YUSEI HOLDINGS LIMITED
友成控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 96)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors of Yusei Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016, together with the comparative figures for the corresponding period of last year, as follows:

Consolidated statement of profit or loss
For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	3	1,218,555	1,101,340
Cost of sales		(1,032,922)	(936,038)
Gross profit		185,633	165,302
Other income and gain	4	12,937	7,305
Net foreign exchange (loss) gain		(2,661)	1,595
Distribution costs		(44,322)	(35,877)
Administrative expenses		(57,355)	(51,990)
Finance costs	5	(15,024)	(17,576)
Share of profits of associates		2,426	4,736
Profit before tax		81,634	73,495
Income tax expense	6	(17,362)	(11,702)
Profit for the year attributable to owners of the Company	7	64,272	61,793
			(Restated)
Earnings per share			
Basic and diluted	9	RMB0.159	RMB0.153

* *For identification purpose only*

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	64,272	61,793
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operation	(269)	(1,521)
Total comprehensive income for the year attributable to owners of the Company	64,003	60,272

Consolidated statement of financial position
As at 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		383,548	363,853
Intangible assets		1,561	660
Land use rights		28,135	17,559
Prepayment	10	16,117	-
Interests in associates		31,707	33,487
		461,068	415,559
Current assets			
Inventories		204,796	139,326
Trade and bills receivables, deposits and prepayments	10	448,640	374,071
Amounts due from associates		3,612	11,725
Pledged bank deposits		5,574	5,709
Bank balances, deposits and cash		56,996	54,122
		719,618	584,953
Current liabilities			
Trade and other payables	11	429,951	340,846
Amount due to ultimate holding company		21,818	22,326
Amount due to an associate		-	3,699
Income tax liabilities		15,135	12,838
Obligations under finance leases			
- due within one year		40,581	27,049
Bank and other loans - due within one year		219,650	176,550
		727,135	583,308
Net current (liabilities) assets		(7,517)	1,645
Total assets less current liabilities		453,551	417,204
Non-current liabilities			
Obligations under finance leases			
- due after one year		11,983	38,422
Deferred income		7,408	630
		19,391	39,052
		434,160	378,152
Capital and reserves			
Share capital	12	3,755	2,020
Reserves		430,405	376,132
		434,160	378,152

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Share capital	Share premium	Special reserve	Reserve for shares issued with vesting conditions	Translation Reserve	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2015	2,020	55,197	49,663	18,065	6,371	71	16,493	177,995	325,875
Profit for the year	-	-	-	-	-	-	-	61,793	61,793
Other comprehensive expense for the year	-	-	-	-	(1,521)	-	-	-	(1,521)
Total comprehensive (expenses) income for the year	-	-	-	-	(1,521)	-	-	61,793	60,272
Dividend recognised as distribution (Note 8)	-	-	-	-	-	-	-	(7,995)	(7,995)
At 31 December 2015 and 1 January 2016	2,020	55,197	49,663	18,065	4,850	71	16,493	231,793	378,152
Profit for the year	-	-	-	-	-	-	-	64,272	64,272
Other comprehensive expense for the year	-	-	-	-	(269)	-	-	-	(269)
Total comprehensive (expenses) income for the year	-	-	-	-	(269)	-	-	64,272	64,003
Bonus issue (Note 12)	1,735	(1,735)	-	-	-	-	-	-	-
Increase in statutory surplus reserve	-	-	-	-	-	-	1,874	(1,874)	-
Dividend recognised as distribution (Note 8)	-	-	-	-	-	-	-	(7,995)	(7,995)
At 31 December 2016	3,755	53,462	49,663	18,065	4,581	71	18,367	286,196	434,160

Notes:

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Cayman Islands as an exempted company with limited liability on 4 April 2005. Its ultimate holding company is Yusei Machinery Corporation (“Yusei Japan”) (incorporated in Japan).

The consolidated financial statements are presented in Renminbi (“RMB”). Other than those subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is RMB, the functional currency of the Company is Hong Kong dollars (“HK$”). The Group adopted RMB as its presentation currency as the directors of the Company consider that the major operations are in the PRC and it is appropriate to present the consolidated financial statements in RMB.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are moulding fabrication, manufacturing and trading of moulds and plastic components.

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of approximately RMB7,517,000 as at 31 December 2016. In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the coming year as the Group is anticipated to generate positive cash flows from its businesses.

On the basis that the continuing availability of the banking facilities provided by its banks, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers (and the Related Clarifications)[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

[1] Effective for annual periods beginning on or after 1 January 2017.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.
[4] Effective date not yet been determined.
[5] Amendments to HKFRS 12 are effective for annual periods beginning on or after 1 January 2017, and Amendments to HKFRS 1 and Amendments to HKAS 28 are effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 (2014) Financial Instruments (Continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;
ii) Identify the performance obligations in the contract;
iii) Determine the transaction price;
iv) Allocate the transaction price to the performance obligations; and
v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS15 on the Group’s consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019. HKFRS 16 will affect primarily the accounting for the Group’s operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The directors of the Company are in the process of assessing to what extent the operating lease commitment as disclosed in note 31 will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold, less discount and value-added tax during the year.

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) (the chief executive) in order to allocate resources to segments and to assess their performance.

The Group’s operating activities are attributable to a single operating segment focusing on the moulding fabrication, manufacturing and trading of moulds and plastic components. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the CODM. The CODM monitors the revenue from moulding fabrication, manufacturing and trading of moulds and plastic components for the purpose of making decisions about resources allocation and performance assessment. However, no revenue analysis, operating results and other discrete financial information are available for the resource allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Geographical information

During the year ended 31 December 2016 and 2015, the Group’s operations were located in the PRC.

During the year ended 31 December 2016, 99.98% (2015: 99.99%) of the Group’s revenue from external customers was generated in the PRC while as at 31 December 2016, 100% (2015: 100%) of the Group’s non-current assets was located in the PRC. Hence, no geographical information is presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2016 RMB’000	2015 RMB’000
Customer A	202,632	165,938
Customer B	156,375	136,907
Customer C	128,860[1]	N/A
Customer D	N/A	139,627[1]

All revenue generated from the major customers shown above relate to the sales of moulds and plastic components.

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME AND GAIN

	2016 RMB'000	2015 RMB'000
Gain on sales of materials	4,418	3,134
Quality inspection income	744	687
Bank interest income	226	313
Rental income received	213	211
Management services income	1,694	1,200
Government subsidies (Note)	1,513	56
Release of government grants for land use rights	168	85
Reversal of impairment loss on trade receivables	214	616
Reversal of allowance for inventories	2,959	-
Release of deferred gain from sale and leaseback of property, plant and equipment	163	163
Processing fee income	393	422
Others	232	418
	12,937	7,305

Note: Government subsidies of approximately RMB1,513,000 (2015: RMB56,000) have been recognised during the year ended 31 December 2016 which were designated for the encouragement of business development and high technology development incentive. All conditions in respect of these grants had been fulfilled and such government grants were recognised in other income for the year.

5. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on:		
bank and other loans	11,141	13,002
finance leases	2,988	3,422
amount due to ultimate holding company	895	1,152
	15,024	17,576

6. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
PRC Enterprise Income Tax (the "EIT"):		
Current year	17,325	12,342
Under (over) provision in prior year	37	(640)
	17,362	11,702

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands.

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax had been made as the Group's income neither arises in, nor is derived from, Hong Kong during both years.

(iii) PRC EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The applicable tax rate of the Company's subsidiaries, 杭州友成機工有限公司 Hangzhou Yusei Machinery Co., Ltd.* ("Hangzhou Yusei") and 蘇州友成機工有限公司 Suzhou Yusei Machinery Co., Ltd.* ("Suzhou Yusei") for the years ended 31 December 2016 and 2015 was 15%.

On 17 September 2015, Hangzhou Yusei was approved by Science and Technology Department of Zhejiang Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 1 January 2015.

On 5 August 2014, Suzhou Yusei was approved by Science and Technology Department of Suzhou Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 1 January 2014.

The applicable PRC EIT rate of 浙江友成塑料模具有限公司 Zhejiang Yusei Plastics & Mould Co., Ltd.* ("Zhejiang Yusei"), 友成(中國)模具有限公司 Yusei (China) Mould Co., Ltd.* ("Yusei China"), 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.* ("Guangzhou Yusei"), 杭州友成模具技術研究有限公司 Hangzhou Yusei Mould Technology Research Co., Ltd.* ("Hangzhou Yusei Moulding"), 蕪湖友成塑料模具有限公司 Wuhu Yusei Plastic Moulding Co., Ltd* ("Wuhu Yusei") and 湖北友成塑料模具有限公司 Hubei Yusei Plastic Moulding Co., Ltd* ("Hubei Yusei") is 25% for the years ended 31 December 2016 and 2015.

* The English names are for identification purposes only.

7. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's remuneration	3,042	3,017
Salaries, wages and other benefits	165,656	139,050
Retirement benefits scheme contributions	8,782	8,673
Other staff costs	174,438	147,723
Total staff costs	177,480	150,740
Depreciation of property, plant and equipment	66,696	49,899
Amortisation of intangible assets (included in administrative expenses)	323	194
Amortisation of land use rights (included in administrative expenses)	754	619
Total depreciation and amortisation expenses	67,773	50,712
Auditor's remuneration	920	900
Impairment loss on trade receivables (included in administrative expenses)	53	603
Allowance for inventories (included in cost of sales)	4,529	6,419
Impairment loss recognised in respect of interest in an associate	4,206	1,394
Loss on disposal of property, plant and equipment	45	357
Operating lease charges on leased premises	9,156	6,434
Release of deferred loss from sale and leaseback of property, plant and equipment	2,958	3,008

8. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividends recognised as distribution during the year:		
2015 Final – RMB3.95 cents (2015: 2014 Final Dividend RMB3.95 cents) per share	7,995	7,995

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of RMB8,000,000, representing RMB1.98 cents (2015: final dividend in respect of the year ended 31 December 2015 of RMB3.95 cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. 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:

	2016 RMB'000	2015 RMB'000 (Restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	64,272	61,793
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	404,800,000	404,800,000

Diluted earnings per share is same as basic earnings per share for the years ended 31 December 2016 and 2015 as there is no potential ordinary shares outstanding.

The weighted average number of ordinary shares for the year ended 31 December 2015 have been adjusted for the new bonus shares issued on 5 July 2016 as if such bonus issue had occurred at the beginning of the earliest period presented.

10. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Trade receivables and bills receivables	428,821	348,227
Less: impairment loss recognised	(3,124)	(3,285)
	425,697	344,942
Advance to suppliers	6,882	7,575
Other receivables, deposits and prepayments (Notes a and b)	32,178	21,554
	464,757	374,071
Less: Prepayment, non-current portion	(16,117)	-
	448,640	374,071

The Group allows a general credit period of 30 to 90 days to its customers. For customers who purchased moulds from the Group and have established good relationships with the Group, the credit period may be extended to the range from 90 days to 270 days. The Group does not hold any collateral over these balances.

Note a: Included in the balance of other receivables, there are approximately RMB739,000 deferred loss (2015: RMB3,697,000) arising from sale and leaseback transactions as at 31 December 2016 and release of deferred loss of approximately RMB2,958,000 was recognised for the year ended 31 December 2016 (2015: RMB3,008,000).

Note b: Included in the balance of prepayments, there is approximately RMB16,117,000 prepayment for capital injection into Jilin Dong Guang Yusei Manufacturing Co., Limited as at 31 December 2016 (2015: nil) and is classified as prepayment, non-current portion.

The ageing analysis of trade receivables and bills receivables net of impairment loss recognised presented based on the invoice date, which is approximate to revenue recognition date, net of impairment loss recognised is as follows:

	2016 RMB'000	2015 RMB'000
Within 30 days	258,549	217,644
31 to 60 days	77,372	59,770
61 to 90 days	56,899	36,684
91 to 180 days	29,044	28,008
181 to 365 days	2,933	2,836
Over 365 days	900	-
Trade and bills receivables	425,697	344,942

11. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
Within 30 days	134,813	138,990
31 to 60 days	92,097	49,119
61 to 90 days	50,965	25,319
91 to 180 days	24,715	7,052
181 to 365 days	4,186	2,814
Over 365 days	3,407	2,668
Trade payables and bills payables	310,183	225,962
Value added tax payables	26,873	21,647
Deposits received	3,825	7,294
Amounts due to directors	616	441
Other payables and accrued charges (Note)	88,454	85,502
	429,951	340,846

The average credit period on purchase of goods is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2016, the Group's bank deposits of approximately RMB5,000,000 (2015: RMB5,000,000) were pledged to the banks to secure bills payables.

Note: Included in these balances mainly represented accrued salaries and wages, accrued interests. In addition, there were payables for acquisition of property, plant and equipment and construction payable of approximately RMB4,715,000 and RMB3,687,000 (2015: RMB11,169,000 and RMB3,811,000) included in these balances, respectively.

12. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Amount HK$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK$0.01 each			
<u>Authorised:</u>			
At 1 January 2015, 31 December 2015 and 31 December 2016	1,500,000	15,000	N/A
<u>Issued and fully paid:</u>			
At 1 January 2015 and 31 December 2015	202,400	2,024	2,020
Bonus issue (Note)	202,400	2,024	1,735
At 31 December 2016	404,800	4,048	3,755

Note:

On 20 May 2016, the directors of the Company proposed a bonus issue of shares, credited as fully paid by way of capitalisation of the Company's share premium account, on the basis of one bonus share for every one existing share on 30 June 2016. The proposed bonus issue of shares had been approved by the shareholders of the Company on 23 June 2016.

On 5 July 2016, 202,400,000 bonus shares were issued and since then, the Company's total number of issued shares was increased to 404,800,000 shares accordingly. The bonus shares was credited as fully paid by way of capitalisation of an amount of approximately HK$2,024,000 (equivalent to RMB1,735,000) out of the Company's share premium account in July 2016. The new shares rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year ended 31 December 2016, the Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the Peoples' Republic of China (the "PRC"). The Group also provides services for certain assembling and further processing of plastic components for its customers. The Group's customers are mainly the manufacturers of branded auto parts and components, office equipment and plastic components in the PRC.

2016 was a challenging year to the Group. Most of the time this year, the global economy was affected by the unstable factors in relation to the international political unrest and economic slow-down. With the transformation of China's economy, some of the Group's customers have transferred their production lines to Southeast Asian countries where the labour costs are lower. Having perceived this trend before, the Group had focused its main business on the automotive industry. With the steady development of PRC's auto industry in 2016, the Group has maintained a sustainable business development by virtue of its competitive advantages in moulding and production of auto parts and components.

The Group continues to carry out research and development of moulding as the core, actively consolidate the technological advantages, and continue to strengthen the automated production, and improve the production processes so as to improve production efficiency. In addition, to enhance the cost advantage, the Group consider constructing production plants near to the main customers for providing fast and efficient services to the main customers. Meanwhile, in order to maintain the competitive advantage in the market segment, the Group continues to invest in purchasing more advanced equipment. In addition, we continue to put effort to develop the existing business and to explore new business. In 2016, we made contracts with two new well-known customers in the auto industry and believe that these customers will secure the Group's business growth in coming year.

Financial review

Revenue

The Group's revenue for the year ended 31 December 2016 increased by 10.6% to approximately RMB1,218,555,000 as compared to that of approximately RMB1,101,340,000 for the year ended 31 December 2015 which was mainly benefited from the steady growth in the PRC's auto industry during the year.

Gross profit

The Group achieved a gross profit of approximately RMB185,633,000 for the year ended 31 December 2016, representing an increase of approximately 12.3% as compared to that of approximately RMB165,302,000 for the year ended 31 December 2015.

Increase in gross profit was mainly due to the increase in the Group's revenue during the year. During the year, the overall gross profit margin of the Group was stable.

Distribution costs

Distribution costs for the year ended 31 December 2016 increased by approximately 23.5% to approximately RMB44,322,000 as compared to that of approximately RMB35,877,000 for the year ended 31 December 2015. Such increase was mainly due to the effect of (i) increase in sales, (ii) the increase in purchase of new packing materials, and (iii) increase in transportation cost.

Net foreign exchange (loss) gain

Net foreign exchange (loss) gain mainly represented the gain/loss arising from translation of sales and purchases denominated in United State dollars ("US$"). Net foreign exchange loss is resulted from the appreciation of the foreign currencies against RMB.

Administrative expenses

Administrative expenses for the year ended 31 December 2016 increased approximately by 10.3% to RMB57,355,000 as compared to that of approximately RMB51,990,000 for the year ended 31 December 2015. Such increase was mainly attributable to (i) the increase in staff cost, (ii) increase in other taxes and (iii) the increase in impairment loss for interest in associates during the year.

Finance costs

Finance costs for the year ended 31 December 2016 decreased approximately by 14.5% to RMB15,024,000 as compared to that of approximately RMB17,576,000 for the year ended 31 December 2015. It was resulted from the decrease in interest rates of bank and other borrowings during the year.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company increased by approximately 4.0% from approximately RMB61,793,000 for the year ended 31 December 2015 to approximately RMB64,272,000 for the year ended 31 December 2016.

Financial resources and liquidity

As at 31 December 2016, the equity amounted to approximately RMB434,160,000. Current assets amounted to approximately RMB719,618,000, of which bank balances, deposits and cash and pledged bank deposits totaling approximately RMB62,570,000. The Group had non-current assets of approximately RMB461,068,000 and its current liabilities amounted to approximately RMB727,135,000, comprising mainly its creditors and accrued charges and bank borrowings. The net asset value per share was RMB1.07. The Group expresses its gearing ratio as a percentage of finance leases and borrowings over total assets. As at 31 December 2016, the Group had a gearing ratio of 23.1% (2015: 24.2%).

Segment information

The sole principal activity of the Group is moulding fabrication, manufacturing and trading of moulds and plastic components. All the Group's operations are located and carried out in the PRC. As the Group operated in a single operating segment, no segmental analysis has been presented accordingly.

Employment and remuneration policy

As at 31 December 2016, the total number of the Group's staff was approximately 2,600. The total staff costs (including directors' remuneration) amounted to approximately RMB177,480,000 for the year. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the PRC.

Charge on group assets

As at 31 December 2016, the Group's bank loans are secured by land use rights and property, plant and equipment of the Group with an aggregate net carrying values of approximately RMB17,157,000 (2015: RMB15,226,000) and RMB119,268,000 (2015: RMB78,013,000), respectively.

As at 31 December 2016, bank deposits amounting to approximately RMB5,000,000 and RMB574,000 (2015: RMB5,000,000 and RMB709,000) have been pledged for short-term bills payables and custom of import and export of trading requested by the local government. The pledged deposits were classified as current assets as the deposits will be released upon the settlement of relevant bills payables or upon the end of contract.

Foreign currency risk

The Group carries on business in RMB, US$ and Japanese Yen ("JPY") and therefore the Group is exposed to foreign currency risk as the values of these currencies fluctuate in the international market.

The Group's exposure to foreign currency risk is attributable to the trade and bills receivables, deposits and other receivables; bank balances, deposits and cash; trade and other payables of the Group which are denominated in foreign currencies of US$ and JPY. The functional currencies of the relevant group entities are RMB and HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital commitments

As at 31 December 2016, the Group had capital expenditure contracted for but not provided in the financial statements of approximately RMB66,582,000 (2015: RMB41,046,000) in respect of the acquisition of property, plant and equipment and construction of new production plants.

Outlook

Management will actively adopted the Group’s strategy to leverage on the experience of its management team in the plastic component manufacturing industry and its expertise in mould development to enhance the quality of its products, expand its customer base and strengthen the leading position in the high-end mould industry and its overall core competitiveness in relation to the one-stop services ranging from products development, plastic injection, aluminium-plating and assembling.

As a service provider to the well-known international branded manufacturers, the management believes that the Group possesses the managerial characteristics which our major customers may appreciate, including: (i) high-level demand on the quality of the products, particularly in the automotive parts and components, office automation machines like assembling parts of photocopies and printers must meet a high standard of precision in order to ensure the machine work effectively; (ii) emphasis on production efficiency to shorten the production cycle; and (iii) active participation in production process of the suppliers to ensure the product quality and the mutual communication to improve the suppliers’ production efficiency. In addition, to deliver the parts and components of high precision to the customers, the Group put much efforts in acquisition of advanced production machineries which were made by the international well-known branded manufacturers.

For keeping abreast of the current development in the market and the customers’ needs, the Group strengthens the communication with customers in USA and Japan. Apart from seconding technicians to Japan for training, the Group employed experienced salesmen and technicians from United Kingdom and Japan to improve the capability of marketing and technical ability.

As regards the quality of the products, the Group had adopted ERP system to facilitate the production flow and monitor the product quality. To response the changing technology in the industry, the Company will continue to acquire and install advanced machinery and equipment and to increase the ability to design and develop precision plastic injection moulds. The Company will rely on the one-stop solution from precision mould, plastic injection, aluminium plating to assembling to improve the sales network to capture opportunities in order to increase market share and to enlarge the customer bases. Nevertheless, the Group is cautious in accepting the new customers and we take into account of all factors in the process, including product pricing and the reputation of the potential customers and so on. For market exploring, the Group will continue to promote its business internationally and during the period, the Group had built up business relationship with several new internationally reputable customers in Europe and America such as Germany, France and Brazil, and serves them with high-quality moulds.

Based on the great potential of the PRC market, in particular, in order to keep up with the development of China's auto industry and to further meet customer demand, the Group had incorporated Wuhu Yusei Plastic Mold Co., Ltd. ("Wuhu Yusei") in Anhui Province (a wholly-owned subsidiary of the Group) and Hubei Yusei Plastic Mould Co., Limited in Hubei Province (“Hubei Yusei”) (another wholly-owned subsidiary of the Group). Both companies are already running stable. Meanwhile, the Group has incorporated a wholly-owned subsidiary in Tianjin in 2017, and plans to lease a plant of about 6,000 square feet in Phase I. Depending on the business development, the Group will consider whether to purchase land for construction of plants to meet the customers’ growing demand.

In order to meet the increasing customers' orders, Wuhu Yusei leases production plant in Wuhu with area of about 4,000 square meters, and Hubei Yusei leases production plant in Xiaogan City, Hubei Province with area of about 410,000 square meters, and purchases a piece of land of about 100 mu. The Phase I Construction of a plant commenced in 2016, and it is scheduled to be completed in the second half of 2017. Guangzhou Yusei Phase II plant will also be completed in the first half of 2017 and put into use. In addition, for future development, the Group is expected to set up new subsidiaries in Guangdong Province and Liaoning Province in the next 3 to 5 years, which are closely related to the development pace of its customers.

DIVIDENDS

The Directors recommended the payment of a final dividend of RMB8,000,000, representing RMB1.98 cents per share in respect of the year ended 31 December 2016.

Upon approval from the forthcoming annual general meeting to be held on 26 May 2017 (the "AGM"), the final dividends, which are payable to shareholders whose names appear on the register of members of the Company on 5 June 2017, will be paid on or about 30 June 2017.

For the purpose of ascertaining shareholders' right to attend and vote at the AGM of the Company, the registers of members of the Company will be closed from 23 May 2017 to 26 May 2017 (both days inclusive) during which period no transfer of shares will be effected. In order for a shareholder to be eligible to attend and vote at the AGM, all instrument of transfer must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 22 May 2017.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividends, the register of members of the Company will be closed from 2 June 2017 to 5 June 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividends (subject to shareholders' approval at the AGM), all instrument of transfer must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 1 June 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

The Shares of the Company were listed on GEM of the Stock Exchange on 13 October 2005 and were withdrawn from the GEM on 14 December 2010. On 15 December 2010, the Company's shares were listed on the Main Board of the Stock Exchange. The interests and/or short position of the Directors and chief executives of the Company in the Shares, underlying shares in respect of equity derivatives and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO); or which was required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which was required pursuant to the Listing Rules relating to securities transactions by the directors to be notified to the Company and the Stock Exchange are as follows:

		Capacity			Number of shares		
Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	Approximate Percentage of interests
Company	Katsutoshi Masuda ("Mr. Masuda") (Note 1)	-	-	161,920,000 shares	161,920,000 shares	-	40.00%
Company	Toshimitsu Masuda (Note 2)	-	-	161,920,000 shares	161,920,000 shares	-	40.00%
Company	Xu Yong	62,560,000 shares	-	-	62,560,000 shares	-	15.45%
Company	Manabu Shimabayashi	1,320,000 shares	220,400 shares	-	1,540,400 shares	-	0.38%
Company	Fan Xiaoping	39,600 shares	-	-	39,600 shares	-	0.01%
Yusei Machinery Corporation ("Yusei Japan")	Mr. Masuda (Note 3)	21,960 shares	2,100 shares	25,760 shares	49,820 shares	-	49.80%
Yusei Japan	Toshimitsu Masuda (Note 4)	1,700 shares	-	25,760 shares	27,460 shares	-	27.50%

Notes:

1. Mr. Masuda is deemed to be interested in 49.8% of the issued share capital in Yusei Japan pursuant to the SFO. Yusei Japan is interested in 40.0% in the issued share capital of the Company and that Yusei Japan or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 161,920,000 Shares held by Yusei Japan.

2. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% in the issued share capital of Yusei Japan which in turn is interested in 40.0% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 161,920,000 Shares through his shareholding in Conpri.

3. Mr. Masuda holds 30% of the issued share capital of Conpri. Conpri or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.

4. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% of the issued share capital of Yusei Japan. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Shares of the Company were listed on GEM of the Stock Exchange on 13 October 2005 and were withdrawn from the GEM on 14 December 2010. On 15 December 2010, the Company's shares were listed on the Main Board of the Stock Exchange. So far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest and/or a short position in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or be recorded in the register of the Company or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meetings of any other member of the Group are as follows:

			Number of shares		
Name of Company	Number of shareholder	Capacity	Long Position	Short Position	Approximate percentage of interests
Company	Yusei Japan	Beneficial Owner	161,920,000 shares	-	40.00%
Company	Conpri (Note 1)	Corporate Interest	161,920,000 shares	-	40.00%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	161,920,000 shares	-	40.00%
Company	Superview International Investment Limited (Note 3)	Beneficial Owner	77,444,000 shares	-	19.13%
Company	Ding Hong Guang	Beneficial Owner	24,628,000 shares	-	6.08%

Notes:

1. Conpri is interested in 25.8% in the issued share capital of Yusei Japan. By virtue of SFO, Conpri is deemed to be interested in 161,920,000 shares held by Yusei Japan.

2. Mrs. Echiko Masuda is the spouse of Mr. Masuda and is deemed to be interested in 161,920,000 Shares pursuant to the SFO.

3. Superview International Investment Limited is wholly owned by Mr. Xu Yue, an elder brother of Mr. Xu Yong who is an executive director of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or their respective associates was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31 December 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2016, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with he required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE AND SUMMARY OF INDEPENDENT AUDITOR'S REPORT

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Hisaki Takabayashi, Mr. Fan Xiaoping and Mr. Lo Ka Wai, with written terms of reference in compliance with Rules 3.21 to 3.22 of the Listing Rules. The primary duties of the audit committee are (i) to review, in draft form, the Company's annual report and accounts, half-yearly report and quarterly reports (if prepared) and providing advice and comments thereon to the Board; and (ii) to review and supervise the Company's financial reporting and internal control procedures. Mr. Lo Ka Wai is the chairman of the audit committee.

The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016, which was of an opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

In the independent auditors' report in the annual report, the auditor has included the following paragraph in the auditor's opinion to draw the shareholders' attention:

"<u>Material Uncertainty Related to Going Concern</u>

We draw attention to Note 1 to the consolidated financial statements, which indicates that as at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB7,517,000. As stated in Note 1 to the consolidated financial statements, this condition indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Yusei Japan is beneficially owned as to 40.0% equity interest of the Company. With its production and business operations based in Japan, Yusei Japan is principally engaged in the design, fabrication and sales of plastic injection moulds, and, to a lesser extent, the manufacture and sales of plastic component products. The plastic injection moulds fabricated by Yusei Japan are mainly applicable for the manufacture of headlight components including glass lens and reflector, automobile gauge board and other interior components for automobiles. Furthermore, Yusei Japan also fabricates plastic injection moulds for the manufacturing of peripheral plastic components for air conditioners and component parts for fishing tools.

Yusei Japan is owned as to approximately 25.8% by Conpri, as to approximately 21.9% by Mr. Masuda, as to approximately 12.1% by Mr. Akio Suzuki, as to approximately 2.1% by Mrs. Echiko Masuda and as to approximately 1.7% by Mr. Toshimitsu Masuda, as to 30% by Tokyo Small and Medium Business Investment & Consultation Co., Ltd., respectively and as to approximately 6.4% held by Yusei Japan itself as a result of share repurchase, which according to the confirmation of a practicing Japanese law firm, need not be extinguished from the issued share capital of Yusei Japan under Japanese laws. Conpri is a company incorporated in Japan with limited liability and is owned as to 50% by Mr. Toshimitsu Masuda, as to 30% by Mr. Masuda, and as to 20% by Mrs. Echiko Masuda. Mrs. Echiko Masuda and Mr. Toshimitsu Masuda are the spouse and son of Mr. Masuda, respectively. Mr. Katsutoshi Masuda and Mr. Toshimitsu Masuda are the Company's non-executive directors. Mr. Akio Suzuki was the Company's non-executive directors.

Notwithstanding that the Group and Yusei Japan are engaged in similar business activities to certain extent, there is a clear delineation and independence of the Group's business from that of Yusei Japan. In particular, the Group's target markets (being the PRC, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC) are territorially different from that of Yusei Japan. The locations of the production facilities are different and separate between the Group and Yusei Japan. The management responsible for the day-to-day operations of the Group and Yusei Japan is also different. The Directors believe that Yusei Japan does not compete with the Group.

Notwithstanding that the Directors believe that Yusei Japan does not compete with the Group, to clearly delineate the business operations of the Group from that of Yusei Japan and to avoid any possible future competition with the Group, Yusei Japan and its shareholders (collectively ''the Covenantors'') have entered into a deed of non-competition dated 19 September 2005 (the ''Deed of Non-competition''), pursuant to which each of the Covenantors irrevocably and unconditionally undertakes and covenants with the Company that each of the Covenantors shall:

(1) not either on his/her/its own account or for any other person, firm or company, and (if applicable) shall procure that its subsidiaries (other than the Company and any member of the Group) or companies controlled by each of the Covenantors shall not either on its own behalf or as agent for any person, firm or company and either directly or indirectly (whether as a shareholder, partner, consultant or otherwise and whether for profit, reward or otherwise) at any time solicit, interfere with or endeavour to entice away from any member of the Group any person, firm, company or organisation who to its knowledge is from time to time or has at any time been a customer or supplier or a business partner of any member of the Group;

(2) not either alone or jointly with any other person, firm or company, carry on (including but not limited to making investments, setting up distribution channels and/or liaison offices and creating business alliances), participate, be engaged, concerned or interested in or in any way assist in or provide support (whether financial, technical or otherwise) to any business similar to or which competes (either directly or indirectly) or is likely to compete with the business of the design, development and fabrication of precision plastic injection moulds or the manufacturing of plastic components in the Group's Exclusive Markets or the provision of certain assembling and further processing of plastic components for customers (the ''Business'') from time to time carried out by any member of the Group (provision of assistance and support to the Group excepted) including the entering into of any contracts, agreements or other arrangements in relation to any of the above;

(3) not directly or indirectly sell, distribute, supply or otherwise provide products that are within the Group's Product Portfolio to any purchaser or potential purchaser of any products within the Group's Product Portfolio in the Group's Exclusive Markets (the ''Customers'') and upon receipt of any enquiry from Customers for products which are within the Group's Product Portfolio, to refer to the Company or any member of the Group all such business opportunities received by the Covenantors and provide sufficient information to enable the Company or any member of Group to reach an informed view and assessment on such business opportunities;

(4) not directly or indirectly sell, distribute, supply or otherwise provide any products that are within the Group's Product Portfolio where the relevant Covenantor(s) know(s), or is reasonably regarded as should have known, that such products are destined to be re-sold, re-distributed or re-supplied for the purpose of commercial exploitation in the Group's Exclusive Markets;

(5) upon receipt of any order or enquiry from customers outside the Group's Exclusive Markets for products which are within the Group's Product Portfolio and where the relevant Covenantor(s) know(s), or is reasonably regarded as should have known, that such products are destined to be re-sold, re-distributed or re-supplied for the purpose of commercial exploitation in the Group's Exclusive Markets, the relevant Covenantor shall inform the Group in writing of such order or enquiry and refer such customer to contract directly with the Group for the order of the relevant product;

(6) not do or say anything which may be harmful to the reputation of any member of the Group or which may lead any person to reduce their level of business with any member of the Group or seek to improve their terms of trade with any member of the Group; and

(7) not solicit or entice or endeavour to solicit or entice any of the employees of or consultants to the Group to terminate their employment or appointment with any member of the Group.

Saved as disclosed above, none of the directors of the Company had an interest in a business which competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

The Directors confirmed that, throughout the year, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, save for the deviation from the code provision A.1.8 of the Code. The Board and the senior management of the Group have earnestly appraised the requirements of the Code and reviewed the practices of the Group to ensure full compliance with the Code.

Under the code provision A.1.8, the Group should arrange appropriate insurance cover in respect of legal action against its directors. However, as the Group's business are relatively unitary, the Directors can easily comprehend these businesses. At the same time, the Directors are equipped with the adequate spirit and expertise in making corporate decisions. Furthermore, the Directors consider that the management has placed emphasis on control cover corporate risks from time to time, and has strictly complied with the Listing Rules and the relevant regulations. Therefore, it is not necessary to purchase insurance for the Directors and Chief Executive.

By order of the Board
Yusei Holdings Limited
Katsutoshi Masuda
Chairman

PRC, 31 March 2017

As at the date of this announcement, the executive directors are Mr. Manabu Shimabayashi and Mr. Xu Yong ; the non-executive directors are Mr. Katsutoshi Masuda and Mr. Toshimitsu Masuda, the independent non-executive directors are Mr. Lo Ka Wai, Mr. Fan Xiaoping and Mr. Hisaki Takabayashi.

* *For identification purpose only*