



# YUSEI HOLDINGS LIMITED

## 友成控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8319)

### RESULTS ANNOUNCEMENT FOR THE ENDED YEAR 31 DECEMBER 2007

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## AUDITED RESULTS

The board of directors of Yusei Holdings Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007, together with the comparative figures for the corresponding period of last year, as follows:

### Consolidated income statements

For the year ended 31 December 2007

	<i>Notes</i>	<b>2007</b> <b>RMB'000</b>	2006 <i>RMB000</i>
REVENUE	2	<b>444,747</b>	372,773
Cost of sales		<u><b>(354,515)</b></u>	<u>(303,814)</u>
Gross profit		<b>90,232</b>	68,959
Other income		<b>2,668</b>	4,189
Distribution costs		<b>(7,641)</b>	(5,821)
Administrative expenses		<b>(37,507)</b>	(42,738)
Finance costs	3	<u><b>(9,196)</b></u>	<u>(7,173)</u>
PROFIT BEFORE TAXATION		<b>38,556</b>	17,416
Income tax expense	4	<u><b>(7,691)</b></u>	<u>(5,041)</u>
PROFIT FOR THE YEAR	5	<u><b>30,865</b></u>	<u>12,375</u>
DIVIDEND	6	<u><b>5,798</b></u>	<u>5,920</u>
EARNINGS PER SHARE	7		
– Basic and diluted		<u><b>RMB0.2</b></u>	<u>RMB0.1</u>

## Consolidated balance sheet

As at 31 December 2007

	<i>Notes</i>	<b>2007</b> <b>RMB'000</b>	2006 <i>RMB000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>202,529</b>	192,403
Intangible asset		<b>1,327</b>	1,578
Land use rights		<b>11,831</b>	4,637
		<b>215,687</b>	198,618
<b>Current assets</b>			
Inventories		<b>47,527</b>	50,568
Debtors, deposits and prepayments	8	<b>147,788</b>	96,968
Amount due from a director		<b>808</b>	751
Pledged bank deposits		<b>10,214</b>	5,500
Bank balances, deposits and cash		<b>64,178</b>	30,198
		<b>270,515</b>	183,985
<b>Current liabilities</b>			
Creditors and accrued charges	9	<b>143,236</b>	100,730
Amount due to ultimate holding company		<b>539</b>	3,924
Amount due to a related party		<b>100</b>	–
Income tax liabilities		<b>2,498</b>	2,418
Obligations under finance leases - due within one year		<b>4,569</b>	4,476
Bank borrowings - due within one year		<b>102,715</b>	81,050
		<b>253,657</b>	192,598
<b>Net current assets/(liabilities)</b>		<b>16,858</b>	(8,613)
<b>Total assets less current liabilities</b>		<b>232,545</b>	190,005
<b>Non-current liabilities</b>			
Amount due to a related party		–	10,404
Obligations under finance leases - due after one year		<b>5,844</b>	10,667
Deferred income		<b>1,283</b>	–
Bank borrowings - due after one year		<b>53,637</b>	23,630
		<b>60,764</b>	44,701
		<b>171,781</b>	145,304
<b>Capital and reserves</b>			
Share capital		<b>1,623</b>	1,623
Reserves	10	<b>170,158</b>	143,681
		<b>171,781</b>	145,304

Notes:

## 1. CORPORATE INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 April 2005 and its shares have been listed on the Growth Enterprises Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 13 October 2005.

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

### **Basis of preparation of the consolidated financial statements**

The measurement basis used in the preparation of the consolidated financial statements is historical cost basis, except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

### **Application of new HKFRSs**

In the current year, the Group has applied for the first time, a number of new Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (herein collectively referred to as “New HKFRSs”) which are effective for accounting period beginning on 1 January 2007. The adoption of the New HKFRSs had no significant impact on how the results or the financial position of the Group for current and previous accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

Up to the date of issue of these consolidated financial statements, the HKICPA has also issued the following New HKFRSs which are not yet effective for the accounting year ended 31 December 2007 and which have not been adopted in these consolidated financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Share-based Payment-Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)- Interpretation 11	HKFRS 2 - Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC)- Interpretation 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC)- Interpretation 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)- Interpretation 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

The Group has commenced considering the potential impact of these New HKFRSs but is not yet in a position to determine whether these New HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These New HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 2. REVENUE AND SEGMENT INFORMATION

Revenue is recognised at the fair value of the consideration received or receivables and represents the net amounts received and receivable for goods sold to outside customers in the normal course of business, net of returns, discounts, and sales related taxes.

All the Group's operations are located and carried out in the People's Republic of China (the "PRC"), and the sole principal activity of the Group is moulding fabrication, manufacturing and trading of moulds and plastic components. Accordingly, no segment information by business and geographical is presented.

## 3. FINANCE COSTS

	<b>2007</b> <i>RMB'000</i>	2006 <i>RMB'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	<b>8,137</b>	5,296
Finance leases	<b>692</b>	991
Short-term loan from a related party	<b>348</b>	713
Other borrowings	<b>19</b>	173
	<b><u>9,196</u></b>	<b><u>7,173</u></b>

## 4. INCOME TAX EXPENSE

	<b>2007</b> <i>RMB'000</i>	2006 <i>RMB'000</i>
PRC enterprise income tax		
Current year	<b>6,582</b>	5,233
Under/(over) provision in prior years	<b>(1,109)</b>	(192)
	<b><u>7,691</u></b>	<b><u>5,041</u></b>

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits in Hong Kong during both years.

The Group is subject to the Income Tax Law of the PRC and unless otherwise approved, the normal applicable tax rate is 33%.

Pursuant to the approvals obtained from the relevant PRC tax authorities, the applicable tax rate for Hangzhou Yusei Machinery Co., Ltd. (“Hangzhou Yusei”) is 26.4% and Hangzhou Yusei is entitled to a tax concession period in which it is fully exempted from PRC income tax for 2 years commencing from its first profit-making year, followed by a 50% reduction in the PRC income tax for 3 years. The first profit-making year of Hangzhou Yusei is 2003 and the effective tax rate for 31 December 2003 and 2004 is nil. The effective tax rate for Hangzhou Yusei is 13.2% for each of the years ended 31 December 2006 and 2007.

In addition, as Zhejiang Yusei Plastics & Mould Co., Ltd (“Zhejiang Yusei”) is recognised as a New and High Technology Enterprise and is operating and registered in the State Level New and High Technology Development Zone, it is entitled to a reduced income tax rate of 10.75% from 2003 to 2005 and 16.5% thereafter.

Hangzhou Yusei Mould Technology Research Co., Ltd. (“Hangzhou Yusei Moulding”), Suzhou Yusei Machinery Co., Ltd (“Suzhou Yusei”) and Yusei (China) Mould Co., Ltd (“Yusei (China)”) are not subject to PRC income tax as they have not commenced business up to 31 December 2007.

No provision for deferred taxation has been recognised in the consolidated financial statements as the amount involved is insignificant.

## 5. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging /(crediting):

	<b>2007</b>	2006
	<b>RMB'000</b>	RMB'000
Amortisation of intangible asset included in administrative expenses	<b>553</b>	576
Amortisation of land use rights included in administrative expenses	<b>305</b>	249
Depreciation of owned property, plant and equipment	<b>17,458</b>	13,659
Depreciation of property, plant and equipment under finance leases	<b>2,333</b>	2,331
	<b>20,649</b>	16,815
Auditors' remuneration	<b>609</b>	480
Staff costs (including directors' remuneration)	<b>45,617</b>	42,940
Bank interest income	<b>(337)</b>	(222)
Exchange gain	<b>(748)</b>	(2,171)
Loss on disposal of property, plant and equipment	–	13
Impairment of trade debtors	<b>232</b>	1,392
Research and development expenses	<b>120</b>	–
Allowance for inventories	<b>1,066</b>	455
Operating lease charges on leased office premises	<b>103</b>	103

## 6. DIVIDEND

The directors recommend a payment of final dividend for the year ended 31 December 2007 of RMB0.05625 per share, amounting to RMB9,000,000 in aggregate, which was subjected to the approval by shareholders in general meeting.

The final dividend for the year ended 31 December 2006 of HK\$0.0387 per share (equivalent to RMB0.036 per share), amounting to RMB5,798,000 in aggregate, was approved at the Company's annual general meeting held on 27 April 2007 and paid to the shareholders of the Company during the year ended 31 December 2007.

The final dividend for the year ended 31 December 2005 of HK\$0.036 per share (equivalent to RMB0.037 per share), amounting to RMB5,920,000 in aggregate, was approved at the Company's annual general meeting held on 21 April 2006 and paid to the shareholders of the Company during the year ended 31 December 2006.

## 7. EARNINGS PER SHARE

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

	<b>2007</b> <i>RMB'000</i>	2006 <i>RMB'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u><b>30,865</b></u>	<u>12,375</u>
	<b>2007</b>	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>155,104,000</b>	147,683,068
Effect of unvested ordinary shares	<u><b>4,896,000</b></u>	<u>4,896,000</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><b>160,000,000</b></u>	<u>152,579,068</u>

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS

The Company allows a credit period of 30 to 90 days to its customers. For customers who purchased moulds for the Group and have established good relationships with the Group, the credit period may extend to the range from 90 days to 270 days.

The ageing analysis of trade debtors and bills receivable is as follows:

	<b>2007</b> <i>RMB'000</i>	2006 <i>RMB'000</i>
1-30 days	<b>90,314</b>	62,679
31-60 days	<b>30,821</b>	18,425
61-90 days	<b>8,070</b>	4,071
91-180 days	<b>2,526</b>	6,777
Over 180 days	<u><b>2,213</b></u>	<u>2,956</u>
Trade debtors	<b>133,944</b>	94,908
Less: Accumulated impairment losses	<u><b>(1,624)</b></u>	<u>(1,392)</u>
	<b>132,320</b>	93,516
Other debtors, deposits and prepayments	<u><b>15,468</b></u>	<u>3,452</u>
	<u><b>147,788</b></u>	<u>96,968</u>

## 9. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors is as follow:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
1 - 30 days	33,135	37,939
31 - 60 days	29,529	17,676
61 - 90 days	12,862	9,573
91 - 180 days	4,160	643
Over 180 days	1,923	2,714
	<hr/>	<hr/>
Trade creditors	81,609	68,545
Bills payable	31,000	15,000
Other creditors and accrued charges	30,627	17,185
	<hr/>	<hr/>
	<b>143,236</b>	<b>100,730</b>
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The Group's bank deposits of RMB8,000,000 (2006: RMB5,500,000) were pledged to the banks to secure the bills payable as at 31 December 2007.

## 10. RESERVES

During the year, approximately RMB4,054,000 (2006: RMB2,562,000) was appropriated from retained profits to statutory surplus reserve.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business review**

During the year ended 31 December 2007, the Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the PRC. The Group also provides services for certain assembling and further processing of plastic components for its customers.

The Group's overall turnover for the year ended 31 December 2007 was approximately RMB444,747,000, representing an increase of 19.3% as compared to that of approximately RMB372,773,000 for the year ended 31 December 2006. The Group's customers are mainly the manufacturers of branded home electrical appliances, office equipment and plastic components with production facilities located in the PRC.

### **Financial review**

#### *Turnover*

The Group's turnover for the year ended 31 December 2007 increased by 19.3% to approximately RMB444,747,000 as compared to that of approximately RMB372,773,000 for the year ended 31 December 2006.

During the year, the Group put more resources in the production of plastic injection mould products and certain assembling and further processing of plastic components for maintenance and enhancement its position as a one-stop total solution provider in the plastic injection moulding industry.

#### *Gross profit*

The Group achieved a gross profit of approximately RMB90,232,000 for the year ended 31 December 2007, representing an increase of approximately 30.8% as compared to that for the year ended 31 December 2006. During the year, the overall gross profit margin was increased.

#### *Distribution costs*

Distribution costs for the year ended 31 December 2007 increased by approximately 31.3% to approximately RMB7,641,000 as compared to that of approximately RMB5,821,000 for the year ended 31 December 2006. Such increase was mainly attributable to increase in turnover.

#### *Administrative expenses*

Administrative expenses for the year ended 31 December 2007 decreased by approximately 12.2% to approximately RMB37,507,000 as compared to that of approximately RMB42,738,000 for the year ended 31 December 2006. Such decrease was mainly attributable to net effect of (i) the inclusion of amortised fair value of estimated vesting shares granted to a director, selected employees and technical consultants of approximately RMB1,866,000 (2006: RMB10,908,000), in accordance with Hong Kong Financial Reporting Standard; and (ii) increase in staff costs and administrative expenses as a result of the Group's expansion.

### *Finance costs*

Finance costs for the year ended 31 December 2007 increased to approximately RMB9,196,000 as compared to that of approximately RMB7,173,000 for the year ended 31 December 2006. Such increase was attributable to the increase in the Group's average bank borrowings as a result of the Group's expansion.

### *Profit attributable to equity holders of the Company*

The profit attributable to equity holders of the Company increased by approximately 149% from approximately RMB12,375,000 for the year ended 31 December 2006 to approximately RMB30,865,000 for the year ended 31 December 2007.

### *Financial resources and liquidity*

As at 31 December 2007, the equity amounted to approximately RMB171,781,000. Current assets amount to approximately RMB270,515,000, of which approximately RMB64,178,000 were cash and bank deposits (excluding pledged bank deposits of approximately RMB10,214,000). The Group had net current assets of approximately RMB16,858,000 and its current liabilities amounted to approximately RMB253,657,000, 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 2007, the Group had a gearing ratio of 34.3%.

### *Segment information*

All the Group's operations are located and carried out in the PRC, and the sole principal activity of the Group is the manufacturing and trading of moulds and plastic components. Accordingly, no segment information by business and geographical segment is presented.

### *Employment and remuneration policy*

As at 31 December 2007, the total number of the Group's staff was approximately 1,580. The total staff costs (including directors' remuneration) amounted to approximately RMB45,617,000 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 2007, certain land use rights and property, plant and equipment of the Group with an aggregate net book value of approximately RMB3,664,000 and RMB40,929,000 respectively were pledged as securities for bank borrowings.

### *Capital commitments*

As at 31 December 2007, the Group had a capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounting to approximately RMB19,424,000.

### **Outlook**

There has been an increase in the Group's turnover for the year ended 31 December 2007 as compared with the corresponding period of last year. 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 its overall competitiveness.

In March 2007, the Group was granted a loan facility of RMB50,000,000 from China Merchant Bank and the Group has additional financial resources back-up for expansion of production capacity.

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.

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. During the year, the Company had several new customers, including a well-known office automation machine manufacturer and several famous manufacturers of automotive part and components.

In addition, the Group continues to enlarge our production capacities in accordance with the corporate development strategies. The Group's new production facility of 26,727 sq. metre in Suzhou, Jiangsu province is under construction and will be ready for production in June 2008. In response for the customers' demand, the Group will consider the feasibility to set up production facilities in other regions of the PRC.

## COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

The Shares of the Company were listed on the GEM Board of the Stock Exchange on 13 October 2005. The business objectives as listed in the prospectus of the Company dated 30 September 2005 (the “Prospectus”) were prepared for the year ended 31 December 2007.

<b>Business objective</b>	<b>Implementation</b>	<b>Actual business progress</b>
1. Capital expenditure (including capital investment in production facilities and capital investment in equipment)	<ul style="list-style-type: none"> <li>– Install advanced mould fabrication equipment, including 1 set of CNC wiring machine and 1 set of CNC electrolysis machine.</li> </ul>	<ul style="list-style-type: none"> <li>– new production machineries including 1 set of CNC wiring machine, 1 set of CNC electrolysis machine</li> </ul>
2. Enhance moulding business to become a one-stop service provider	<ul style="list-style-type: none"> <li>– Conduct training program for the research and development division</li> <li>– Continue training internal staff to enhance their overall technical know-how</li> <li>– Continuous provision of training to staff for project management</li> <li>– Provision of training in Japan for 2-3 high-quality technicians to keep abreast of the new technology for mould fabrication and production of plastic products</li> </ul>	<ul style="list-style-type: none"> <li>– Training courses were conducted for research and development division in respect of (i) technical softwares including UG software, (ii) the CAE moulding analysis and (iii) operation of new machines.</li> <li>– Management courses in were conducted to the Group’s managerial staff and technicians by professionals</li> <li>– 4 technicians are staying in Japan for training</li> </ul>
3. Develop sales channel	<ul style="list-style-type: none"> <li>– set up technical support and sale office in Shanghai</li> <li>– Participate in mould design and fabricated sales exhibition</li> </ul>	<ul style="list-style-type: none"> <li>– Set up technical support and sales office for better services provided to major customers</li> <li>– Participate a mould industry exhibition held in December 2007</li> </ul>

## USE OF PROCEEDS

The proceeds from the Company's issue of new shares at the time of its listing on the Hong Kong Stock Exchange in October 2005, after deduction of related issuance expenses, amounted to approximately HK\$33,318,000.

As at 31 December 2007, the cost of implementation of business objectives of the Group is compared as follows:

	<b>Actual</b> <i>HK\$'000</i>	<b>Estimated</b> <i>HK\$'000</i>
Capital expenditure	30,250	30,250
Enhance moulding business to become a one-stop service provider	3,050	3,050
Develop sales channel	<u>500</u>	<u>500</u>
	<u><u>33,800</u></u>	<u><u>33,800</u></u>

## PROPOSED DIVIDEND

The Directors recommend the payment of a final dividend of RMB9,000,000 for the year ended 31 December 2007.

## 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. 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors to be notified to the Company and the Stock Exchange are as follows:

Name of Company	Name of Director	Personal Interests	Capacity			Number of shares		Approximate Percentage of interests
			Family Interests	Corporate Interests	Long Position	Short Position		
Company	Katsutoshi Masuda (“Mr. Masuda”) (Note 1)	–	–	105,600,000 shares	105,600,000 shares	–	66%	
Company	Toshimitsu Masuda (Note 2)	–	–	105,600,000 shares	105,600,000 shares	–	66%	
Company	Xu Yong	9,600,000 shares	–	–	9,600,000 shares	–	6%	
Yusei Machinery Corporation (“Yusei Japan”)	Mr. Masuda (Note 3)	21,960 shares	2,100 shares	25,760 shares	49,820 shares	–	71.2%	
Yusei Japan	Toshimitsu Masuda (Note 4)	1,700 shares	–	25,760 shares	27,460 shares	–	39.2%	
Yusei Japan	Keisuke Murakoshi	6,370 shares	–	–	–	–	9.1%	
Yusei Japan	Akio Suzuki	12,110 shares	–	–	–	–	17.3%	

*Notes:*

1. Mr. Masuda is deemed to be interested in 71.2% of the issued share capital in Yusei Japan pursuant to the SFO. Yusei Japan is interested in 66% 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 105,600,000 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 36.8% in the issued share capital of Yusei Japan which in turn is interested in 66% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 105,600,000 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 36.8% 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. 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:

Name of Company	Number of shareholder	Capacity	Number of shares		Approximate percentage of interests
			Long Position	Short Position	
Company	Yusei Japan	Beneficial Owner	105,600,000 shares	–	66%
Company	Conpri (Note 1)	Corporate Interest	105,600,000 shares	–	66%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	105,600,000 shares	–	66%

*Notes:*

1. Conpri is interested in 36.8% in the issued share capital of Yusei Japan. By virtue of SFO, Conpri is deemed to be interested in 105,600,000 shares held by Yusei Japan.
2. Mrs. Echiko Masuda is the spouse of Mr. Masuda and is deemed to be interested in 105,600,000 Shares pursuant to the SFO.

## **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 2007.

## **SHARE OPTION SCHEME**

The Company has adopted a share option scheme. A summary of the principle terms and conditions of the share option scheme are set out in the section headed "Summary of the terms of the Share Option Scheme" in Appendix V of the Prospectus. Up to 31 December 2007, no option has been granted pursuant to the share option scheme.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the year ended 31 December 2007, 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 Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

## **AUDIT COMMITTEE**

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 5.28 to 5.30 of the GEM 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 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 2007, which was of an opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.



## **PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2007, neither the Company nor any of its subsidiary had purchased, sold or redeemed any of the Company's listed shares.

## **DIRECTORS' INTEREST IN A COMPLETING BUSINESS**

Yusei Japan is beneficially owned as to 66% 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 36.8% by Conpri, as to approximately 31.4% by Mr. Masuda, as to approximately 17.3% by Mr. Akio Suzuki, as to approximately 9.1% by Mr. Keisuke Murakoshi, as to approximately 3.0% by Mrs. Echiko Masuda and as to approximately 2.4% by Mr. Toshimitsu Masuda, respectively. 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, Mr. Akio Suzuki and Mr. Toshimitsu Masuda are the Company's non-executive directors and Mr. Keisuke Murakoshi is one of the Company's 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.

## COMPLIANCE ADVISOR'S INTEREST

Pursuant to the compliance advisor's agreement dated 30 September 2005 entered into between the Company and Quam Capital Limited ("Quam Capital"), Quam Capital has been appointed as the compliance advisor of the Company for the period commencing from the Listing Date and ending on the date on which the Company complies with Rules 18.03 of the GEM Listing Rules in respect of the Company's financial results for the second full financial year commencing after the Listing Date in accordance with the GEM Listing Rules subject to the terms and conditions of the compliance advisor's agreement.

As notified by Quam Capital, none of Quam Capital, its directors, employees or associates had any interests in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 31 December 2007.

## 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 15 of the GEM Listing Rules.

By order of the Board  
**Yusei Holdings Limited**  
**Katsutoshi Masuda**  
*Chairman*

PRC, 27 March 2007

*As at the date of this announcement, the Executive Directors are Mr. Keisuke Murakoshi and Mr. Xu Yong, the Non-executive Directors are Mr. Katsutoshi Masuda, Mr. Akio Suzuki, Mr. Toshimitsu Masuda and Mr. Toshinobu Ito and the Independent Non-Executive Directors are Mr. Lo Ka Wai, Mr. Fan Xiaoping and Mr. Hisaki Takabayashi.*

\* *For identification purpose only*