii) Ningde Xingyu's expected production capacities of the Goods;
- (iv) the expected unit price with reference to the prevailing market prices of the comparable products; and
- (v) an additional buffer to provide for operational flexibility, which will accommodate for (a) unexpected increase in the unit price of the Goods; and (b) other circumstances (including but not limited to future price inflation).

INTERNAL CONTROL MEASURES

In order to ensure that the terms provided by Ningde Xingyu under the Supply Framework Agreement are not less favourable to the Group than those available to Independent Third Parties, the Company has adopted the following measures:

- (i) designated personnel of the Company will keep track of the transaction records on the sale of the Goods by Ningde Xingyu to Independent Third Parties for the purpose of ensuring that the prices and terms for the Goods to be offered to Shenyang Zhongwei will be comparable to, or not less favourable than, the fair market prices and terms for the sale of the Goods or similar raw materials offered to Independent Third Parties by Ningde Xingyu;
- (ii) the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Group's internal control manual on continuing connected transactions. Designated personnel of the business department of Ningde Xingyu will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of the relevant agreement and will also regularly update the market prices for the purpose of considering if the prices charged for specific transactions are fair and reasonable and in accordance with the pricing policy;
- (iii) the external auditors of the Company will conduct an annual review on the pricing, terms and the annual caps of the continuing connected transactions;
- (iv) the audit committee of the Board will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Company; and
- (v) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

REASONS FOR AND BENEFITS OF THE SUPPLY FRAMEWORK AGREEMENT

The Group is principally engaged in the design, development, production and sale of sintered NdFeB magnetic materials. The Company considers that the entering into of the Supply Framework Agreement will enhance sales and widen customer base of the Group. Pursuant to the Supply Framework Agreement, the Group will supply the Goods to Shenyang Zhongwei on normal commercial terms and all terms, as a whole, will be no less favorable to the Group than those terms offered to Independent Third Parties.

The Directors (including the independent non-executive Directors but excluding Ms. Li Li and Mr. Zhang Jiantao, both of them abstained from voting at the Board meeting in respect of the resolutions approving the Supply Framework Agreement and the transactions contemplated thereunder) consider that the terms of the Supply Framework Agreement and the annual caps are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Each of Ms. Li Li (the executive Director and chairlady of the Board) and Mr. Zhang Jiantao (a non-executive Director), who holds position in Shenzhen Amer (Group) Co., Ltd. (深圳正威(集團)有限公司), being an associate of Shenyang Zhongwei, abstained from voting at the Board meeting in respect of the resolutions approving the Supply Framework Agreement and the transactions contemplated thereunder. To the best of Directors' knowledge, information and belief, and after making all reasonable enquiries, save for Ms. Li Li and Mr. Zhang Jiantao, no Director had a material interest in the Supply Framework Agreement or shall abstain from voting on board resolutions approving the Supply Framework Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. 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.

Ningde Xingyu was established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Ningde Xingyu is principally engaged in the design, development, production and sale of sintered NdFeB magnetic materials in the PRC.

Shenyang Zhongwei was established in the PRC with limited liability. As at the date of this announcement it is directly wholly-owned by Shenyang Zhengwei Development Co., Ltd.* (瀋陽正威發展有限責任公司), which is directly wholly-owned by Shenzhen Amer (Group) Co., Ltd. (深圳正威(集團)有限公司), which is directly wholly-owned by Zhengwei Holding. Zhengwei Holding is owned as to 90% by Mr. Wang Wenyin* (王文銀) and 10% by Ms. Wang Wenzhuan* (王文轉). As of the date of this announcement, both of Zhengwei Holding and Mr. Wang Wenyin are substantial Shareholders. Shenyang Zhongwei is principally engaged in production and sales of magnetic material, sales of rare earth metals, sales of new energy prime mover equipment and non-ferrous metal calendaring.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Shenyang Zhongwei is indirectly wholly-owned by Zhengwei Holding, a substantial Shareholder. Therefore, Shenyang Zhongwei is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. In light of the above, the transactions contemplated under the Supply Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the annual caps for the supply of products contemplated under the Supply Framework Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022. Trading in the shares of the Company will remain suspended until further notice.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Universal Star (Holdings) Limited (星宇(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2346)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningde Xingyu”	Ningde Xingyu Technology Co., Ltd.* (寧德市星宇科技有限公司), a company established under the laws of PRC and an indirectly wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)

“Share(s)”	ordinary share(s) of nominal price of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenyang Zhongwei”	Shenyang Zhongwei Rare Earth New Material Co., Ltd.* (沈陽中威稀土新材料有限公司), a company established under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supply Framework Agreement”	the supply framework agreement entered into between Ningde Xingyu and Shenyang Zhongwei on 2 September 2022 (after trading hours of the Stock Exchange) as may be amended or varied from time to time by an agreement in writing duly executed by the parties to the Supply Framework Agreement
“Zhengwei Holding”	Zhengwei Holding Group Co., Ltd.* (正威控股集團有限公司), a company established under the laws of the PRC and a substantial Shareholder

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names.*

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

Hong Kong, 2 September 2022

As at the date of this announcement, the Board comprises Ms. Li Li 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. Cheung On Kit Andrew as the independent non-executive Directors.