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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 2015**

The board (the “Board”) of directors (the “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 2015, together with the comparative figures for the corresponding period of last year, as follows:

Consolidated statement of profit and loss

For the year ended 31 December 2015

	<u>NOTES</u>	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Revenue	3	1,101,340	952,531
Cost of sales		<u>(936,038)</u>	<u>(804,535)</u>
Gross profit		165,302	147,996
Other income	4	7,305	7,770
Net foreign exchange gain		1,595	1,056
Distribution costs		(35,877)	(23,993)
Administrative expenses		(51,990)	(55,368)
Finance costs	5	(17,576)	(21,402)
Share of profits of associates		<u>4,736</u>	<u>933</u>
Profit before tax		73,495	56,992
Income tax expense	6	<u>(11,702)</u>	<u>(6,653)</u>
Profit for the year attributable to owners of the Company	7	<u>61,793</u>	<u>50,339</u>
Earnings per share			
Basic and diluted	9	<u>RMB0.305</u>	<u>RMB0.262</u>

* For identification purpose only

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Profit for the year	61,793	50,339
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	<u>(1,521)</u>	<u>(682)</u>
Total comprehensive income for the year attributable to owners of the Company	<u>60,272</u>	<u>49,657</u>

Consolidated statement of financial position
As at 31 December 2015

	<u>NOTES</u>	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Non-current assets			
Property, plant and equipment		363,853	305,319
Intangible assets		660	758
Land use rights		17,559	18,178
Interests in associates		33,487	24,545
		<u>415,559</u>	<u>348,800</u>
Current assets			
Inventories		139,326	170,966
Trade and bills receivables, deposits and prepayments	10	374,071	328,571
Amounts due from associates		11,725	14,193
Pledged bank deposits		5,709	1,397
Bank balances, deposits and cash		54,122	42,249
		<u>584,953</u>	<u>557,376</u>
Current liabilities			
Trade and other payables	11	340,846	302,064
Amount due to ultimate holding company		22,326	23,524
Amounts due to associates		3,699	995
Income tax liabilities		12,838	9,413
Obligations under finance leases			
- due within one year		27,049	15,141
Bank and other loans - due within one year		176,550	215,452
		<u>583,308</u>	<u>566,589</u>
Net current assets (liabilities)		<u>1,645</u>	<u>(9,213)</u>
Total assets less current liabilities		<u>417,204</u>	<u>339,587</u>
Non-current liabilities			
Obligations under finance leases			
- due after one year		38,422	12,834
Deferred income		630	878
		<u>39,052</u>	<u>13,712</u>
		<u>378,152</u>	<u>325,875</u>
Capital and reserves			
Share capital		2,020	2,020
Reserves		376,132	323,855
		<u>378,152</u>	<u>325,875</u>

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Reserve for shares issued with vesting conditions RMB'000	Translation reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	1,810	39,867	49,663	18,065	7,053	71	16,493	127,656	260,678
Profit for the year	-	-	-	-	-	-	-	50,339	50,339
Other comprehensive expense for the year	-	-	-	-	(682)	-	-	-	(682)
Total comprehensive (expense) income for the year	-	-	-	-	(682)	-	-	50,339	49,657
Issue of shares	210	16,585	-	-	-	-	-	-	16,795
Transaction costs attributable to issue of shares	-	(1,255)	-	-	-	-	-	-	(1,255)
At 31 December 2014	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 (expense) income for the year	-	-	-	-	(1,521)	-	-	61,793	60,272
Dividend recognised as distribution (Note 8)	-	-	-	-	-	-	-	(7,995)	(7,995)
At 31 December 2015	2,020	55,197	49,663	18,065	4,850	71	16,493	231,793	378,152

Notes:

1. CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

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 (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

2A. 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 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010 – 2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company consider that the application of the amendments to HKFRSs 2010 – 2012 Cycle has had no material impact in the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2011 – 2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011 – 2013 Cycle has had no material impact in the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The directors of the Company consider that the application of the amendments to HKAS 19 Defined Benefit Plans – Employee Contribution has had no material impact in the Group's 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 ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective date not yet been determined.

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 (2014) 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.
- 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.

Regarding the Group's financial assets, 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 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012 – 2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7

also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012 – 2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- i) when the intangible asset is expressed as a measure of revenue;
- ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of amendments to HKFRS 10 and HKAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company do not anticipate that the application of the amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

2B. CHANGES OF ACCOUNTING ESTIMATES

Change of depreciation rate in the year

In previous years, property, plant and equipment was depreciated at the useful lives of 5 to 20 years. In 2015, property, plant and equipment has been depreciated at the useful lives of 3 to 12 years, being 60% of the former useful lives, which is in line with the new depreciation period suggested by State Administration of Taxation of the PRC upon the release of Caishui [2015] No. 106. This change in depreciation rate has increased the depreciation charge for the year ended 31 December 2015.

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 officer) 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 years ended 31 December 2015 and 2014, the Group’s operations were located in the PRC.

During the year ended 31 December 2015, 99.98% (2014: 99.98%) of the Group’s revenue from external customers was generated in the PRC while as at 31 December 2015, 100% (2014: 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:

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Customer A	165,938	166,428
Customer B	139,627	146,302
Customer C	<u>136,907</u>	<u>N/A¹</u>

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

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

4. OTHER INCOME

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Gain on sales of materials	3,134	3,784
Quality inspection income	687	188
Bank interest income	313	233
Rental income received	211	111
Utilities expenses claimed	1,200	1,011
Government subsidies (Note)	56	39
Release of government grants for land use rights	85	85
Reversal of impairment loss on trade receivables	616	1,948
Gain on disposal of property, plant and equipment and land use rights	-	4
Release of deferred gain from sale and leaseback of property, plant and equipment	163	163
Others	<u>840</u>	<u>204</u>
	<u>7,305</u>	<u>7,770</u>

Note: Government subsidies of approximately RMB56,000 (2014: RMB39,000) have been recognised during the year ended 31 December 2015 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

	2015 RMB'000	2014 RMB'000
Interest on:		
bank and other loans	13,002	17,890
finance leases	3,422	2,278
amount due to ultimate holding company	1,152	1,234
	<u>17,576</u>	<u>21,402</u>

6. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
PRC Enterprise Income Tax (the "EIT")		
Current year	11,062	6,653
Over-provision in prior year	640	-
	<u>11,702</u>	<u>6,653</u>

(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 2015 and 2014 was 15%.

On 27 December 2012, 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 2012. In addition, 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 8 November 2011, 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 2011. In addition, 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.*, 友成(中國)模具有限公司 Yusei (China) Mould Co., Ltd.*, 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.*, 杭州友成模具技術研究有限公司 Hangzhou Yusei Mould Technology Research Co., Ltd.*, 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 year ended 31 December 2015 and 2014.

* The English names are for identification purposes only.

7. PROFIT FOR THE YEAR

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's remuneration	3,017	2,497
Salaries, wages and other benefits	139,050	126,819
Retirement benefits scheme contributions	8,673	8,533
Other staff costs	147,723	135,352
Total staff costs	150,740	137,849
Depreciation of property, plant and equipment	49,899	43,531
Amortisation of intangible asset (included in administrative expenses)	194	106
Amortisation of land use rights (included in administrative expenses)	619	619
Total depreciation and amortisation expenses	50,712	44,256
Auditor's remuneration	900	880
Impairment loss on trade receivables (included in administrative expenses)	603	342
Impairment loss on inventories (included in cost of sales)	6,419	1,382
Impairment loss recognised in respect of interest in an associate	1,394	4,000
Loss on disposal of property, plant and equipment	202	-
Operating lease charges on leased premises	6,434	6,875
Release of deferred loss from sale and leaseback of property, plant and equipment	3,008	2,261

8. DIVIDENDS

During the year ended 31 December 2015, dividend in respect of the year ended 31 December 2014 of approximately RMB7,995,000 (RMB 3.95 per share) was recognised as distribution (2014: nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of RMB3.95 cents (2014: final dividend in respect of the year ended 31 December 2014 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.

In addition, subsequent to the end of the reporting period, a bonus issue of shares on the basis of one bonus share for every one existing shares held by Shareholders whose names appear on the register of members of the Company on 14 June 2016 has been proposed by the directors of the Company. The relevant resolution will be proposed in the forthcoming annual general meeting of the Company.

The bonus shares will rank pari passu in all respects with the existing shares in issue from the date of issue except that they will not rank for the final dividend for the year ended 31 December 2015.

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:

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>61,793</u>	<u>50,339</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>202,400,000</u>	<u>192,346,301</u>

Diluted earnings per share is same as basic earnings per share for the years ended 31 December 2015 and 2014 as there is no potential ordinary shares outstanding.

10. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Trade receivables and bills receivables	348,227	285,029
Less: impairment loss recognised	<u>(3,285)</u>	<u>(3,298)</u>
	344,942	281,731
Advance to suppliers	7,575	16,029
Other receivables, deposits and prepayments (Note)	<u>21,554</u>	<u>30,811</u>
	<u>374,071</u>	<u>328,571</u>

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: Included in the balance of other receivables, there are deferred loss of approximately RMB3,697,000 (2014: RMB6,705,000) arising from sales and leaseback transactions as at 31 December 2015.

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

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Within 30 days	217,644	186,482
31 to 60 days	59,770	42,729
61 to 90 days	36,684	39,350
91 to 180 days	28,008	12,391
181 to 365 days	2,836	779
Trade and bills receivables	<u>344,942</u>	<u>281,731</u>

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:

	<u>2015</u> RMB'000	<u>2014</u> RMB'000
Within 30 days	138,990	107,965
31 to 60 days	49,119	51,598
61 to 90 days	25,319	28,440
91 to 180 days	7,052	10,456
181 to 365 days	2,814	1,347
Over 365 days	2,668	2,628
Trade payables and bills payables	225,962	202,434
VAT payables	21,647	11,773
Deposits received	7,294	16,006
Other payables and accrued charges (Note)	85,943	71,851
	<u>340,846</u>	<u>302,064</u>

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 2015, the Group's bank deposits of approximately RMB5,709,000 (2014: RMB1,397,000) 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 of approximately RMB11,169,000 (2014: RMB4,429,000) included in these balances .

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year ended 31 December 2015, 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 customers are mainly the manufacturers of branded home electrical appliances, office equipment and plastic components with production facilities located in the PRC.

Financial review

Revenue

The Group's revenue for the year ended 31 December 2015 increased by 15.6% to approximately RMB1,101,340,000 as compared to that of approximately RMB952,531,000 for the year ended 31 December 2014. Increase in revenue was mainly attributable to (i) strong demand from customers during the year; and (ii) the full year operation of production factories of Wuhu Yusei and Hubei Yusei during the year.

Gross profit

The Group achieved a gross profit of approximately RMB165,302,000 for the year ended 31 December 2015, representing an increase of approximately 11.7% as compared to that of approximately RMB147,996,000 for the year ended 31 December 2014. During the year, the overall gross profit margin was stable.

Distribution costs

Distribution costs for the year ended 31 December 2015 increased by approximately 49.5% to approximately RMB35,877,000 as compared to that of approximately RMB23,993,000 for the year ended 31 December 2014. Such increase was mainly attributable to (i) the increase in revenue, (ii) the purchase of additional packing materials in response to the customers' needs and (iii) increase in transportation costs.

Net foreign exchange gain

Net foreign exchange gain for the year mainly represented the gain arising from increased foreign currency transactions in relation to the USD denominated sales to the customers. During the year, RMB was significantly depreciated against USD which resulted in the foreign exchange gain.

Last year's net foreign exchange gain mainly represented the gain arising from exchange rate translation of Japanese Yen ("JPY") denominated obligations under finance leases and bank borrowings at the end of the reporting period as a result of the depreciation of the Japanese Yen against RMB.

Administrative expenses

Administrative expenses for the year ended 31 December 2015 decreased approximately by 6.1% to RMB51,990,000 as compared to that of approximately RMB55,368,000 for the year ended 31 December 2014. Such decrease was mainly attributable to i) decrease in bank charges; and ii) decrease in impairment loss for interest in associates recognised by the Group during the year.

Finance costs

Finance costs for the year ended 31 December 2015 decreased approximately by 17.9% to RMB17,576,000 as compared to that of approximately RMB21,402,000 for the year ended 31 December 2014. Such decrease was mainly attributable to decrease in bank loans during the year.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 22.8% from approximately RMB50,339,000 for the year ended 31 December 2014 to approximately RMB61,793,000 for the year ended 31 December 2015.

Financial resources and liquidity

As at 31 December 2015, the equity amounted to approximately RMB378,152,000. Current assets amounted to approximately RMB584,953,000, of which bank balances, deposits and cash and pledged bank deposits totaling approximately RMB59,831,000. The Group had non-current assets of approximately RMB415,559,000 and its current liabilities amounted to approximately RMB583,308,000, comprising mainly its creditors and accrued charges and bank borrowings. The net asset value per share was RMB1.87. The Group expresses its gearing ratio as a percentage of finance leases and borrowings over total assets. As at 31 December 2015, the Group had a gearing ratio of 24.2% (2014: 26.9%).

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 2015, the total number of the Group's staff was approximately 2,500. The total staff costs (including directors' remuneration) amounted to approximately RMB150,740,000 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 2015, the Group's bank and other loans are secured by land use rights and property, plant and equipment of the Group with an aggregate carrying values of approximately

RMB15,226,000 and RMB78,013,000 respectively.

Foreign currency risk

The Group carries on business in RMB, United States dollars (“US\$”) and 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 receivables, deposits and prepayments; bank balances, deposits and cash; trade and other payables and accrued charges; obligations under finance leases and bank borrowings 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 2015, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB41,046,000 in respect of acquisition of property, plant and equipment.

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.

In view of the huge potential market in China, especially following the development of automobile industry in China and coping with the customers' demands, Wuhu Yusei and Hubei Yusei put into production during the year.

In addition, for the future business development, the Group recently purchase a piece of land of area 58,353 square meters in Hubei Province and anticipate that it may start construction of factories in second half of 2016. To cope with the expansion of business in Southern China, the Group plans to commence the construction of the second phase of Guangzhou Yusei's production plants of 5,600 square meters which may be completed by the end of 2016.

PROPOSED FINAL DIVIDEND

The Directors recommended the payment of a final dividend of RMB3.95 cents per share in respect of the year ended 31 December 2015.

Upon approval from the forthcoming annual general meeting to be held on 3 June 2016 (the "AGM"), the final dividends, which are payable to shareholders whose names appear on the register of members of the Company on 14 June 2016, will be paid on or about 30 June 2016.

PROPOSED BONUS SHARES ISSUE

The Directors proposes a bonus issue of shares on the basis of one bonus share for every one existing shares held by shareholders whose names appear on the register of members of the Company on 14 June 2016. The relevant resolution will be proposed in the forthcoming annual general meeting of the Company, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates for the bonus shares will be dispatched to Shareholders on or around 30 June 2016.

The bonus shares will rank pari passu in all respects with the existing shares in issue from the date of issue except that they will not rank for the final dividend in respect of the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

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 1 June 2016 to 3 June 2016 (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 31 May 2016.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividends and the proposed bonus issue of shares, the register of members of the Company will be closed from 10 June 2016 to 14 June 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividends and the proposed bonus issue of shares (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 8 June 2016.

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:

Name of Company	Name of Director	Capacity			Number of shares		Approximate Percentage of interests
		Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	
Company	Katsutoshi Masuda (“Mr. Masuda”) (Note 1)	-	-	80,960,000 shares	80,960,000 shares	-	40.00%
Company	Toshimitsu Masuda (Note 2)	-	-	80,960,000 shares	80,960,000 shares	-	40.00%
Company	Xu Yong	31,280,000 shares	-	-	31,280,000 shares	-	15.45%
Company	Manabu Shimabayashi	660,000 shares	110,200 shares	-	770,200 shares	-	0.38%
Company	Fan Xiaoping	19,800 shares	-	-	19,800 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 80,960,000 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 80,960,000 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:

Name of Company	Name of shareholder	Capacity	Number of shares		Approximate Percentage of interests
			Long Position	Short Position	
Company	Yusei Japan	Beneficial Owner	80,960,000 shares	-	40.00%
Company	Conpri (Note 1)	Corporate Interest	80,960,000 shares	-	40.00%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	80,960,000 shares	-	40.00%
Company	Superview International Investment Limited (Note 3)	Beneficial Owner	38,722,000 shares	-	19.13%

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 80,960,000 shares held by Yusei Japan.
2. Mrs. Echiko Masuda is the spouse of Mr. Masuda and is deemed to be interested in 80,960,000 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 2015.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2015, 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 the 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 2015, 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.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2015, 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, 30 March 2016

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*