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YUSEI HOLDINGS LIMITED

友成控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 96)

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors of Yusei Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021, together with the audited comparative figures for the corresponding period of last year, as follows:

Consolidated statement of profit or loss

For the year ended 31 December 2021

	<u>NOTES</u>	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Revenue	3	1,462,235	1,317,660
Cost of sales		<u>(1,296,055)</u>	<u>(1,155,876)</u>
Gross profit		166,180	161,784
Other income and gain	4	29,785	21,846
Net foreign exchange gain (loss)		95	(1,547)
Distribution costs		(70,796)	(55,665)
Administrative expenses		(55,412)	(57,267)
Finance costs	5	(17,657)	(13,638)
Share of profits of associates		<u>1,603</u>	<u>1,234</u>
Profit before tax		53,798	56,747
Income tax expense	6	<u>(1,915)</u>	<u>(3,972)</u>
Profit for the year	7	<u>51,883</u>	<u>52,775</u>
		RMB	RMB
Earnings per share			
Basic and diluted	9	<u>0.081</u>	<u>0.082</u>

* For identification purpose only

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Profit for the year	51,883	52,775
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	<u>2,070</u>	<u>(1,622)</u>
Total comprehensive income for the year	<u>53,953</u>	<u>51,153</u>
Profit for the year attributable to:		
Owners of the Company	51,518	52,449
Non-controlling interests	<u>365</u>	<u>326</u>
	<u>51,883</u>	<u>52,775</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	53,588	50,827
Non-controlling interests	<u>365</u>	<u>326</u>
	<u>53,953</u>	<u>51,153</u>

Consolidated statement of financial position
As at 31 December 2021

	<u>NOTES</u>	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		589,580	510,464
Right-of-use assets		105,294	111,080
Intangible assets		14,135	13,234
Goodwill		5,385	5,385
Deferred tax assets		2,131	1,690
Interests in associates		39,094	35,991
		<u>755,619</u>	<u>677,844</u>
Current assets			
Inventories		447,801	342,476
Trade and bills receivables, deposits and prepayments	10	568,632	527,927
Amount due from ultimate holding company		1,290	1,329
Amounts due from associates		577	660
Bank balances and cash		43,293	52,917
		<u>1,061,593</u>	<u>925,309</u>
Current liabilities			
Trade and other payables	11	623,411	557,029
Amounts due to associates		1,168	-
Income tax liabilities		5,449	9,537
Lease liabilities		-	4,551
Bank and other loans - due within one year		368,166	290,558
		<u>998,194</u>	<u>861,675</u>
Net current assets		<u>63,399</u>	<u>63,634</u>
Total assets less current liabilities		<u>819,018</u>	<u>741,478</u>
Non-current liabilities			
Deferred income		6,232	6,456
Bank loans – due after one year		32,100	-
		<u>38,332</u>	<u>6,456</u>
		<u>780,686</u>	<u>735,022</u>
Capital and reserves			
Share capital		5,801	5,801
Reserves		768,325	723,026
		<u>774,126</u>	<u>728,827</u>
Non-controlling interests		6,560	6,195
		<u>780,686</u>	<u>735,022</u>

Notes:

1. CORPORATE INFORMATION

Yusei Holdings Limited (the “Company”) is a public limited company incorporated in the 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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

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

The consolidated financial statements 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for its first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Group’s financial year beginning 1 January 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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.

The Group derives and recognises all of its revenue from the delivery of goods at a point in time in the following major product types.

	<u>2021</u> RMB’000 (Unaudited)	<u>2020</u> RMB’000 (Audited)
Plastic components	1,174,592	1,108,796
Moulds	<u>287,643</u>	<u>208,864</u>
	<u>1,462,235</u>	<u>1,317,660</u>

Geographical information

During the years ended 31 December 2021 and 2020, the Group’s operations were located in the PRC.

During the year ended 31 December 2021, 99.38% (2020: 99.78%) of the Group’s revenue from external customers was generated in the PRC while as at 31 December 2021, 97% (2020: 100%) of the Group’s non-current assets was located in the PRC. Hence, no geographical information is presented.

4. OTHER INCOME AND GAIN

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Sale of raw and scrap materials	181,980	133,635
Cost of raw and scrap materials	<u>(166,381)</u>	<u>(124,817)</u>
Gain on sales of raw and scrap materials	<u>15,599</u>	<u>8,818</u>
Quality inspection income	461	240
Bank Interest income	155	91
Management services income	705	903
Gain on disposal of property, plant and equipment	406	-
Government subsidies (Note)	11,573	8,746
Release of government grants for land	224	224
Reversal of impairment loss on trade receivables	-	1,920
Processing fee income	267	139
Others	<u>395</u>	<u>765</u>
	<u>29,785</u>	<u>21,846</u>

Note: During the year ended 31 December 2021, government subsidies of approximately RMB11,573,000 (2020: RMB8,746,000) have been recognised 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 profit or loss and included in other income for the year.

5. FINANCE COSTS

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Interest on:		
Bank and other loans	17,502	13,409
Lease liabilities	<u>155</u>	<u>229</u>
	<u>17,657</u>	<u>13,638</u>

6. INCOME TAX EXPENSE

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Current income tax:		
PRC Enterprise Income Tax (the "EIT")	2,595	4,589
Over - provision in prior years	<u>(239)</u>	<u>(1,289)</u>
	2,356	3,300
Deferred tax	<u>(441)</u>	<u>672</u>
	<u>1,915</u>	<u>3,972</u>

(i) Overseas income tax

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

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax had been made as the 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.

6. INCOME TAX EXPENSE (Continued)

(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”), 友成(中國) 模具有限公司 Yusei China Moulding Co., Ltd.* (“Yusei China”) and 杭州友成模具技術研究有限公司 Hangzhou Yusei Moulding Technology Co., Ltd.* (“Yusei Technology”) (2020: Hangzhou Yusei and Guangzhou Yusei) for the year ended 31 December 2021 was 15% (2020: 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. Guangzhou Yusei has further obtained the renewal of its high technology qualification on 2 December 2020 and is entitled to the concession rate of 15% from 2020 to 2022.

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. Hangzhou Yusei has further obtained the renewal of its high technology qualification on 16 December 2021 and is entitled to the concession rate of 15% from 2021 to 2024.

On 16 December 2021, Yusei China and Yusei Technology were 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 16 December 2021.

* The English names are for identification purposes only.

7. PROFIT FOR THE YEAR

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Profit for the year has been arrived at after charging (crediting):		
Directors' and the chief executive's remuneration	2,989	3,081
Salaries, wages and other benefits	242,222	195,261
Retirement benefits scheme contributions	15,685	14,196
Other staff costs	257,907	209,457
Total staff costs	260,896	212,538
Depreciation of property, plant and equipment	106,974	92,062
Depreciation of right-of-use assets	5,762	4,653
Amortisation of intangible assets (included in administrative expenses)	3,202	2,161
Total depreciation and amortisation expenses	115,938	98,876
Auditor's remuneration	950	950
Loss on disposal of property, plant and equipment	-	193
Loss on disposal of right-of-use assets	723	-
Impairment loss on trade receivables	173	-
Reversal of loss allowance on trade receivables (included in other income and gain)	-	(1,920)
Allowance for inventories (included in cost of sales)	1,137	3,719
Reversal of allowance for inventories (included in cost of sales)	(714)	(127)
Research and development costs recognised as an expense	71,014	58,216
Cost of inventories recognised as an expense	1,295,632	1,152,284

8. DIVIDENDS

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Dividends recognised as distribution during the year:		
2020 Final – RMB1.30 cents (2019 Final – RMB1.30 cents) per share	8,289	8,393

9. EARNINGS PER SHARE

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

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>51,518</u>	<u>52,449</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>636,550</u>	<u>636,550</u>

Diluted earnings per share is same as basic earnings per share for the years ended 31 December 2021 and 2020 as there is no potential ordinary shares outstanding.

10. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Trade receivables	426,208	415,440
Less: impairment loss recognised	<u>(6,493)</u>	<u>(6,320)</u>
	419,715	409,120
Bills receivables	39,912	50,538
Advance to suppliers	54,020	23,681
Prepayments	27,959	19,395
Other receivables and deposits	<u>27,026</u>	<u>25,193</u>
	<u>568,632</u>	<u>527,927</u>

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.

10. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Within 30 days	182,143	159,368
31 to 60 days	120,205	114,106
62 to 90 days	66,532	83,554
91 to 180 days	39,522	32,657
181 to 365 days	3,018	12,918
Over 365 days	8,295	6,517
	<hr/>	<hr/>
Trade receivables	419,715	409,120
	<hr/>	<hr/>

11. TRADE AND OTHER PAYABLES

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Trade payables and bills payables	407,908	378,669
Value added tax payables	5,482	5,924
Contract liabilities	61,404	29,466
Other payables	52,345	54,635
Accrued staff costs	44,018	45,189
Accrued charges	52,254	43,146
	<hr/>	<hr/>
	623,411	557,029
	<hr/>	<hr/>

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

	<u>2021</u> RMB'000 (Unaudited)	<u>2020</u> RMB'000 (Audited)
Within 30 days	173,563	226,671
31 to 60 days	100,435	73,122
61 to 90 days	56,150	40,595
91 to 180 days	55,604	28,012
181 to 365 days	13,047	3,607
Over 365 days	9,109	6,662
	<hr/>	<hr/>
	407,908	378,669
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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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year ended 31 December 2021, 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.

Following the negative economic impacts of the coronavirus disease ("COVID-19") being gradually faded out in the PRC during the year ended 31 December 2021, the Group has been benefited from: (i) customers increased their product orders; (ii) new design of automobile parts (previously in design and development stage) were put into production. As a result, the Group's unaudited revenue and its unaudited profit attributable to shareholders of the Company for the year ended 31 December 2021 was approximately RMB1,462,235,000 and RMB51,518,000, respectively.

The Group has successfully passed the accreditation assessment of Tesla Inc. ("Tesla"), and it becomes an approved secondary supplier of Tesla in the PRC qualified for supplying parts and components in relation to lighting, internal decoration and safety devices for Tesla's electric vehicle production bases located in the PRC and Germany (the "New Tesla Business"). The New Tesla Business brought unaudited additional annual revenue of approximately RMB55,000,000 to the Group for the year ended 31 December 2021 (2020: RMB12,000,000 (audited)). The Board believes that the New Tesla Business will not only broaden the Group's customer base and revenue sources, but also strengthen the Group's leading position in the high-end moulds market and enhance the Group's core competitiveness.

For the year ended 31 December 2021, the Group incurred unaudited research and development expenses of approximately RMB71,014,000 (2020: RMB58,216,000 (audited)). The Group will continue 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 considers constructing production plants near to the main customers for providing fast and efficient services to the main customers. The Group had set up wholly-owned subsidiaries in Mexico and Serbia and are installing the production lines for production and sales of production and sales of the moulding and of auto parts and components in American and European markets. 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 on unaudited annual results

Revenue

The Group's revenue for the year ended 31 December 2021 increased by 11.0% to approximately RMB1,462,235,000 as compared to that of approximately RMB1,317,660,000 for the year ended 31 December 2020 which was mainly benefited from the steady growth in the demand on the Group's products as the influence of COVID-19 on the Group's business was diminishing during the year.

Gross profit

The Group achieved a gross profit of approximately RMB166,180,000 for the year ended 31 December 2021, representing an increase of approximately 2.7% as compared to that of approximately RMB161,784,000 for the year ended 31 December 2020.

Increase in gross profit was mainly due to increase in revenue during the year.

The Group's gross profit margin was decreased slightly to approximately 11.4% for the year ended 31 December 2021 from approximately 12.3% for the year ended 31 December 2020.

Distribution costs

Distribution costs for the year ended 31 December 2021 increased by approximately 27.2% to approximately RMB70,796,000 as compared to that of approximately RMB55,665,000 for the year ended 31 December 2020. Such increase was mainly due to significant increase in costs of packing materials consumed.

Net foreign exchange gain/loss

Net foreign exchange gain/loss mainly represented the gain/loss arising from foreign currency translation of sales and purchases denominated in Japanese Yen ("JPY"), Euro Dollars and United State dollars ("US\$") into RMB.

Administrative expenses

Administrative expenses for the year ended 31 December 2021 decreased approximately by 3.2% to RMB55,412,000 as compared to that of approximately RMB57,267,000 for the year ended 31 December 2020. Such decrease was mainly attributable to tightened controls over the operating expenses during the year.

Finance costs

Finance costs for the year ended 31 December 2021 increased approximately by 29.5% to RMB17,657,000 as compared to that of approximately RMB13,638,000 for the year ended 31 December 2020 due to increase in bank loans for business expansion purposes.

Profit attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately 1.8% from approximately RMB52,449,000 for the year ended 31 December 2020 to approximately RMB51,518,000 for the year ended 31 December 2021.

Financial resources and liquidity

As at 31 December 2021, the equity amounted to approximately RMB780,686,000 (2020: RMB735,022,000). Current assets amounted to approximately RMB1,061,593,000 (2020: RMB925,309,000), of which bank balances and cash totaling approximately RMB43,293,000 (2020: RMB52,917,000). The Group had non-current assets of approximately RMB755,619,000 (2020: RMB677,844,000) and its current liabilities amounted to approximately RMB998,194,000 (2020: RMB861,675,000), comprising mainly its creditors and accrued charges, and bank and other borrowings. Non-current liabilities amounted to approximately RMB38,332,000 (2020: RMB6,456,000). The net asset value per share was RMB1.23 (2020: RMB1.15). The Group expresses its gearing ratio as a percentage of lease liabilities and borrowings over total assets. As at 31 December 2021, the Group had a gearing ratio of 22.0% (2020: 18.4%).

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 2021, the total number of the Group's staff was approximately 3,150 (2020: 2,700). The total staff costs (including directors' remuneration) amounted to approximately RMB260,896,000 (2020: RMB212,538,000) 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 2021, the Group's bank loans are secured by right-of-use assets and property, plant and equipment of the Group with net carrying values of approximately RMB14,467,000 (2020: RMB15,048,000) and RMB95,578,000 (2020: RMB102,225,000), respectively.

As at 31 December 2021, the Group's other loans are secured under sales and leaseback agreements by the Group's property, plant and equipment with net carrying value of RMB25,653,000 (2020: RMB25,948,000).

Foreign currency risk

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

The Group's exposure to foreign currency risk is attributable to the trade and bills receivables, deposits and other receivables; bank balances 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.

Material acquisitions and disposal

Save as those disclosed above, the Group did not make any significant investments or material acquisitions and disposals of subsidiaries during the year ended 31 December 2021.

Contingent liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities.

Outlook

Management will actively adopt 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 photocopiers 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) 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.

Meanwhile, the Group continues to strengthen intelligent construction in order to improve the operating efficiency of the enterprise. The Group introduced high-level software talents and self-developed ERP, MES and other information systems, with combination of upgrades and transformation on automation, to achieve digitalization and visualization of processes across product development, production process, inventory warehousing and delivery. It greatly improved production efficiency and ensured quality stability.

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.

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

Principal risks and uncertainties

Below are principal risks and uncertainties that may have a material and adverse effect on the Group's business, financial conditions and results of operations and the Group's risk management measures:

1. The Group may not be able to maintain its historical growth rates or profit margins, and its results of operations may fluctuate.

Building on its existing client base, the Group will continue to seek new customers. In addition, the Group leverages on the expertise and experience of its senior management to deliver efficient operation and management, so as to reduce the risk of instability.

2. The Group's business depends on its ability to retain key personnel.

The Group maintains good relationship with its senior management and provides its staff with sufficient professional trainings. Staff remuneration and benefits are in line with the prevailing market rates and subject to regular review by the Group.

3. Labour shortages and increase in labour costs may have an adverse effect on the Group's business operations.

The Group will step up efforts to recruit appropriate employees through various channels. The Group is committed to cultivating employees with great potential to become more productive senior staff.

In addition, the Group's activities are exposed to a variety of financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. Details of the financial risks are set out in the Company's annual report.

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 2021.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2021, 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 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The surge of COVID-19 cases and prolonged lockdown of Jilin city in the mainland China has hampered the local banks' processing of bank confirmations which resulted in the audit process for the annual results for the year ended 31 December 2021 not yet completed. The unaudited annual results contained herein have not been agreed with the Company's auditors but have been reviewed by the Company's audit committee.

The 2021 Audited Annual Results and 2021 Annual Report are expected to be published by end of April 2022.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, 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 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.

As at 31 December 2021, Yusei Japan is owned as to approximately 25.8% by Conpri, as to approximately 24.0% by Mr. Masuda, as to approximately 1.7% by Mr. Toshimitsu Masuda and as to 30.5% (non-voting) by a staff organization 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;
- (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.

FURTHER ANNOUNCEMENT(S)

Following the completion of auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed final dividend for the year ended 31 December 2021 and the payment date of such proposed final dividend (if any); (iii) the proposed date on which the forthcoming annual general meeting ("AGM") will be held; (iv) the period during which the Company's register of members will be closed in order to ascertain shareholders' eligibility to attend and vote at the AGM and (v) the period during which the Company's register of members will be closed in order to determine entitlement to receive the proposed final dividend (if any). In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Yusei Holdings Limited
Katsutoshi Masuda
Chairman

PRC, 31 March 2022

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.