



YUSEI HOLDINGS LIMITED
友成控股有限公司*

(Incorporated in the Cayman Islands with limited liability)



YUSEI

* for identification only

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This report, for which the directors of Yusei Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Yusei Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors of Yusei Holdings Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the three months period and nine months period ended 30 September 2005, together with the comparative figures for the corresponding period of last year, as follows:

	Note	For three months		For nine months	
		Ended 30 September	2004	Ended 30 September	2004
		2005	2004	2005	2004
		RMB	RMB	RMB	RMB
Turnover	2	67,666,364	42,950,550	188,452,020	116,173,565
Cost of sales		(54,136,640)	(33,636,722)	(149,305,872)	(88,699,474)
Gross profit		13,529,724	9,313,828	39,146,148	27,474,091
Other operating income		321,805	185,270	638,921	724,380
Distribution costs		(1,367,129)	(962,218)	(3,420,776)	(2,400,976)
Administrative expenses		(4,783,539)	(3,594,441)	(13,289,815)	(10,386,289)
Other operating expenses		(1,845)	(13,011)	(4,844)	(17,315)
Profit from operation		7,699,016	4,929,428	23,069,634	15,393,891
Finance costs		(907,994)	(628,190)	(2,574,952)	(1,993,140)
Profit before taxation		6,791,022	4,301,238	20,494,682	13,400,751
Taxation	3	(867,184)	(75,669)	(2,627,086)	(314,998)
Profit attributable to the equity holders of the Company		5,923,838	4,225,569	17,867,596	13,085,753
Dividends		-	-	-	-
Earnings per share – Basic	4	0.047	0.034	0.143	0.105

Notes:

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 April 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Shares of the Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 13 October 2005.

The consolidated or combined income statements of the Group for the nine months ended 30 September 2005 include the results of operations of the companies comprising the Group for the period or since their respective dates of establishment to 30 September 2005 where this is a shorter period, as if the current group structure had been in existence as at the respective dates. All material intra-group transactions have been eliminated on combination.

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. For the purposes of preparing and presenting these financial statements, the Group has adopted all these new and revised HKFRSs. In addition, these financial statements has been prepared under the historical cost convention and in accordance with HKFRSs issued by HKICPA.

Unless otherwise defined, capitalised terms used in the report shall have the same meaning as defined in the prospectus of the Company dated 30 September 2005 (the "Prospectus").

2. TURNOVER

Turnover represents the net amounts received and receivable for goods sold to outside customers, less returns and allowances, and net of value-added tax during the period.

3. TAXATION

The Group is subject to the Income Tax Law of the PRC and the normal applicable tax rate is 33%. Pursuant to the approvals obtained from the relevant PRC tax authorities, the applicable tax rate for Hangzhou Yusei is 26.4% and Hangzhou Yusei is entitled to a tax concession period in which it is fully exempted from PRC income tax for 2 years commencing from its first profit-making year, followed by a 50% reduction in the PRC income tax for 3 years. The first profit-making year of Hangzhou Yusei is 2003 and the effective tax rate for 31 December 2003 and 2004 is nil. The effective tax rate for Hangzhou Yusei is 13.2% for the nine months ended 30 September 2005.

In addition, as Zhejiang Yusei is recognised as a New and High Technology Enterprise and is operating and registered in the State Level New and High Technology Development Zone, it is entitled to a reduced income tax rate of 10.75% from 2003 to 2005.

杭州友成模具技術研究有限公司 (Hangzhou Yusei Mould Technology Research Co., Ltd.) is not subject to PRC income tax as it has not commenced business up to 30 September 2005.

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

4. EARNINGS PER SHARE

The basic earnings per share for the three months and nine months ended 30 September 2005 is calculated based on the profit attributable to the equity holders of the Company of approximately RMB5,924,000 (2004: approximately RMB4,226,000) for the three months ended 30 September 2005 and the profit attributable to the equity holders of the Company of approximately RMB17,868,000 (2004: approximately RMB13,086,000) for the nine months ended 30 September 2005 and on 125,000,000 shares in issue as at 30 September 2005, the date of Prospectus, as if the shares were outstanding throughout the period.

Diluted earnings per share have not been calculated as there were no potential dilutive shares during the periods.

5. RESERVES

During the period, approximately RMB1,252,000 was appropriated from retained earnings to statutory surplus reserve (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 September 2005, the Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the PRC. The Group also provides services for certain assembling and further processing of plastic components for its customers.

The Group's overall turnover for the nine months ended 30 September 2005 was approximately RMB188,452,000, representing an increase of 62% as compared to that of approximately RMB116,174,000 for the nine months ended 30 September 2004. 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.

To meet the customers' increasing demand, the Group had expanded its production capacity by constructing the phase II factory of Hangzhou Yusei and acquiring advanced machineries and equipments. Construction of the phase II factory of Hangzhou Yusei was completed in June 2005 and trial operations have been commenced currently pending completion of inspection by the relevant authorities for compliance with the relevant requirements for full operation. In addition, the Group leased additional production premise in Mould City. The increased production capacity is beneficial to the Group's persistent growth in the coming years.

FINANCIAL REVIEW

Turnover

The Group's turnover for the nine months ended 30 September 2005 increased by 62% to approximately RMB188,452,000 as compared to that of approximately RMB116,174,000 for the nine months ended 30 September 2004.

Of the Group's overall turnover for the nine months ended 30 September 2005, the revenue from plastic injection moulds fabrication amounted to approximately RMB31,315,000 and that from the manufacture and sales of plastic components and the related assembling and further processing amounted to approximately RMB157,137,000. It represents the respective growth of 114% and 55% as compared to the revenue from plastic injection moulds fabrication of approximately RMB14,606,000 and that from the manufacture and sales of plastic components and the related assembling and further processing of approximately RMB101,568,000 for the nine months ended 30 September 2004.

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

Gross profit

The Group achieved a gross profit of approximately RMB39,146,000 for the nine months ended 30 September 2005, representing an increase of 42% as compared to that for the nine months ended 30 September 2004. The expansion of the Group's scale of operations and the trial run of new production facilities had increased the Group's production overhead costs and lowered the overall gross profit margin. Management believes that such impact on gross profit margin is short-term and will be diluted over the anticipated increased production in the near future.

Distribution costs

Distribution costs for the nine months ended 30 September 2005 increased by approximately 42% to approximately RMB3,421,000 as compared to that of approximately RMB2,401,000 for the nine months ended 30 September 2004. Such increase was mainly in line with the increase in turnover.

Administrative expenses

Administrative expenses for the nine months ended 30 September 2005 increased by approximately 28% to approximately RMB13,290,000 as compared to that of approximately RMB10,386,000 for the nine months ended 30 September 2004. Such increase was attributable to the increase in the number of staff employed as a result of the Group's expansion.

Finance costs

Finance costs for the nine months ended 30 September 2005 increased by approximately 29% to approximately RMB2,575,000 as compared to that of approximately RMB1,993,000 for the nine months ended 30 September 2004. Such increase was attributable to the increase in the Group's average bank borrowings as a result of the Group's expansion.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company increased by approximately 37% from approximately RMB13,086,000 for the nine months ended 30 September 2004 to approximately RMB17,868,000 for the nine months ended 30 September 2005, which was mainly attributable to the increase in the Group's turnover.

OUTLOOK

There has been an increase in the Group's turnover and net profits for the nine months ended 30 September 2005 as compared with the corresponding period of last year. 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 its overall competitiveness.

As regards the quality of the products, the Group had adopted the ERP system to facilitate the production flow and monitor the product quality. In addition, upon completion of the phase II factory of Hangzhou Yusei and the Mould City, the Group's production capacity will be further raised to cope with the increasing demands for the Group's products. To response the changing technology in the industry, the Company will continue to acquire and install advanced machinery and equipment and to increase the efforts on the design and development for precision plastic injection moulds. The Company will perfect the sales network to capture opportunities in order to increase market share.

COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

The Shares of the Company were listed on the GEM of the Stock Exchange on 13 October 2005 shortly after the 9 months period ended 30 September 2005. The business objectives as listed in the Prospectus were prepared to a latest practicable date at 26 September 2005. The Board confirms that between 26 September 2005 and 30 September 2005, there was no significant progress as to the business objectives prescribed in the Prospectus.

USE OF PROCEEDS FROM PLACING OF SHARES TO THE PERIOD ENDED 30 SEPTEMBER 2005

As the Shares of the Company were placed and listed on GEM of the Stock Exchange subsequent to 30 September 2005, none of the proceeds from Placing of the Shares had been used during the period ended 30 September 2005.

PROPOSED DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (Nine months ended 30 September 2004: Nil).

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

The Shares of the Company were listed on GEM of the Stock Exchange on 13 October 2005. The interests and/or short position of the Directors and chief executives of the Company in the Shares, underlying shares in respect of equity derivatives and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was required, (a) to notify 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 (b) to be entered in the register required to be kept therein, pursuant to section 352 of

the SFO; or (c) to notify to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors referred to in Rule 5.46 of the GEM Listing Rules are as follows:

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

Notes:

- Mr. Masuda is deemed to be interested in 71.2% of the issued share capital in Yusei Japan pursuant to the SFO. Yusei Japan is interested in 66% in the issued share capital of the Company and that Yusei Japan or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 105,600,000 Shares held by Yusei Japan.
- Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 36.8% in the issued share capital of Yusei Japan which in turn is interested in 66% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 105,600,000 Shares through his shareholding in Conpri.

3. Mr. Masuda holds 30% of the issued share capital of Conpri. Conpri or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.
4. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 36.8% of the issued share capital of Yusei Japan. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.

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

The Shares of the Company were listed on GEM of the Stock Exchange on 13 October 2005. So far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest and/or a short position in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or who are directly or indirectly interests 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 will be as follows:

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

Notes:

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or their respective associates was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 September 2005.

SHARE OPTION SCHEME

The Company has adopted a share option scheme. A summary of the principle terms and conditions of the share option scheme are set out in the section headed "Summary of the terms of the Share Option Scheme" in Appendix V of the Prospectus. Up to 30 September 2005, no option has been granted pursuant to the share option scheme.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Hisaki Takabayashi, Mr. Fan Xiaoping and Mr. Lo Ka Wai, with written terms of reference in compliance with Rules 5.28 to 5.30 of the GEM Listing Rules. The primary duties of the audit committee are (i) to review, in draft form, the Company's annual report and accounts, half-yearly report and quarterly reports and providing advice and comments thereon to the Board; and (ii) to review and supervise the Company's financial reporting and internal control procedures. Mr. Lo Ka Wai is the chairman of the audit committee.

The audit committee has reviewed the Group's unaudited consolidated financial statements for the nine months ended 30 September 2005, which was of an opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 30 September 2005, neither the Company nor any of its subsidiary had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN A COMPLETING BUSINESS

Yusei Japan is beneficially owned as to 66% equity interest of the Company. With its production and business operations based in Japan, Yusei Japan is principally engaged in the design, fabrication and sales of plastic injection moulds, and, to a lesser extent, the manufacture and sales of plastic component products. The plastic injection moulds fabricated by Yusei Japan are mainly applicable for the manufacture of headlight components including glass lens and reflector, automobile gauge board and other interior components for automobiles. Furthermore, Yusei Japan also fabricates plastic injection moulds for the manufacturing of peripheral plastic components for air conditioners and component parts for fishing tools.

Yusei Japan is owned as to approximately 36.8% by Conpri, as to approximately 31.4% by Mr. Masuda, as to approximately 17.3% by Mr. Akio Suzuki, as to approximately 9.1% by Mr. Keisuke Murakoshi, as to approximately 3.0% by Mrs. Echiko Masuda and as to approximately 2.4% by Mr. Toshimitsu Masuda, respectively. Conpri is a company incorporated in Japan with limited liability and is owned as to 50% by Mr. Toshimitsu Masuda, as to 30% by Mr. Masuda, and as to 20% by Mrs. Echiko Masuda. Mrs. Echiko Masuda and Mr. Toshimitsu Masuda are the spouse and son of Mr. Masuda, respectively. Mr. Katsutoshi Masuda, Mr. Akio Suzuki and Mr. Toshimitsu Masuda are the Company's non-executive directors and Mr. Keisuke Murakoshi is one of the Company's executive directors.

Notwithstanding that the Group and Yusei Japan are engaged in similar business activities to certain extent, there is a clear delineation and independence of the Group's business from that of Yusei Japan. In particular, the Group's target markets (being the PRC, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC) are territorially different from that of Yusei Japan. The locations of the production facilities are different and separate between the Group and Yusei Japan. The management responsible for the day-to-day operations of the Group and Yusei Japan is also different. The Directors believe that Yusei Japan does not compete with the Group.

None of the directors of the Company had an interest in a business which competes or may compete with the business of the Group.

COMPLIANCE ADVISOR'S INTEREST

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

As notified by Quam Capital, none of Quam Capital, its directors, employees or associates had any interests in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 September 2005 and as at the date of this report.

CORPORATE GOVERNANCE

Throughout the period, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

By order of the Board
Keisuke Murakoshi
Executive Director

PRC, 10 November 2005

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