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 2017

The board of directors of Yusei Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017, together with the comparative figures for the corresponding period of last year, as follows:

Consolidated statement of profit or loss
For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	3	1,247,392	1,218,555
Cost of sales		(1,049,089)	(1,032,922)
Gross profit		198,303	185,633
Other income and gain	4	24,577	12,937
Net foreign exchange loss		(1,331)	(2,661)
Distribution costs		(46,747)	(44,322)
Administrative expenses		(63,278)	(57,355)
Finance costs	5	(15,836)	(15,024)
Share of profits of associates		2,485	2,426
Profit before tax		98,173	81,634
Income tax expense	6	(14,678)	(17,362)
Profit for the year attributable to owners of the Company	7	83,495	64,272
Earnings per share			
Basic and diluted	9	RMB0.206	RMB0.159

* *For identification purpose only*

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	83,495	64,272
Other comprehensive income (expense):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operation	322	(269)
Total comprehensive income for the year attributable to owners of the Company	83,817	64,003

Consolidated statement of financial position
As at 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		427,964	383,548
Intangible assets		1,372	1,561
Land use rights		27,286	28,135
Prepayment	10	-	16,117
Amount due from an associate		21,318	-
Interests in associates		34,192	31,707
		512,132	461,068
Current assets			
Inventories		224,762	204,796
Trade and bills receivables, deposits and prepayments	10	439,465	448,640
Amounts due from associates		3,096	3,612
Pledged bank deposits		831	5,574
Bank balances, deposits and cash		56,019	56,996
		724,173	719,618
Current liabilities			
Trade and other payables	11	406,330	429,951
Amount due to ultimate holding company		1,762	21,818
Income tax liabilities		19,139	15,135
Obligations under finance leases			
- due within one year		26,335	40,581
Bank and other loans - due within one year		245,057	219,650
		698,623	727,135
Net current assets (liabilities)		25,550	(7,517)
Total assets less current liabilities		537,682	453,551
Non-current liabilities			
Obligations under finance leases			
- due after one year		-	11,983
Amount due to ultimate holding company		20,572	-
Deferred income		7,128	7,408
		27,700	19,391
		509,982	434,160
Capital and reserves			
Share capital		3,755	3,755
Reserves		506,227	430,405
		509,982	434,160

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Share capital	Share premium	Special reserve	Reserve for shares issued with vesting conditions	Translation Reserve	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2016	2,020	55,197	49,663	18,065	4,850	71	16,493	231,793	378,152
Profit for the year	-	-	-	-	-	-	-	64,272	64,272
Other comprehensive expense for the year	-	-	-	-	(269)	-	-	-	(269)
Total comprehensive (expense) income for the year	-	-	-	-	(269)	-	-	64,272	64,003
Bonus issue	1,735	(1,735)	-	-	-	-	-	-	-
Increase in statutory surplus reserve	-	-	-	-	-	-	1,874	(1,874)	-
Dividend recognised as distribution (Note 8)	-	-	-	-	-	-	-	(7,995)	(7,995)
At 31 December 2016 and 1 January 2017	3,755	53,462	49,663	18,065	4,581	71	18,367	286,196	434,160
Profit for the year	-	-	-	-	-	-	-	83,495	83,495
Other comprehensive income for the year	-	-	-	-	322	-	-	-	322
Total comprehensive income for the year	-	-	-	-	322	-	-	83,495	83,817
Dividend recognised as distribution (Note 8)	-	-	-	-	-	-	-	(7,995)	(7,995)
At 31 December 2017	3,755	53,462	49,663	18,065	4,903	71	18,367	361,696	509,982

Notes:

1. CORPORATE INFORMATION

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

The principal activities of the Group are moulding fabrication, manufacturing and trading of moulds and plastic components.

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.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRS 2014 – 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in annual report, the directors of the Company considered that these amendments have had no impact on 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[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation and Basis for Conclusions [2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle [2]
HK(IFRIC) - Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

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

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") (i.e. the chief executive) in order to allocate resources to segments and to assess their performance.

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

Geographical information

During the year ended 31 December 2017 and 2016, the Group's operations were located in the PRC.

During the year ended 31 December 2017, 99.99% (2016: 99.98%) of the Group's revenue from external customers was generated in the PRC while as at 31 December 2017, 100% (2016: 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:

	2017 RMB'000	2016 RMB'000
Customer A	171,695	202,632
Customer B	142,004	156,375
Customer C	N/A[1]	128,860

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

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

4. OTHER INCOME AND GAIN

	2017 RMB’000	2016 RMB’000
Gain on sales of materials	5,700	4,418
Quality inspection income	120	744
Bank interest income	203	226
Rental income received	630	213
Management services income	1,700	1,694
Government subsidies (Note)	7,904	1,513
Release of government grants for land use rights	224	168
Reversal of impairment loss on trade receivables	-	214
Reversal of allowance for inventories	3,639	2,959
Release of deferred gain from sale and leaseback of property, plant and equipment	27	163
Processing fee income	469	393
Technical supporting fee	3,437	-
Others	524	232
	24,577	12,937

Note: Government subsidies of approximately RMB7,904,000 (2016: RMB1,513,000) have been recognised during the year ended 31 December 2017 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

	2017 RMB’000	2016 RMB’000
Interest on:		
bank and other loans	12,866	11,141
finance leases	1,873	2,988
amount due to ultimate holding company	1,097	895
	15,836	15,024

6. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
PRC Enterprise Income Tax (the "EIT"):		
Current year	17,116	17,325
(Over) under provision in prior year	(2,438)	37
	14,678	17,362

(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 Company did not have any assessable profits subject to Hong Kong Profits Tax for both years and the Company's subsidiaries' 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"), 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.* ("Guangzhou 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 2017 and 2016 was 15%.

On 9 December 2016, Guangzhou Yusei was approved by Science and Technology Department of Guangdong Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 9 December 2016.

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 17 September 2015.

On 5 August 2014, Suzhou Yusei was approved by Science and Technology Department of Suzhou Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 1 January 2014. Suzhou Yusei has further obtained the renewal of its high technology qualification on 7 December 2017 and is entitled to the concession rate of 15% from 2017 to 2020.

The applicable PRC EIT rate of 浙江友成塑料模具有限公司 Zhejiang Yusei Plastics & Mould Co., Ltd.* ("Zhejiang Yusei"), 友成(中國)模具有限公司 Yusei (China) Mould Co., Ltd.* ("Yusei China"), 杭州友成模具技術研究有限公司 Hangzhou Yusei Mould Technology Research Co., Ltd.* ("Hangzhou Yusei Moulding"), 蕪湖友成塑料模具有限公司 Wuhu Yusei Plastic Moulding Co., Ltd* ("Wuhu Yusei"), 湖北友成塑料模具有限公司 Hubei Yusei Plastic Moulding Co., Ltd* ("Hubei Yusei"),友成機工(天津)有限公司 Yusei Machinery (Tianjin) Co., Ltd* ("Tianjin Yusei") and 杭州友成科技有限公司 Hangzhou Yusei Technology Limited* ("Yusei Technology") is 25% for the years ended 31 December 2017 and 2016.

* The English names are for identification purposes only.

7. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and the chief executive's remuneration	2,981	3,042
Salaries, wages and other benefits	187,118	165,656
Retirement benefits scheme contributions	10,599	8,782
Other staff costs	197,717	174,438
Total staff costs	200,698	177,480
Depreciation of property, plant and equipment	78,024	66,696
Amortisation of intangible assets (included in administrative expenses)	291	323
Amortisation of land use rights (included in administrative expenses)	849	754
Total depreciation and amortisation expenses	79,164	67,773
Auditor's remuneration	920	920
Impairment loss on trade receivables (included in administrative expenses)	-	53
Allowance for inventories (included in cost of sales)	3,420	4,529
Research and development costs recognised as an expense	44,176	36,668
Impairment loss recognised in respect of interest in an associate (included in administrative expenses)	-	4,206
Loss on disposal of property, plant and equipment	38	45
Operating lease charges on leased premises	9,073	9,156
Cost of inventories recognised as an expense	1,045,669	1,028,393
Release of deferred loss from sale and leaseback of property, plant and equipment	739	2,958

8. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends recognised as distribution during the year:		
2016 Final – RMB1.98 cents (2016: 2015 Final dividend RMB3.95 cents) per share	7,995	7,995

Subsequent to the end of the reporting period, a final dividend of RMB1.98 cents in respect of the year ended 31 December 2017 per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	83,495	64,272
Number of shares	2017	2016
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	404,800,000	404,800,000

Diluted earnings per share is same as basic earnings per share for the years ended 31 December 2017 and 2016 as there is no potential ordinary shares outstanding.

10. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Trade receivables and bills receivables	405,797	428,821
Less: impairment loss recognised	(3,124)	(3,124)
	402,673	425,697
Advance to suppliers	11,116	6,882
Other receivables, deposits and prepayments (Notes a and b)	25,676	32,178
	439,465	464,757
Less: Prepayment, non-current portion	-	(16,117)
	439,465	448,640

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

Note a: Included in the balance of other receivables, there are deferred loss of nil (2016: RMB739,000) arising from sale and leaseback transactions as at 31 December 2017 and release of deferred loss of approximately RMB739,000 was recognised for the year ended 31 December 2017 (2016: RMB2,958,000).

Note b: Included in the balance of prepayments, there is prepayment for capital injection into Jilin Dong Guang Yusei Manufacturing Co., Limited of approximately RMB16,117,000 which was classified as non-current asset as at 31 December 2016. It is reclassified to amount due from an associate as at 31 December 2017.

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

	2017 RMB'000	2016 RMB'000
Within 30 days	228,467	258,549
31 to 60 days	80,885	77,372
61 to 90 days	53,308	56,899
91 to 180 days	34,240	29,044
181 to 365 days	3,153	2,933
Over 365 days	2,620	900
Trade and bills receivables	402,673	425,697

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:

	2017 RMB'000	2016 RMB'000
Within 30 days	128,065	134,813
31 to 60 days	81,008	92,097
61 to 90 days	38,372	50,965
91 to 180 days	25,726	24,715
181 to 365 days	2,218	4,186
Over 365 days	8,402	3,407
Trade payables and bills payables	283,791	310,183
Value added tax payables	21,345	26,873
Deposits received	3,903	3,825
Amounts due to directors	-	616
Other payables and accrued charges (Note)	97,291	88,454
	406,330	429,951

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 2017, the Group's bank deposits of nil (2016: RMB5,000,000) were pledged to the banks to secure bills payables.

Note: Included in these balances mainly represented accrued salaries and wages, accrued interests. Included in the accrued salaries and wages of approximately RMB246,000 (2016: RMB383,000) is directors' remuneration. In addition, there were payables for acquisition of property, plant and equipment and construction payable of approximately RMB8,590,000 and nil (2016: RMB4,715,000 and RMB3,687,000) included in these balances respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year ended 31 December 2017, the Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the Peoples' Republic of China (the "PRC"). The Group also provides services for certain assembling and further processing of plastic components for its customers. The Group's customers are mainly the manufacturers of branded auto parts and components, office equipment and plastic components in the PRC.

Since 2016, the Group is facing challenges from the global economy which was affected by the unstable factors in relation to the international political unrest and economic instability most of the time during the current year. With the transformation and upgrading of business model of the Chinese enterprises, some of the Group's customers in manufacturing office equipment industry have transferred their production lines to Southeast Asian countries where the labour costs are lower. Having perceived this trend in prior year, the Group had focused its main business on the automotive industry. With the steady development of PRC's auto industry in 2017, the Group has maintained a sustainable business development by virtue of its competitive advantages in moulding and production of auto parts and components.

The Group continues to carry out research and development of moulding as the core, actively consolidate the technological advantages, and continue to strengthen the automated production, and improve the production processes so as to improve production efficiency. In addition, to enhance the cost advantage, the Group consider constructing production plants near to the main customers for providing fast and efficient services to the main customers. Meanwhile, in order to maintain the competitive advantage in the market segment, the Group continues to invest in purchasing more advanced equipment. In addition, we continue to put effort to develop the existing business and to explore new business.

Financial review

Revenue

The Group's revenue for the year ended 31 December 2017 increased by 2.4% to approximately RMB1,247,392,000 as compared to that of approximately RMB1,218,555,000 for the year ended 31 December 2016 which was mainly benefited from the steady growth in the PRC's auto industry during the year.

Gross profit

The Group achieved a gross profit of approximately RMB198,303,000 for the year ended 31 December 2017, representing an increase of approximately 6.8% as compared to that of approximately RMB185,633,000 for the year ended 31 December 2016.

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

Distribution costs

Distribution costs for the year ended 31 December 2017 increased by approximately 5.5% to approximately RMB46,747,000 as compared to that of approximately RMB44,322,000 for the year ended 31 December 2016. Such increase was mainly due to the increase in sales.

Net foreign exchange loss

Net foreign exchange loss mainly represented the loss arising from foreign currency translation of sales and purchases denominated in United State dollars ("US$") into RMB.

Administrative expenses

Administrative expenses for the year ended 31 December 2017 increased approximately by 10.3% to RMB63,278,000 as compared to that of approximately RMB57,355,000 for the year ended 31 December 2016. Such increase was mainly attributable to (i) the increase in staff cost, and (ii) inclusion of administrative expenses incurred by Tianjin Yusei and Yusei Technology, the new subsidiaries of the Group during the year.

Finance costs

Finance costs for the year ended 31 December 2017 increased approximately by 5.4% to RMB15,836,000 as compared to that of approximately RMB15,024,000 for the year ended 31 December 2016. It was mainly resulted from the increase in bank and other borrowings during the year.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company increased by approximately 29.9% from approximately RMB64,272,000 for the year ended 31 December 2016 to approximately RMB83,495,000 for the year ended 31 December 2017.

Financial resources and liquidity

As at 31 December 2017, the equity amounted to approximately RMB509,982,000. Current assets amounted to approximately RMB724,173,000, of which bank balances, deposits and cash and pledged bank deposits totaling approximately RMB56,850,000. The Group had non-current assets of approximately RMB512,132,000 and its current liabilities amounted to approximately RMB698,623,000, comprising mainly its creditors and accrued charges and bank borrowings. The net asset value per share was RMB1.26. The Group expresses its gearing ratio as a percentage of finance leases, amount due to ultimate holding company and borrowings over total assets. As at 31 December 2017, the Group had a gearing ratio of 23.6% (2016: 23.1%).

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 2017, the total number of the Group's staff was approximately 2,980. The total staff costs (including directors' remuneration) amounted to approximately RMB200,698,000 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 2017, the Group's bank loans are secured by land use rights and property, plant and equipment of the Group with an aggregate net carrying values of approximately RMB16,576,000 (2016: RMB17,157,000) and RMB112,794,000 (2016: RMB119,268,000), respectively.

As at 31 December 2017, bank deposits amounting to nil and approximately RMB831,000 (2016: RMB5,000,000 and RMB574,000) have been pledged for short-term bills payables and custom of import and export of trading requested by the local government, respectively. The pledged deposits were classified as current assets as the deposits will be released upon the settlement of relevant bills payables or upon the end of contract.

Foreign currency risk

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

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

Capital commitments

As at 31 December 2017, the Group had capital expenditure contracted for but not provided in the financial statements of approximately RMB10,588,000 (2016: RMB66,582,000) in respect of the acquisition of property, plant and equipment and construction of new production plants.

Outlook

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

As a service provider to the well-known international branded manufacturers, the management believes that the Group possesses the managerial characteristics which our major customers may appreciate, including: (i) high-level demand on the quality of the products, particularly in the automotive parts and components, office automation machines like assembling parts of photocopies and printers must meet a high standard of precision in order to ensure the machine work effectively; (ii) emphasis on production efficiency to shorten the production cycle; (iii) active participation in production process of the suppliers to ensure the product quality and the mutual communication to improve the suppliers' production efficiency; and (iv) From 2017, the Group constructs the factories of automation with automation machineries based on our own needs. It enhances the production efficiency and reduces the labour costs. In addition, to deliver the parts and components of high precision to the customers, the Group put much efforts in acquisition of advanced production machineries which were made by the international well-known branded manufacturers.

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

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

Based on the great potential of the PRC market, in particular, in order to keep up with the development of China's auto industry and to further meet customer demand, the Group had incorporated Wuhu Yusei and Hubei Yusei. Both companies are already running stable.

In November 2017, Wuhu Yusei acquired a piece of land with area of 33,756 square meters and factories with area of 12,500 square meters in Wuhu. The plant transformation work is in progress. Hubei Yusei has successfully started production and has become an important production base of the Group in central China. The new factories will be built as planned. The construction of the first phase factories has been completed and it is planned to be put into use in the first half of 2018.

Tianjin Yusei has stable operation and its business is in growth. At the same time, the Group has continuously developed its own technical capabilities, and put effort on research and development and acquisition of new equipment in view of business development and industrial technological progress based on the ever-increasing technical and quality requirements of automobile headlights and airbags.

This year, Yusei Technology was set up. With the continuous growth of China's new energy auto market, the Group also began to provide auto lighting moulds and parts products for new energy vehicles in 2017.

In addition, for future development, the Group is expected to increase the investment Guangdong Province and Jilin Province in the next 3 to 5 years, which are closely related to the development pace of its customers and will acquire land for construction of factories when appropriate.

PROPOSED DIVIDENDS

The Directors recommended the payment of a final dividend of RMB1.98 cents per share in respect of the year ended 31 December 2017.

Upon approval from the forthcoming annual general meeting to be held on 20 June 2018 (the "AGM"), the final dividends, which are payable to shareholders whose names appear on the register of members of the Company on 29 June 2018, will be paid on or about 20 July 2018.

PROPOSED BONUS SHARES ISSUE

The Directors proposes a bonus issue of shares on the basis of one bonus share for every five existing shares held by shareholders whose names appear on the register of members of the Company on 29 June 2018. 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 20 July 2018.

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 2017.

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 14 June 2018 to 20 June 2018 (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 13 June 2018.

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 26 June 2018 to 29 June 2018, 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 25 June 2018.

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

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

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

Notes:

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

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

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

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

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

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

			Number of shares		
Name of Company	Number of shareholder	Capacity	Long Position	Short Position	Approximate percentage of interests
Company	Yusei Japan	Beneficial Owner	161,920,000 shares	-	40.00%
Company	Conpri (Note 1)	Corporate Interest	161,920,000 shares	-	40.00%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	161,920,000 shares	-	40.00%
Company	Superview International Investment Limited (Note 3)	Beneficial Owner	77,000,000 shares	-	19.02%
Company	Xu Yong	Beneficial Owner	62,560,000 shares		15.45%
Company	Ding Hong Guang	Beneficial Owner	36,942,000 shares	-	9.12%

Notes:

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

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

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or their respective associates was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 31 December 2017.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2017, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with he required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE AND SUMMARY OF INDEPENDENT AUDITOR'S REPORT

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

The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017, 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 2017, 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, 29 March 2018

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*