



Interim Report

2014



YUSEI HOLDINGS LIMITED
友成控股有限公司*

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

* for identification only



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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2014, the Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the PRC. The Group also provides services for certain assembling and further processing of plastic components for its customers for maintenance and enhancement its position as a one-stop total solution provider in the plastic injection moulding industry. The Group's customers are mainly the manufacturers of branded home electrical appliances, office equipment and plastic components with production facilities located in the PRC.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2014 increased by 8.2% to approximately RMB477,188,000 as compared to that of approximately RMB440,885,000 for the six months ended 30 June 2013.

On 1 January 2013, there was a fire in the production plant No. 2 (the "Plant No.2") of 杭州友成機工有限公司 Hangzhou Yusei Machinery Co., Ltd.* ("Hangzhou Yusei"), one of the Company's subsidiaries, located in Lingang Industrial Park, Xiaoshan, Hangzhou City, Zhejiang Province, the People's Republic of China (the "PRC"). The production lines and machineries and equipment were damaged. Hangzhou Yusei commenced rebuilding the "New Plant No.2 since 22 May 2013, and the construction was completed in this period. The Group's production capacity was restored to the level prior to the fire accident. Therefore, the Group's revenue for the six months ended 30 June 2014 was increased compared with the corresponding period last year.

Gross profit

The Group's gross profit for the six months ended 30 June 2014 was approximately RMB80,039,000, representing an increase of approximately RMB35,170,000 as compared to that of approximately RMB44,869,000 for the six months ended 30 June 2013.

The increase in gross profit margin was mainly due to the fact that (1) the Group actively adjustment the product structure, reducing the sales of products with comparatively low profit margin and hence the Group's average gross profit margin was increased; (2) as the Plant No. 1 of Hangzhou Yusei has ceased production temporarily in 2013 while the investigation of the relevant regulatory authorities of the PRC for the cause of the fire of the Plant No.2, certain production processes were switched to the other plants of the Group in Xiaoshan/Suzhou as an alternative solution which led to an increase in production costs and expenses of the Group for that year. In addition, the gross profit margin was further decreased last year as, based on the information from the insurance company passed to the Group, the compensation claims for moulds may not be fully covered, and the Group had made an impairment losses of uncovered moulds of approximately RMB23,000,000 and had accounted for as the cost of sales for the corresponding period last year.

Distribution costs

The Group's distribution costs for the six months ended 30 June 2014 was approximately RMB22,592,000, representing a decrease of approximately RMB1,215,000 or 5.1% as compared to RMB23,807,000 for the six months ended 30 June 2013. Decrease in distribution costs were mainly due to the net effect of (i) increase in sales; and (ii) the increase in purchase of new packing materials last year for replacement for those destroyed in fire accident which was not recurring this period.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2014 was approximately RMB27,258,000, representing a decrease of approximately RMB6,034,000 as compared to that of approximately RMB33,292,000 for the six months ended 30 June 2013. During the period, the Group strengthened controls over costs and expenses so as to increase the operating efficiency and hence the administrative expenses were decreased accordingly.

Finance costs

The Group's finance costs for the six months ended 30 June 2014 was approximately RMB12,052,000, representing a decrease of approximately RMB1,467,000 as compared to that of approximately RMB13,519,000 for the six months ended 30 June 2013. Such decrease was attributable to the decrease in the Group's average bank borrowings.

Profit/(Loss) attributable to equity holders of the Company

The profit attributable to equity holders of the Company was approximately RMB17,012,000 for the six months ended 30 June 2014 while the loss for the six months ended 30 June 2013 was approximately RMB22,594,000.

Financial resources and liquidity

As at 30 June 2014, the equity amounted to approximately RMB293,714,000. Current assets amount to approximately RMB502,732,000, of which approximately RMB57,622,000 were cash and bank deposits. The Group had non-current liabilities of approximately RMB48,965,000 and its current liabilities amounted to approximately RMB516,812,000, comprising mainly its creditors and accrued charges and bank and other loans. The net asset value per share was RMB1.45. The Group expresses its gearing ratio as a percentage of finance leases, other payable and borrowings over total assets. As at 30 June 2014, the Group had a gearing ratio of 31.9%.

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 2014, the total number of the Group's staff was approximately 2,300. The total staff costs amounted to approximately RMB66,000,000 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 2014, 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 RMB8,000,000 and RMB40,000,000, respectively.

Foreign currency risk

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

The Group's exposure to foreign currency risk is attributable to the debtors, deposits and prepayments; bank balances, deposits and cash; creditors and accrued charges; obligations under finance leases and bank borrowings of the Group which are denominated in foreign currencies of US\$ and JPY. The functional currencies of the relevant group entities are RMB and HK\$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital commitments

As at 30 June 2014, the Group had no material capital commitments.

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; 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 sending technicians to Japan for training, the Group employed experienced salesmen and technicians from United Kingdom and Japan to improve the capability of marketing and technical ability.

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

In view of the huge potential market in China, especially following the development of automobile industry in China and coping with the customers' demands, the Group has established 蕪湖友成塑料模具有限公司 (Wuhu Yusei Plastic Moulds Company Limited) ("Wuhu Yusei") in Anhui Province, being a wholly-owned subsidiary of the Group, and plans to establish another new wholly-owned subsidiaries in Hubei Province ("Hubei Company").

For coping with the increasing customers' demand, Wuhu Yusei leases production plants with areas of approximately 4,000 sq. meters in Wuhu and the Group plans to lease production plants with areas of approximately 4,000 sq. meters in Xiaogan of Hubei Province upon establishment of Hubei Company. The production plants are expected to put into production in the second half of 2014. In addition, for the future business development, the Group anticipates to purchase land in Anhui or Hubei Province, as and when appropriate, for construction of the Group's new production plants with annual production capacity of approximately RMB500 million in coming 3-5 years.

DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2014 (2013: Nil). Therefore, no closure of register of members is necessary.

SUPPLEMENTARY INFORMATION

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

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

Name of Company	Name of Director	Capacity			Number of shares		
		Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	Approximate Percentage of interests
Company	Katsutoshi Masuda ("Mr. Masuda") (Note 1)	-	-	80,960,000 shares	80,960,000 shares	-	40.00%
Company	Toshimitsu Masuda (Note 2)	-	-	80,960,000 shares	80,960,000 shares	-	40.00%
Company	Xu Yong	31,280,000 shares	-	-	31,280,000 shares	-	15.45%

Name of Company	Name of Director	Capacity			Number of shares		
		Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	Approximate Percentage of interests
Company	Manabu Shimabayashi	660,000 shares	110,200 shares	-	770,200 shares	-	0.38%
Company	Fan Xiaoping	19,800 shares	-	-	19,800 shares	-	0.01%
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%

Notes:

1. Mr. Masuda is deemed to be interested in 49.8% of the issued share capital in Yusei Japan pursuant to the SFO. Yusei Japan is interested in 40% 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 80,960,000 Shares held by Yusei Japan.
2. Mr. Toshimitsu Masuda, (son of Mr. Masuda) holds 50% of the issued share capital of Conpri. Conpri is interested in 25.8% in the issued share capital of Yusei Japan which in turn is interested in 40% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 80,960,000 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		
			Long Position	Short Position	Approximate percentage of interests
Company	Yusei Japan	Beneficial Owner	80,960,000 shares	-	40.00%
Company	Conpri (Note 1)	Corporate Interest	80,960,000 shares	-	40.00%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	80,960,000 shares	-	40.00%
Company	Superview International Investment Limited (Note 3)	Beneficial Owner	38,722,000 shares	-	19.13%

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 80,960,000 shares held by Yusei Japan.
2. Mrs. Echiko Masuda is the spouse of Mr. Masuda and is deemed to be interested in 80,960,000 Shares pursuant to the SFO.
3. Superview International Investment Limited is wholly owned by Mr. Xu Yue, an elder brother of Mr. Xu Yong who is an executive director of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or their respective associates was granted by the Company or its subsidiary any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 June 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2014, 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 AND SUMMARY OF INDEPENDENT AUDITOR'S REPORT

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

The audit committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 June 2014, which complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, 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 40% equity interest of the Company. With its production and business operations based in Japan, Yusei Japan is principally engaged in the design, fabrication and sales of plastic injection moulds, and, to a lesser extent, the manufacture and sales of plastic component products. The plastic injection moulds fabricated by Yusei Japan are mainly applicable for the manufacture of headlight components including glass lens and reflector, automobile gauge board and other interior components for automobiles. Furthermore, Yusei Japan also fabricates plastic injection moulds for the manufacturing of peripheral plastic components for air conditioners and component parts for fishing tools.

Yusei Japan is owned as to approximately 25.8% by Conpri, as to approximately 21.9% by Mr. Masuda, as to approximately 12.1% by Mr. Akio Suzuki, as to approximately 2.1% by Mrs. Echiko Masuda and as to approximately 1.7% by Mr. Toshimitsu Masuda, as to 30% by Tokyo Small and Medium Business Investment & Consultation Co., Ltd., respectively and as to approximately 6.4% held by Yusei Japan itself as a result of share repurchase, which according to the confirmation of a practicing Japanese law firm, need not be extinguished from the issued share capital of Yusei Japan under Japanese laws. Conpri is a company incorporated in Japan with limited liability and is owned as to 50% by Mr. Toshimitsu Masuda, as to 30% by Mr. Masuda, and as to 20% by Mrs. Echiko Masuda. Mrs. Echiko Masuda and Mr. Toshimitsu Masuda are the spouse and son of Mr. Masuda, respectively. Mr. Katsutoshi Masuda and Mr. Toshimitsu Masuda are the Company's non-executive directors. Mr. Akio Suzuki was the Company's non-executive directors.

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

Notwithstanding that the Directors believe that Yusei Japan does not compete with the Group, to clearly delineate the business operations of the Group from that of Yusei Japan and to avoid any possible future competition with the Group, Yusei Japan and its shareholders (collectively "the Covenantors") have entered into a deed of non-competition dated 19 September 2005 (the "Deed of Non-competition"), pursuant to which each of the Covenantors irrevocably and unconditionally undertakes and covenants with the Company that each of the Covenantors shall:

- (1) not either on his/her/its own account or for any other person, firm or company, and (if applicable) shall procure that its subsidiaries (other than the Company and any member of the Group) or companies controlled by each of the Covenantors shall not either on its own behalf or as agent for any person, firm or company and either directly or indirectly (whether as a shareholder, partner, consultant or otherwise and whether for profit, reward or otherwise) at any time solicit, interfere with or endeavour to entice away from any member of the Group any person, firm, company or organisation who to its knowledge is from time to time or has at any time been a customer or supplier or a business partner of any member of the Group;

- (2) not either alone or jointly with any other person, firm or company, carry on (including but not limited to making investments, setting up distribution channels and/or liaison offices and creating business alliances), participate, be engaged, concerned or interested in or in any way assist in or provide support (whether financial, technical or otherwise) to any business similar to or which competes (either directly or indirectly) or is likely to compete with the business of the design, development and fabrication of precision plastic injection moulds or the manufacturing of plastic components in the Group's Exclusive Markets or the provision of certain assembling and further processing of plastic components for customers (the "Business") from time to time carried out by any member of the Group (provision of assistance and support to the Group excepted) including the entering into of any contracts, agreements or other arrangements in relation to any of the above;
- (3) not directly or indirectly sell, distribute, supply or otherwise provide products that are within the Group's Product Portfolio to any purchaser or potential purchaser of any products within the Group's Product Portfolio in the Group's Exclusive Markets (the "Customers") and upon receipt of any enquiry from Customers for products which are within the Group's Product Portfolio, to refer to the Company or any member of the Group all such business opportunities received by the Covenantors and provide sufficient information to enable the Company or any member of Group to reach an informed view and assessment on such business opportunities;
- (4) not directly or indirectly sell, distribute, supply or otherwise provide any products that are within the Group's Product Portfolio where the relevant Covenantor(s) know(s), or is reasonably regarded as should have known, that such products are destined to be re-sold, re-distributed or re-supplied for the purpose of commercial exploitation in the Group's Exclusive Markets;

- (5) upon receipt of any order or enquiry from customers outside the Group's Exclusive Markets for products which are within the Group's Product Portfolio and where the relevant Covenantor(s) know(s), or is reasonably regarded as should have known, that such products are destined to be re-sold, re-distributed or re-supplied for the purpose of commercial exploitation in the Group's Exclusive Markets, the relevant Covenantor shall inform the Group in writing of such order or enquiry and refer such customer to contract directly with the Group for the order of the relevant product;
- (6) not do or say anything which may be harmful to the reputation of any member of the Group or which may lead any person to reduce their level of business with any member of the Group or seek to improve their terms of trade with any member of the Group; and
- (7) not solicit or entice or endeavour to solicit or entice any of the employees of or consultants to the Group to terminate their employment or appointment with any member of the Group.

Saved as disclosed above, none of the directors of the Company had an interest in a business which competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

During the period under review, the Group has complied with the relevant regulations in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviation from the code provision A.1.8. of the Code. The Board and the senior management of the Group have earnestly appraised the requirements of the Code and reviewed the practices of the Group to ensure full compliance with the Code.

Under the code provision A.1.8, the Group should arrange appropriate insurance cover in respect of legal action against its directors. However, as the Group's business are relatively unitary, the Directors can easily comprehend these businesses. At the same time, the Directors are equipped with the adequate spirit and expertise in making corporate decisions. Furthermore, the Directors consider that the management has placed emphasis on control cover corporate risks from time to time, and has strictly complied with the Listing Rules and the relevant regulations. Therefore, it is not necessary to purchase insurance for the Directors and Chief Executive.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	3	477,188	440,885
Cost of sales		(397,149)	(396,016)
Gross profit		80,039	44,869
Other income		3,294	2,971
Distribution costs		(22,592)	(23,807)
Administrative expenses		(27,258)	(33,292)
Finance costs		(12,052)	(13,519)
Share of losses of associates		(626)	(34)
Profit/(Loss) before taxation	4	20,805	(22,812)
Taxation	5	(3,793)	218
Profit/(Loss) attributable to the equity holders of the Company		17,012	(22,594)
Dividends		–	–
Earnings/(Loss) per share (RMB) – Basic and diluted	6	0.093	(0.128)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2014

	2014 RMB'000	2013 RMB'000
Profit/(Loss) for the period	17,012	(22,594)
Exchange differences arising on conversion of foreign operations	(765)	(3,343)
Total comprehensive income for the period	16,247	(25,937)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		314,459	321,317
Intangible asset		830	864
Land use rights		18,485	18,797
Interests in associates		22,985	23,612
		356,759	364,590
Current assets			
Inventories		174,734	138,810
Debtors, deposits and prepayments	7	266,932	288,359
Amount due from an associate		3,444	4,266
Pledged bank balance		–	2,479
Bank balances, deposits and cash		57,622	74,671
		502,732	508,585
Current liabilities			
Creditors and accrued charges	8	264,778	240,319
Amount due to ultimate holding company		18,637	25,429
Amount due to associates		–	10,972
Income tax liabilities		7,116	8,206
Obligations under finance leases		14,270	5,163
Bank and other loans		212,011	302,188
		516,812	592,277
Net current liabilities		(14,080)	(83,692)
Total assets less current liabilities		342,679	280,898
Non-current liabilities			
Obligations under finance leases		26,162	8,353
Deferred income – government grants		1,002	1,126
Bank and other loans		21,801	10,741
		48,965	20,220
Net assets		293,714	260,678
EQUITY			
Share capital		2,020	1,810
Reserves		291,694	258,868
		293,714	260,678

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Restricted shares 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 2013	1,810	39,867	49,663	18,065	5,379	71	15,465	123,080	253,400
Loss for the period	-	-	-	-	-	-	-	(22,594)	(22,594)
Exchange difference arising on conversion of foreign operations	-	-	-	-	(3,343)	-	-	-	(3,343)
At 30 June 2013	1,810	39,867	49,663	18,065	2,036	71	15,465	100,486	227,463
At 1 January 2014	1,810	39,867	49,663	18,065	7,053	71	16,493	127,656	260,678
Issue of new shares	210	16,579	-	-	-	-	-	-	16,789
Profit for the period	-	-	-	-	-	-	-	17,012	17,012
Exchange difference arising on conversion of foreign operations	-	-	-	-	(765)	-	-	-	(765)
At 30 June 2014	2,020	56,446	49,663	18,065	6,288	71	16,493	144,668	293,714

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2014

	2014 RMB'000	2013 RMB'000
Net cash generated from/(used in) operating activities	32,344	(39,424)
Net cash generated from/(used in) investing activities	(13,981)	31,628
Net cash used in financing activities	(35,412)	(1,462)
Decrease in cash and cash equivalents	(17,049)	(9,258)
Cash and cash equivalents at beginning of the period	74,671	63,346
Cash and cash equivalents at end of the period, representing Bank balances, deposits and cash	57,622	54,088

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 2013 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as of 1 January 2014, noted below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Amendments	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non- Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The adoption of these new and revised HKFRSs had no significant financial effect on these financial statements.

The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective,

Issued but not yet effective HKFRSs

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ²
Amendments to HKAS 19	Defined Benefits Plans: Employee Contributions ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

For the two periods ended 30 June 2014 and 2013, 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/(LOSS) BEFORE TAXATION

	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Profit/(Loss) before taxation has been arrived at after charging:		
Cost of inventories sold	397,149	396,016
Amortisation of intangible assets included in administrative expenses	34	64
Amortisation of land use rights included in administrative expenses	312	332
Depreciation of property, plant and equipment	20,840	29,935

5. TAXATION

(i) Overseas income tax

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

(ii) Hong Kong profits tax

No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong during both periods.

(iii) PRC EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The applicable tax rate of the Company's subsidiaries, 杭州友成機工有限公司 Hangzhou Yusei Machinery Co., Ltd.* ("Hangzhou Yusei") and 蘇州友成機工有限公司 Suzhou Yusei Machinery Co., Ltd.* ("Suzhou Yusei") for 2014 and 2013 was 15%. On 27 December 2012, 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 2012. On 8 November 2011, Suzhou Yusei was approved by Science and Technology Department of Jiangsu Province as high technology enterprise and therefore is subject to EIT at the rate of 15% for three years, with effective from 1 January 2011.

In addition, 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. 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% for the sequential three years commencing from 1 January 2010. Yusei China is subjected to PRC EIT rate of 25% commencing from 1 January 2013.

The applicable PRC EIT rate of 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.* ("Guangzhou Yusei") and 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 25%.

* The English names are for identification purposes only

6. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share for the six months ended 30 June 2014 is calculated based on the profit attributable to equity holders of the Company of approximately RMB17,012,000 (2013: loss of RMB22,594,000) for six months ended 30 June 2014 and on the weighted average number of ordinary shares of 182,126,000 shares in issue in 2014 (2013: 176,000,000 shares).

Diluted earnings per share is same as basic earnings per share for the six months ended 30 June 2014 and 2013 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
1 – 30 days	138,897	160,943
31 – 60 days	50,803	58,850
61 – 90 days	29,580	34,427
91 – 180 days	14,417	16,771
Over 180 days	105	1,356
Trade debtors and bills receivable	233,802	272,347
Other debtors, deposits and prepayments	33,130	16,012
	266,932	288,359

8. CREDITORS AND ACCRUED CHARGES

The aging analysis of trade creditors is as follows:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
1 – 30 days	105,653	104,692
31 – 60 days	44,752	43,963
61 – 90 days	22,128	22,499
91 – 180 days	5,048	5,090
Over 180 days	2,879	2,917
Trade creditors and bills payable	180,460	179,161
Other creditors and accrued charges	84,318	61,158
	264,778	240,319

9. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2014.