



# YUSEI HOLDINGS LIMITED 友成控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 00096)

## 2020 INTERIM REPORT



\* For identification only

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## CORPORATE INFORMATION

### REGISTERED OFFICE

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Lin Gang Industrial Zone  
Henggentou Village, Guali Town  
Xiaoshan District, Hangzhou City  
Zhejiang Province  
The PRC

### BUSINESS ADDRESS IN HONG KONG

Unit D6B,17/F.  
TML Tower  
3 Hoi Shing Road  
Tsuen Wan  
N.T. Hong Kong

### COMPANY SECRETARY

Mr. Shum Shing Kei CPA

### COMPLIANCE OFFICER

Mr. Xu Yong

### AUDIT COMMITTEE

Mr. Lo Ka Wai  
Mr. Fan Xiaoping  
Mr. Hisaki Takabayashi

### REMUNERATION COMMITTEE

Mr. Lo Ka Wai  
Mr. Fan Xiaoping  
Mr. Hisaki Takabayashi

### NOMINATION COMMITTEE

Mr. Lo Ka Wai  
Mr. Fan Xiaoping  
Mr. Hisaki Takabayashi

### AUTHORISED REPRESENTATIVES

Mr. Xu Yong  
Mr. Shum Shing Kei

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shop 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

### STOCK CODE

96

### AUDITOR

SHINEWING (HK) CPA Limited

### PRINCIPAL BANKERS

Industrial and Commercial Bank of China  
54 Chenghe Street  
Xiaoshan  
Hangzhou  
Zhejiang 311201  
The PRC

Agricultural Bank of China  
Jianshe Road  
Xiaoshan Economy & Technology  
Development Zone  
Zhejiang  
311215  
The PRC

Shanghai Pudong Development Bank  
55 Tiyu Road  
Chengxiang Town, Xiaoshan  
Zhejiang  
311215  
The PRC

The Bank of Tokyo-Mitsubishi, UF J Ltd  
20/F, AZIA Center  
1233 Lujiazui Ring Road  
Pudong Shanghai  
People's Republic of China

## BUSINESS REVIEW

During the six months ended 30 June 2020, 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 for maintenance and enhancement its position as a one-stop total solution provider in the plastic injection moulding industry. 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.

Since the global outbreak of the coronavirus disease ("COVID-19") at the beginning of 2020, the Group has faced many challenges in its business. Certain customers of the Group reduced their product orders due to unfavorable market conditions caused by COVID-19, resulting in a decrease in the Group's revenue in the first half of 2020 and a decline in the overall financial performance of the Group. Compared with the profit attributable to shareholders of the Company of approximately RMB15,077,000 for the six months ended 30 June 2019, the profit attributable to shareholders of the Company for the first half of 2020 was approximately RMB532,000.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the six months ended 30 June 2020 decreased by 9.0% to approximately RMB540,575,000 as compared to that of approximately RMB593,763,000 for the six months ended 30 June 2019, which was mainly attributable to that fact that certain customers of the Group reduced their product orders due to unfavorable market conditions caused by COVID-19, resulting in a decrease in the Group's revenue in the first half of 2020.

### Gross profit

The Group's gross profit for the six months ended 30 June 2020 was approximately RMB55,876,000, representing a decrease of approximately 18.7% as compared to that of approximately RMB68,704,000 for the six months ended 30 June 2019.

Decrease in gross profit was mainly due to (i) the decrease in cost of costs as a result of reduction of product orders due to unfavorable market conditions caused by COVID-19; and (ii) increase in unit cost of sales.



### **Distribution costs**

The Group's distribution costs for the six months ended 30 June 2020 was approximately RMB29,069,000, representing a decrease of approximately 8.3% as compared to RMB31,702,000 for the six months ended 30 June 2019. Such decrease was mainly due to decrease in revenue.

### **Administrative expenses**

The Group's administrative expenses for the six months ended 30 June 2020 was approximately RMB26,237,000, representing an increase of approximately 3.2% as compared to that of approximately RMB25,908,000 for the six months ended 30 June 2019.

### **Finance costs**

The Group's finance costs for the six months ended 30 June 2020 was approximately RMB9,072,000 (2019: RMB9,086,000).

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

The profit attributable to equity holders of the Company was approximately RMB532,000 for the six months ended 30 June 2020 while the profit for the six months ended 30 June 2019 was approximately RMB15,077,000.

### **Financial resources and liquidity**

As at 30 June 2020, the equity amounted to approximately RMB690,681,000. Current assets amount to approximately RMB818,924,000, of which approximately RMB54,781,000 were cash and bank deposits. The Group had non-current assets of approximately RMB552,089,000 and its current liabilities amounted to approximately RMB664,620,000, comprising mainly its creditors and accrued charges and bank and other loans. The net asset value per share was RMB1.08. The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 June 2020, the Group had a gearing ratio of 17.9% (2019: 23.7%).

## Subscription of new shares under general mandate

On 8 August 2018, the Company entered into the Subscription Agreements with the Subscribers. Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for a total of 14,698,000 Subscription Shares ("First Subscriptions"). The Subscription Shares would be issued at the Subscription Price of HK\$1.435 per Subscription Share. Such issue of shares was completed on 12 October 2018. The aggregate gross proceeds of the Subscriptions were approximately HK\$21,091,630 and the aggregate net proceeds of the Subscriptions, after deduction of expenses, were approximately HK\$20,891,630, representing a net issue price of approximately HK\$1.421 per Subscription Share.

	Planned use of net proceeds of the First Subscriptions (HK\$ 'million)	Actual use of net proceeds of the First Subscriptions up to 30 June 2020 (HK\$ 'million)	Description
<b>First Subscriptions:</b>			
- Construction of a new factory in Hubei Province, the PRC and purchase of factory machineries (including CNC Gantry 5 axes high speed machinery centre and injection moulding machines)	19.0	19.0	Up to 31 December 2019, the net proceeds of the First Subscriptions of approximately HK\$10.2 million was utilised. During the six months ended 30 June 2020, the Group applied for the remaining amount of the net proceeds of HK\$8.8 million for construction of factory and purchase of machinery centre and injection moulding machines.
- General working capital	1.9	1.9	Up to 30 June 2020, the net proceeds of the First Subscriptions of approximately HK\$1.9 million was utilised for general working capital.
<b>Total</b>	<b>20.9</b>	<b>20.9</b>	



## Management Discussion and Analysis

On 19 November 2018, the Company entered into seven Subscription Agreements with the Subscribers. Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, a total of 30,000,000 Subscription Shares ("Second Subscriptions"). The Subscription Shares would be issued at the Subscription Price of HK\$2.005 per Subscription Share. Such issue of shares was completed on 31 December 2018. The aggregate gross proceeds of the Subscriptions were HK\$60,150,000 and the aggregate net proceeds of the Subscriptions, after deduction of expenses, were approximately HK\$59,950,000, representing a net issue price of approximately HK\$1.998 per Subscription Share.

	Planned use of net proceeds of the Second Subscriptions (HK\$ 'million)	Actual use of net proceeds of the Second Subscriptions up to 30 June 2020 (HK\$ 'million)	Description
<b>Second Subscriptions:</b>			
- Construction of a new factory in Tianjin, the PRC	30.0	-	Up to 30 June 2020, none of the net proceeds of the Second Subscriptions was utilised and it was deposited into the banks.
- Repayment of bank borrowings of the Group	30.0	30.0	Up to 30 June 2020, the Group repaid its bank borrowings of approximately HK\$30.0 million upon maturity with the net proceeds.
Total	60.0	30.0	

As disclosed in the Company's announcement dated 18 August 2020, the Group re-assessed its business needs and the Board decided to prioritize the construction plan of a new factory in Changchun, the PRC. The Group's production base in Changchun, the PRC, is currently located in the leased premise. For increasing its production capacity, the Group has intention to acquire a piece of land in Changchun, the PRC, on which a new factory is constructed.

In light of the current market conditions and the Group's business needs, the Board is of the view that it would be in the best interest of the Company and its shareholders as whole to reallocate the Unutilized Net Proceeds of approximately HK\$30.0 million originally assigned for construction of a new factory in Tianjin, PRC to "for construction of a new factory in Changchun, the PRC" so as to meet the Group's operational needs. The Board expects to apply for such Unutilized Net Proceeds on or before 31 December 2020.

## 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 30 June 2020, the total number of the Group's staff was approximately 2,300 (2019: 2,500). The total staff costs amounted to approximately RMB100,000,000 for the period. 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 30 June 2020, the Group's bank borrowings are secured by use-of-right assets and property, plant and equipment of the Group with an aggregate net carrying values of approximately RMB15,000,000 and RMB109,000,000, respectively.





### Foreign currency risk

The Group carries on business in Renminbi (“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 debtors, deposits and prepayments; bank balances, deposits and cash; creditors 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 30 June 2020, the Group had no material capital commitments.

## 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 the Group had built up business relationship with several new internationally reputable customers, and serves them with high-quality moulds.

In order to keep up with the development of auto industry and to further meet customer demand, the Group set up a wholly-owned subsidiary in Mexico and will install the production lines for production and sales of production and sales of the moulding and of auto parts and components in American market. In response to the development pace of its customers, the Group will acquire land for construction of factories when appropriate.

### **DIVIDENDS**

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: Nil). Therefore, no closure of register of members is necessary.



## SUPPLEMENTARY INFORMATION

### 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		
		Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	Approximate Percentage of interests
Company	Katsutoshi Masuda ["Mr. Masuda"] (Note 1)	-	-	233,316,864 shares	233,316,864 shares	-	36.65%
Company	Toshimitsu Masuda (Note 2)	-	-	233,316,864 shares	233,316,864 shares	-	36.65%
Company	Xu Yong	90,086,400 shares	-	-	90,086,400 shares	-	14.15%
Company	Manabu Shimabayashi	1,900,800 shares	-	-	1,900,800 shares	-	0.30%

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	Fan Xiaoping	57,024 shares	-	-	57,024 shares	-	0.01%
Yusei Japan	Mr. Masuda (Note 3)	24,060 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 36.65% 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 233,316,864 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 36.65% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 233,316,864 Shares through his shareholding in Conpri.
3. Mr. Masuda holds 50% 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	Number of shareholder	Capacity	Number of shares		Approximate Percentage of interests
			Long Position	Short Position	
Company	Yusei Japan	Beneficial Owner	233,316,864 shares	-	36.65%
Company	Conpri (Note 1)	Corporate Interest	233,316,864 shares	-	36.65%
Company	Superview International Investment Limited (Note 2)	Beneficial Owner	110,880,000 shares	-	17.42%
Company	Ding Hong Guang	Beneficial Owner	60,104,640 shares	-	9.44%

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 233,316,864 shares held by Yusei Japan.
2. 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 30 June 2020.

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

During the six months ended 30 June 2020, 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**

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 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 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 and approved the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020, which complied with the applicable accounting standards and requirements and that adequate disclosure have been made.



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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

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

Yusei Japan is beneficially owned as to 36.65% 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 25.76% by Conpri, as to approximately 24.06% by Mr. Masuda, as to approximately 1.70% by Mr. Toshimitsu Masuda, as to 30.48% by staff union of Yusei Japan, respectively, and as to approximately 18.0% 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 and as to 50% by Mr. Masuda. Mr. Toshimitsu Masuda is the son of Mr. Masuda. Mr. Katsutoshi Masuda and Mr. Toshimitsu Masuda are 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;





## Supplementary Information

- (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

During the period under review, the Group has complied with the relevant regulations in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the six months ended 30 June 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	540,575	593,763
Cost of sales		(484,699)	(525,059)
Gross profit		55,876	68,704
Other income		9,498	17,620
Distribution costs		(29,069)	(31,702)
Administrative expenses		(26,237)	(25,908)
Finance costs		(9,072)	(9,086)
Share of profits of associates		72	(25)
Profit before tax	4	1,068	19,603
Income tax expense	5	(689)	(4,385)
Profit for the period		379	15,218
Dividend		-	-
Earnings per share			
Basic and diluted	6	RMB0.0009	RMB0.024

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 RMB'000	2019 RMB'000
Profit for the period	379	15,218
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operation	594	167
<b>Total comprehensive income for the period</b>	<b>973</b>	<b>15,385</b>
Profit attributable to:		
Owners of the Company	604	15,077
Non-controlling interest	(225)	141
	379	15,218
Total comprehensive income attributable to:		
Owners of the Company	1,197	15,244
Non-controlling interest	(225)	141
	972	15,385



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		454,511	460,263
Right-of-use assets		40,895	45,299
Intangible assets		11,107	11,395
Goodwill		5,385	5,385
Deferred tax asset		2,362	2,362
Interests in associates		37,829	37,757
		552,089	562,461
<b>Current assets</b>			
Inventories		269,112	311,272
Trade and bills receivables, deposits and prepayments	7	493,667	541,379
Amount due from ultimate holding company		1,364	1,364
Pledged bank deposits		–	454
Bank balances, deposits and cash		54,781	80,581
		818,924	935,050
<b>Current liabilities</b>			
Trade and other payables	8	408,448	487,938
Amounts due to associates		–	885
Income tax liabilities		8,838	17,914
Lease liabilities		2,025	2,025
Bank and other loans		245,309	282,205
		664,620	790,967
<b>Net current assets</b>			
		154,304	144,083
<b>Total assets less current liabilities</b>			
		706,393	706,544
<b>Non-current liabilities</b>			
Lease liabilities		1,086	2,098
Deferred income – government subsidy		6,568	6,680
		7,654	8,778
		698,739	697,766
<b>Capital and reserves</b>			
Share capital		5,801	5,801
Reserves		684,880	683,682
		690,681	689,483
Non-controlling interest		8,058	8,283
		698,739	697,766

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital	Share premium	Special reserve	Reserve for shares issued with vesting conditions	Translation reserve	Capital reserve	Statutory surplus reserve	Retained profits	Sub-total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 January 2020	5,801	123,375	49,663	18,065	5,351	71	19,144	468,013	689,483	8,283	697,766
Profit for the period	-	-	-	-	-	-	-	604	604	(225)	379
Other comprehensive income for the period	-	-	-	-	594	-	-	-	594	-	594
Total comprehensive income for the period	-	-	-	-	594	-	-	604	1,198	(225)	973
At 30 June 2020	5,801	123,375	49,663	18,065	5,945	71	19,144	468,617	690,681	8,058	698,739
At 1 January 2019	4,853	124,323	49,663	18,065	5,505	71	19,144	441,260	662,884	2,413	665,297
Effect of change in accounting policy	-	-	-	-	-	-	-	(197)	(197)	-	(197)
At 1 January 2019 (as restated)	4,853	124,323	49,663	18,065	5,505	71	19,144	441,063	662,687	2,413	665,100
Profit for the period	-	-	-	-	-	-	-	15,077	15,077	141	15,218
Other comprehensive income for the period	-	-	-	-	167	-	-	-	167	-	167
Total comprehensive income for the period	-	-	-	-	167	-	-	15,077	15,244	141	15,385
At 30 June 2019	4,853	124,323	49,663	18,065	5,672	71	19,144	456,140	677,931	2,554	680,485



# CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2020

	2020 RMB'000	2019 RMB'000
Net cash generated from operating activities	36,476	3,222
Net cash generated from/(used in) investing activities	(25,380)	2,557
Net cash generated from/(used in) financing activities	(36,896)	(2,340)
Increase/(Decrease) in cash and cash equivalents	(25,800)	3,439
Cash and cash equivalents at beginning of period	80,581	105,616
Cash and cash equivalents at end of period, representing bank balances deposits and cash	54,781	109,055

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 4 April 2005. On 13 October 2005, the shares of the Company were listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules").

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual report for the year ended 31 December 2019, except for the adoption of the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as of 1 January 2020 that are relevant to its operations. The adoption of these amendments to HKFRSs had no significant financial effect on these financial statements.

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

In the current period, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendment to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

Saved as further explained below, the adoption of the other new and revised HKFRSs has had no significant financial effect on the unaudited condensed interim financial statements of the Group.

## 3. REVENUE

Revenue represents the net amounts received and receivable for goods sold to outside customers, less returns and discounts, and net of value-added tax ("VAT").





**4. PROFIT BEFORE TAXATION**

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories recognized as an expense	460,646	500,056
Depreciation of right-of-use assets	4,405	4,377
Amortisation of intangible recognized as administrative expenses)	288	99
Depreciation of property, plant and equipment	31,132	38,100

**5. TAXATION****(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 did not generate any assessable profits in Hong Kong during both periods.

**(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 year ending 31 December 2020 and the year ended 31 December 2019 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 30 November 2018, 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 30 November 2018.

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 year ending 31 December 2020 and the year ended 31 December 2019.

\* The English names are for identification purposes only



## 6. 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:

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	532	15,077

	2020 '000	2019 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	636,550	636,550

Diluted earnings per share is same as basic earnings per share for the periods ended 30 June 2020 and 2019 as there is no potential ordinary shares outstanding.

The weighted average number of ordinary shares for the period ended 30 June 2019 have been adjusted for the new bonus shares issued on 12 July 2019 as if such bonus issue had occurred at the beginning of the earliest period presented.

## 7. TRADE AND BILLS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	379,909	443,988
Less: impairment loss recognised	(8,240)	(8,240)
	371,669	435,748
Bills receivable	58,518	44,571
Advance to suppliers	28,435	28,398
Prepayment	17,277	16,343
Other receivables and deposits	17,768	16,319
	493,667	541,379

Note:

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.

The aged analysis of trade receivables, net of provision of impairment loss recognised presented based on the invoice dates, which approximated the respective revenue recognition dates, are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 30 days	164,882	192,613
31 to 60 days	85,832	100,620
61 to 90 days	66,860	77,387
91 to 180 days	38,859	46,704
181 to 365 days	10,342	12,341
Over 365 days	4,894	6,083
	371,669	435,748



**8. TRADE PAYABLES AND ACCRUED CHARGES**

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables and bills payables	260,918	311,138
Value-added tax payables	10,389	13,016
Contract liabilities	44,030	55,517
Other payables	34,275	37,128
Staff costs accrued	32,825	42,473
Accruals	26,011	28,666
	408,448	487,938

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 30 days	119,681	142,509
31 to 60 days	68,426	81,463
61 to 90 days	39,369	46,789
91 to 180 days	28,526	33,992
181 to 365 days	2,833	3,420
Over 365 days	2,083	2,965
	260,918	311,138

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.

**9. APPROVAL OF FINANCIAL STATEMENTS**

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2020.