



**YUSEI HOLDINGS LIMITED**  
**友成控股有限公司\***

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

Interim Report 2011

\* For identification purposes only

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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2011, 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 six months ended 30 June 2011 was approximately RMB430,922,000, representing an increase of 25% as compared to that of approximately RMB345,818,000 for the six months ended 30 June 2010. The Group's customers are mainly the manufacturers of branded home electrical appliances, office equipment and plastic components with production facilities located in the PRC.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the six months ended 30 June 2011 increased by 25% to approximately RMB430,922,000 as compared to that of approximately RMB345,818,000 for the six months ended 30 June 2010.

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 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 RMB84,487,000 for the six months ended 30 June 2011, representing an increase of approximately 32% as compared to that for the six months ended 30 June 2010. It was mainly attributable to increased in gross profit margin as a result of increase in operating efficiency.

### Distribution costs

Distribution costs for the six months ended 30 June 2011 increased to approximately RMB17,370,000, representing an increase of approximately 20% as compared to RMB14,419,000 for the six months ended 30 June 2010. Increase in distribution costs were mainly due to increase in revenue.

### Administrative expenses

Administrative expenses for the six months ended 30 June 2011 increased by approximately 59% to approximately RMB35,315,000 as compared to that of approximately RMB22,258,000 for the six months ended 30 June 2010 mainly as a result of the Group's expansion.

### Finance costs

Finance costs for the six months ended 30 June 2011 increased to approximately RMB12,244,000 as compared to that of approximately RMB8,284,000 for the six months ended 30 June 2010. Such increase was attributable to the increase in the average interest rate and 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 38% from approximately RMB13,854,000 for the six months ended 30 June 2010 to approximately RMB19,151,000 for the six months ended 30 June 2011. It was mainly attributable to the increase in revenue and gross profit margin during the period.

### Financial resources and liquidity

As at 30 June 2011, the equity amounted to approximately RMB212,031,000. Current assets amount to approximately RMB475,353,000, of which approximately RMB86,578,000 were cash and bank deposits. The Group had non-current liabilities of approximately RMB137,906,000 and its current liabilities amounted to approximately RMB574,983,000, comprising mainly its creditors and accrued charges and bank borrowings. The net asset value per share was RMB1.20. The Group expresses its gearing ratio as a percentage of finance leases, other payable and borrowings over total assets. As at 30 June 2011, the Group had a gearing ratio of 47.3% (31 December 2010: 43.5%).

### 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 2011, the total number of the Group's staff was approximately 2,800. The total staff costs amounted to approximately RMB56,000,000 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 2011, the Group's bank borrowings are secured by land use rights and property, plant and equipment of the Group with an aggregate net carrying values of approximately RMB9,694,000 and RMB71,678,000, 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 2011, 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 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; and (iii) active participation in production process of the suppliers to ensure the product quality and the mutual communication to improve the suppliers' production efficiency. In addition, to deliver the parts and components of high precision to the customers, the Group put much efforts in acquisition of advanced production machineries which were made by the international well-known branded manufacturers.

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

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

## PROPOSED DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil) and no closure of the register of members will be made accordingly.

## 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		Approximate Percentage of interests
		Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	
Company	Katsutoshi Masuda ("Mr. Masuda") (Note 1)	–	–	116,160,000 shares	116,160,000 shares	–	66%
Company	Toshimitsu Masuda (Note 2)	–	–	116,160,000 shares	116,160,000 shares	–	66%
Company	Xu Yong	10,560,000 shares	–	–	10,560,000 shares	–	6%
Company	Manabu Shimabayashi	–	110,200 shares	–	110,200 shares	–	0.1%
Company	Shinichi Koizumi	22,000 shares	–	–	22,000 shares	–	0%
Company	Fan Xiaoping	19,800 shares	–	–	19,800 shares	–	0%
Yusei Machinery Corporation ("Yusei Japan")	Mr. Masuda (Note 3)	21,960 shares	2,100 shares	25,760 shares	49,820 shares	–	49.8%
Yusei Japan	Toshimitsu Masuda (Note 4)	1,700 shares	–	25,760 shares	27,460 shares	–	27.5%
Yusei Japan	Akio Suzuki	12,110 shares	–	–	12,110 shares	–	12.1%

## SUPPLEMENTARY INFORMATION

### 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 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 116,160,000 Shares held by Yusei Japan.
2. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% in the issued share capital of Yusei Japan which in turn is interested in 66% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 116,160,000 Shares through his shareholding in Conpri.
3. Mr. Masuda holds 30% of the issued share capital of Conpri. Conpri or its directors are accustomed or obliged to act in accordance with the directions or instructions of Mr. Masuda. By virtue of SFO, Mr. Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.
4. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% of the issued share capital of Yusei Japan. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 25,760 shares in Yusei Japan held by Conpri.

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

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

Name of Company	Number of shareholder	Capacity	Number of shares		Approximate percentage of interests
			Long Position	Short Position	
Company	Yusei Japan	Beneficial Owner	116,160,000 shares	–	66%
Company	Conpri (Note 1)	Corporate Interest	116,160,000 shares	–	66%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	116,160,000 shares	–	66%

### 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 116,160,000 shares held by Yusei Japan.
2. Mrs. Echiko Masuda is the spouse of Mr. Masuda and is deemed to be interested in 116,160,000 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 June 2011.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2011, 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 Rules Governing the Listing of Securities on the Stock Exchange (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, and 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 the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011 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 six months ended 30 June 2011, 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 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 25.8% by Conpri, as to approximately 21.9% by Mr. Masuda, as to approximately 12.1% by Mr. Akio Suzuki, as to approximately 2.1% by Mrs. Echiko Masuda and as to approximately 1.7% by Mr. Toshimitsu Masuda, as to 30% by Tokyo Small and Medium Business Investment & Consultation Co., Ltd., respectively and as to approximately 6.4% held by Yusei Japan itself as a result of share repurchase, which according to the confirmation of a practicing Japanese law firm, need not be extinguished from the issued share capital of Yusei Japan under Japanese laws. Conpri is a company incorporated in Japan with limited liability and is owned as to 50% by Mr. Toshimitsu Masuda, as to 30% by Mr. Masuda, and as to 20% by Mrs. Echiko Masuda. Mrs. Echiko Masuda and Mr. Toshimitsu Masuda are the spouse and son of Mr. Masuda, respectively. Mr. Katsutoshi Masuda and Mr. Toshimitsu Masuda are the Company's non-executive directors. Mr. Akio Suzuki was the Company's non-executive director.

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;

## SUPPLEMENTARY INFORMATION

- (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

Throughout the period, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

# CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	3	430,922	345,818
Cost of sales		<u>(346,435)</u>	<u>(281,993)</u>
Gross profit		84,487	63,825
Other income		4,245	1,291
Distribution costs		(17,370)	(14,419)
Administrative expenses		(35,315)	(22,258)
Finance costs		(12,244)	(8,284)
Share of losses of associates		<u>(561)</u>	<u>(2,427)</u>
Profit before taxation	4	23,242	17,728
Taxation	5	<u>(4,091)</u>	<u>(3,874)</u>
Profit for the period		19,151	13,854
Exchange differences arising on translating		<u>113</u>	<u>39</u>
Total comprehensive income for the period		<u>19,264</u>	<u>13,893</u>
Dividends		<u>–</u>	<u>–</u>
Earnings per share – Basic and diluted	6	<u>0.109</u>	<u>0.079</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		410,266	351,988
Intangible asset		335	502
Land use rights		20,444	20,793
Interests in associates		18,522	19,083
Deposits paid to acquire non-current assets		–	1,378
		<u>449,567</u>	<u>393,744</u>
<b>Current assets</b>			
Inventories		140,723	114,438
Debtors, deposits and prepayments	7	238,090	313,725
Amount due from an associate		9,962	7,501
Pledged bank balance		–	24,931
Bank balances, deposits and cash		86,578	92,962
		<u>475,353</u>	<u>553,557</u>
<b>Current liabilities</b>			
Creditors and accrued charges	8	274,203	322,755
Amount due to a director		111	111
Amount due to ultimate holding company		–	993
Income tax liabilities		–	5,390
Obligations under finance leases		6,538	14,362
Bank borrowings		294,131	287,152
		<u>574,983</u>	<u>630,763</u>
<b>Net current liabilities</b>		<u>(99,630)</u>	<u>(77,206)</u>
<b>Total assets less current liabilities</b>		<u>349,937</u>	<u>316,538</u>
<b>Non-current liabilities</b>			
Obligations under finance leases		35,037	24,118
Deferred income – government grants		943	1,028
Bank borrowings		101,926	86,422
		<u>137,906</u>	<u>111,568</u>
<b>Net assets</b>		<u>212,031</u>	<u>204,970</u>
<b>EQUITY</b>			
Share capital		1,810	1,810
Reserves		210,221	203,160
		<u>212,031</u>	<u>204,970</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Restricted shares reserve RMB'000	Redeemable convertible note reserve RMB'000	Translation reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010	1,674	40,003	49,663	18,065	3,004	(1,430)	71	10,871	61,571	183,492
Profit for the period	-	-	-	-	-	-	-	-	13,854	13,854
Redemption of Redeemable convertible note	-	-	-	-	(3,004)	-	-	-	-	(3,004)
Exchange difference arising on conversion of foreign operations	-	-	-	-	-	39	-	-	-	39
Bonus issue of shares	136	(136)	-	-	-	-	-	-	-	-
At 30 June 2010	<u>1,810</u>	<u>39,867</u>	<u>49,663</u>	<u>18,065</u>	<u>-</u>	<u>(1,391)</u>	<u>71</u>	<u>10,871</u>	<u>75,425</u>	<u>194,381</u>
At 1 January 2011	1,810	39,867	49,663	18,065	-	1,414	71	11,942	82,138	204,970
Profit for the period	-	-	-	-	-	-	-	-	19,151	19,151
Transfer	-	-	-	-	-	-	-	1,007	(1,007)	-
Exchange difference arising on conversion of foreign operations	-	-	-	-	-	113	-	-	-	113
Dividend paid	-	-	-	-	-	-	-	-	(12,203)	(12,203)
At 30 June 2011	<u>1,810</u>	<u>39,867</u>	<u>49,663</u>	<u>18,065</u>	<u>-</u>	<u>1,527</u>	<u>71</u>	<u>12,949</u>	<u>88,079</u>	<u>212,031</u>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2011

	2011 RMB'000	2010 RMB'000
<b>Net cash generated from operating activities</b>	45,145	27,947
<b>Net cash used in investing activities</b>	(77,107)	(69,837)
<b>Net cash generated from/(used in) financing activities</b>	<u>25,578</u>	<u>(10,455)</u>
<b>Decrease in cash and cash equivalents</b>	(6,384)	(52,345)
<b>Cash and cash equivalents at beginning of the year</b>	<u>92,962</u>	<u>102,737</u>
<b>Cash and cash equivalents at end of the year, representing Bank balances, deposits and cash</b>	<u>86,578</u>	<u>50,392</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

## 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 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 2010.

## 2. SEGMENT INFORMATION

For the two periods ended 30 June 2011 and 2010, 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. In the opinion of the directors of the Company, being the chief operating decision maker, the Group operated in a single operating segment. Accordingly, no segmental analysis has been presented.

## 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

	2011 RMB’000 (unaudited)	2010 RMB’000 (unaudited)
Profit before taxation has been arrived at after charging/(crediting):		
Cost of inventories sold	346,435	281,993
Amortisation of intangible assets included in administrative expenses	167	360
Amortisation of land use rights included in administrative expenses	349	300
Depreciation of property, plant and equipment	19,345	18,146

## 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 subsidiary, 杭州友成機工有限公司 Hangzhou Yusei Machinery Co., Ltd.\* ("Hangzhou Yusei") for 2010 was 15%. On 30 December 2009, Hangzhou Yusei was approved by Science and Technology Department of Zhejiang Province as high technology enterprise and therefore is subject to EIT at the rate of 15% for three years, with effective from 1 January 2009.

In addition, as the Company's another subsidiary, 浙江友成塑料模具有限公司 Zhejiang Yusei Plastics & Mould Co., Ltd.\* ("Zhejiang Yusei"), is operating and registered in the State Level New and High Technology Development Zone. Pursuant to the notice dated 20 March 2008 issued by the PRC tax authorities, the applicable tax rate of Zhejiang Yusei for 2008, 2009, 2010 and 2011 is 18%, 20%, 22% and 24% respectively. Zhejiang Yusei is subjected to PRC EIT rate of 25% commencing from 1 January 2012.

Pursuant to the approvals obtained from the relevant PRC tax authorities, 友成(中國)模具有限公司 Yusei (China) Mould Co., Ltd.\* ("Yusei China") is entitled to a tax concession period in which it is fully exempted from PRC EIT for two years commencing from 1 January 2008, followed by a reduced income tax rate of 11%, 12% and 12.5% from 2010 to 2012.

The applicable tax rate of 蘇州友成機工有限公司 Suzhou Yusei Machinery Co., Ltd.\* ("Suzhou Yusei") and 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.\* ("Guangzhou Yusei") is 25% for the two periods ended 30 June 2011 and 2010.

杭州友成模具技術研究有限公司 Hangzhou Yusei Mould Technology Research Co., Ltd.\* ("Hangzhou Yusei Moulding") is not subject to PRC EIT as it has not commenced business up to 30 June 2011.

\* *The English names are for identification purposes only*

## 6. EARNINGS PER SHARE

The earnings per share for the six months ended 30 June 2011 is calculated based on the profit attributable to equity holders of the Company of approximately RMB19,151,000 (2010: RMB13,854,000) for six months ended 30 June 2011 and on the weighted average number of ordinary shares of 176,000,000 shares in issue in 2011 (2010: 176,000,000 shares).

Diluted earnings per share is same as basic earnings per share for the six months ended 30 June 2011 due to anti-dilutive effect.



## 7. DEBTORS, DEPOSITS AND PREPAYMENTS

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 extend to the range from 90 days to 270 days.

The aging analysis of trade debtors is as follows:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
1 – 30 days	163,109	210,689
31 – 60 days	13,734	44,801
61 – 90 days	8,666	28,893
91 – 180 days	4,238	14,882
Over 180 days	2,355	2,404
Trade debtors and bills receivable	192,102	301,669
Other debtors, deposits and prepayments	45,988	12,056
	<u>238,090</u>	<u>313,725</u>

## 8. CREDITORS AND ACCRUED CHARGES

The aging analysis of trade creditors is as follows:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
1 – 30 days	126,054	136,049
31 – 60 days	25,173	66,708
61 – 90 days	20,779	46,337
91 – 180 days	17,262	29,006
Over 180 days	3,022	3,552
Trade creditors	192,290	281,652
Bills payable	60,654	–
Other creditors and accrued charges	21,259	41,103
	<u>274,203</u>	<u>322,755</u>

## 9. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2011.