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UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

環球實業科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1026)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF CAR PARKING SPACES

The Board announces that on 30 March 2020, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Car Parking Spaces for the aggregate consideration of RMB43.7 million (HK\$48.1 million).

Given that all the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 30 March 2020, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Car Parking Spaces for the aggregate consideration of RMB43.7 million (HK\$48.1 million).

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set out below:

Date

30 March 2020

Parties

- (1) 廣州市衡信宇軒實業發展有限公司(Guangzhou Hengxin Yuxuan Industrial Development Limited), an indirect wholly-owned subsidiary of the Company, as the Vendor; and
- (2) 廣州市永裕合信投資有限公司(Guangzhou Yongyu Hexin Investment Co., Ltd.), as the Purchaser.

Based on the information provided by the Purchaser, the Purchaser is a limited liability company established in the PRC. The principal activities of the Purchaser include project investment and property management. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is a third party independent of and not connected with the Company and its connected persons.

Assets to be disposed of

The assets to be disposed of by the Group under the Disposal Agreement are the ninety-five (95) Car Parking Spaces on Basement Levels 2 and 3 of the Mall. Under the terms of the Disposal Agreement, the Purchaser shall take the Car Parking Spaces and their titles on an as-is basis in their current condition. The carrying value of the Car Parking Spaces in the Group's audited consolidated financial statements as at 31 December 2019 was RMB39.9 million (HK\$43.9 million).

Consideration

The aggregate Consideration for the Car Parking Spaces is RMB43.7 million (HK\$48.1 million), which shall be paid by the Purchaser to the Vendor (or its designated payee) in cleared funds within three months after the date of signing of the Disposal Agreement.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the original acquisition price of the Car Parking Spaces by the Vendor of RMB37.5 million (HK\$41.3 million); (ii) the market value of the Car Parking Spaces as at 31 December 2019 of RMB39.9 million (HK\$43.9 million); and (iii) the prevailing market conditions, the location of the Car Parking Spaces and the market price of comparable properties in the proximity. The Company is expected to record a gain on disposal of approximately RMB3.8 million (HK\$4.2 million) on Completion of the Disposal, being the difference between the Consideration (RMB43.7 million) and the carrying value of the Car Parking Spaces (RMB39.9 million). The Company intends to apply the net proceeds from the Disposal for the Group's general working capital and/or to meet the Group's liabilities when they fall due, including the partial settlement of the 10% balance payment of the acquisition of Chevalier Earth Group Limited which remains outstanding in the sum of RMB57.6 million.

Completion

Under the terms of the Disposal Agreement, Completion is not subject to any condition precedent and may take place at any time when the Consideration is paid by the Purchaser in clear funds to the Vendor (or as it may direct), which shall in turn take place within three months after the date of signing of the Disposal Agreement.

Priority right to leaseback

Under the terms of the Disposal Agreement, during the first three years after the Completion of the Disposal, the Vendor shall have the priority right to require the Purchaser to leaseback the Car Parking Spaces for the annual rental fee of RMB400,000 (HK\$440,000), payable by quarterly installments. No security deposit is required to be paid by the Vendor. Each rental period is one year, subject to the priority right of the Vendor to renew on yearly basis with 3% increment on the rental fee in each of the first three years.

The annual rental fee under the leaseback is not less favourable (from the Group's perspective) than the market rental price of comparable properties in the proximity. The annual increment of rental fee of 3% is fair and reasonable in the light of inflation and city development. The Directors (including the independent non-executive Directors) considered that the leaseback and its terms (including the annual rental fee and annual increment) are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The leaseback of the Car Parking Spaces is in the nature of operating lease rather than finance lease. Since the leaseback is for twelve months or under, the Company does not expect to apply lease accounting to measure its right-of-use asset and lease liability.

REASONS OF AND BENEFITS FOR THE TRANSACTIONS

The Group is principally engaged in investment holding, property investment and development, building management and water supply and related services. The Vendor is an indirect wholly-owned subsidiary of the Company and a limited liability company established in the PRC with its principal activities including property leasing and property management. The Vendor is the owner of the Mall which is situated at Nos. 4 and 6, Nonglinxia Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC. The Car Parking Spaces are located on Basement Levels 2 and 3 of the Mall.

During the two years ended 31 December 2018 and 2019, (a) the gross rental income received or receivable from the Car Parking Spaces amounted to approximately RMB663,000 (HK\$729,000) and RMB646,000 (HK\$711,000), respectively; and (b) the net rental income received or receivable from the Car Parking Spaces, after deducting value-added tax and other operating expenses, amounted to approximately RMB457,000 (HK\$503,000) and RMB440,000 (HK\$484,000), respectively.

Taking into consideration the following factors, namely: (i) the Consideration is above the prevailing market price of Car Parking Spaces and other comparable properties in the proximity; and (ii) the Disposal is expected to result in a gain on disposal, the Directors are of the view that the Disposal provides the Group with an opportunity to realize a capital gain. Accordingly, the Directors (including the independent non-executive Directors) considered that the Disposal and the terms of the Disposal Agreement (including the Consideration and the payment terms) are fair and reasonable and in the interest of the Company and its shareholders as a whole. No Director has any material interest in the transactions contemplated by the Disposal Agreement, nor is any director required to abstain from voting on the Board's decision on the Disposal.

LISTING RULES IMPLICATIONS

Given that all the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the formation of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and are subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Car Parking Spaces”	the ninety-five (95) car parking spaces on Basement Levels 2 and 3 of the Mall owned by the Vendor
“Company”	Universal Technologies Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1026)
“Completion”	the completion of the Disposal
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB43.7 million (HK\$48.1 million) payable by the Purchaser for the acquisition of the Car Parking Spaces at Completion of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Car Parking Spaces by the Vendor under the Disposal Agreement

“Disposal Agreement”	the transfer agreement entered into between the Vendor and the Purchaser on 30 March 2020 in relation to the transfer of the Car Parking Spaces
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mall”	Dongshan Jinxuan Modern Mall (東山錦軒現代城), Nos. 4 and 6, Nonglinxia Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC
“Purchaser”	廣州市永裕合信投資有限公司 (Guangzhou Yongyu Hexin Investment Co., Ltd.), the purchaser in the Disposal and a limited liability company established in the PRC whose ultimate beneficial owner, according to publicly-available information, is China Communist Youth League Beijing Committee
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	廣州市衡信宇軒實業發展有限公司 (Guangzhou Hengxin Yuxuan Industrial Development Limited), an indirect wholly-owned subsidiary of the Company and the vendor in the Disposal
“%”	per cent

In this announcement, amounts denominated in RMB are translated into HK\$ at the exchange rate of RMB1.00 = HK\$1.10 for illustration purposes only. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

By Order of the Board
UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
Chen Jinyang
Chairman & Chief Executive Officer

Hong Kong, 30 March 2020

As at the date of this announcement, the Board of Directors of the Company comprises three executive Directors namely Mr. Chen Jinyang (Chairman & Chief Executive Officer), Ms. Zhu Fenglian and Ms. Zhang Haimei; two non-executive Directors namely Mr. Xuan Zhensheng and Mr. Chau Cheuk Wah; and three independent non-executive Directors namely Dr. Cheung Wai Bun, Charles, J.P., Mr. David Tsoi and Mr. Chao Pao Shu George.