



INTERIM REPORT 2017



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 2017, 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.

During the period, the automotive industry was developing steadily. The Group continued to adjust the product mix structure with acceptance of increasing orders from automobile companies and strengthened the controls over the production costs and expenses so as to enhance the profitability and operating efficiency. In addition, following the development of automobile industry in China and for coping with the customers' demands, the Group are able to cope with the increase in sale orders during the period with the expanded capacity, the Group's turnover was increased by 4.7%. With improved utilization rate of the Group's production facilities which provided economies of scale, the Group's gross profit margin was stable and profit for the period were increased.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2017 increased by 4.7% to approximately RMB610,359,000 as compared to that of approximately RMB582,870,000 for the six months ended 30 June 2016. During the period, the Group was able to cope with the increase in sale orders, especially from automobile industry after expansion of production capacity.

Gross profit

The Group's gross profit for the six months ended 30 June 2017 was approximately RMB98,958,000, representing a slightly increase of approximately RMB831,000 or 0.8% as compared to that of approximately RMB98,127,000 for the six months ended 30 June 2016.

The stabilized gross profit margin was mainly due to the fact that (i) the Group actively adjusted the product mix structure, reducing the sales of products with comparatively low profit margin and (ii) the Group implemented stringent cost control over the production costs.

Other income

The Group's other income for the six months ended 30 June 2017 was approximately RMB12,279,000 as compared to that of approximately RMB6,174,000 for the six months ended 30 June 2016, representing an increase of approximately RMB6,105,000. Such significant increase was mainly attributable to the increase in sales of materials, sub-contracting fee income and inclusion of a government grant.

Distribution costs

The Group's distribution costs for the six months ended 30 June 2017 was approximately RMB30,801,000, representing a decrease of approximately RMB643,000 as compared to RMB31,444,000 for the six months ended 30 June 2016. Despite the increase in sales, the Group continued to impose control over the expenses which resulted in the decrease in distribution costs.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2017 was approximately RMB25,574,000, representing a slightly increase of approximately RMB645,000 as compared to that of approximately RMB24,929,000 for the six months ended 30 June 2016.

Finance costs

The Group's finance costs for the six months ended 30 June 2017 was approximately RMB7,918,000, representing a decrease of approximately RMB597,000 as compared to that of approximately RMB8,515,000 for the six months ended 30 June 2016.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company was approximately RMB38,252,000 for the six months ended 30 June 2017 while the profit for the six months ended 30 June 2016 was approximately RMB29,216,000.

Financial resources and liquidity

As at 30 June 2017, the equity amounted to approximately RMB471,606,000. The Group had non-current assets of approximately RMB472,451,000 which mainly consisted of property, plant and equipment, land use rights and interest in associates and current assets amounting to approximately RMB647,756,000, of which approximately RMB75,278,000 were cash and bank deposits. The Group had non-current liabilities of approximately RMB14,184,000 and its current liabilities amounted to approximately RMB634,417,000, comprising mainly its creditors and accrued charges and bank and other loans. The net asset value per share was RMB1.16. The Group expresses its gearing ratio as a percentage of finance leases, and borrowings over total assets. As at 30 June 2017, the Group had a gearing ratio of 28.5%.

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 2017, the total number of the Group's staff was approximately 2,500. The total staff costs amounted to approximately RMB80,000,000 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 2017, the Group's bank borrowings are secured by bank deposits, land use rights and property, plant and equipment of the Group with an aggregate net carrying values of approximately RMB3,757,000, RMB17,000,000 and RMB119,000,000, 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 2017, 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 the Group had built up business relationship with several new internationally reputable customers, and serves them with high-quality moulds.

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 2017 (2016: Nil). Therefore, no closure of register of members is necessary.

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)	-	-	161,920,000 shares	161,920,000 shares	-	40.00%
Company	Toshimitsu Masuda (Note 2)	-	-	161,920,000 shares	161,920,000 shares	-	40.00%
Company	Xu Yong	62,560,000 shares	-	-	62,560,000 shares	-	15.45%
Company	Manabu Shimabayashi	1,320,000 shares	220,400 shares	-	1,540,400 shares	-	0.38%

Supplementary Information

Name of Company	Name of Director	Capacity			Number of shares		Approximate percentage of interests
		Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	
Company	Fan Xiaoping	39,600 shares	-	-	39,600 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 161,920,000 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 161,920,000 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	161,920,000 shares	-	40.00%
Company	Conpri (Note 1)	Corporate Interest	161,920,000 shares	-	40.00%
Company	Mrs. Echiko Masuda (Note 2)	Family Interests	161,920,000 shares	-	40.00%
Company	Superview International Investment Limited (Note 3)	Beneficial Owner	77,000,000 Shares	-	19.02%
Company	Ding Hong Guang	Beneficial Owner	28,384,000 Shares	-	7.01%

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 161,920,000 shares held by Yusei Japan.
2. Mrs. Echiko Masuda is the spouse of Mr. Masuda and is deemed to be interested in 161,920,000 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 2017.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2017, 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 and approved the Group's unaudited consolidated financial statements for the six months ended 30 June 2017, 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 2017, 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 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 18.5% 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.

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 Covenants") have entered into a deed of non-competition dated 19 September 2005 (the "Deed of Non-competition"), pursuant to which each of the Covenants irrevocably and unconditionally undertakes and covenants with the Company that each of the Covenants 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 Covenants 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 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 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	3	610,359	582,870
Cost of sales		(511,401)	(484,743)
Gross profit		98,958	98,127
Other income		12,279	6,174
Distribution costs		(30,801)	(31,444)
Administrative expenses		(25,574)	(24,929)
Finance costs		(7,918)	(8,515)
Share of results of associates		39	(2,431)
Profit before taxation	4	46,983	36,982
Taxation	5	(8,731)	(7,766)
Profit attributable to the equity holders of the Company		38,252	29,216
Dividends		-	-
Earnings per share (RMB) – Basic and diluted	6	0.094	0.072

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2017

	2017 RMB'000	2016 RMB'000
Profit for the period	38,252	29,216
Exchange differences arising on conversion of foreign operations	(806)	(1,081)
Total comprehensive income for the period	37,446	28,135

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		395,431	383,548
Intangible asset		1,399	1,561
Land use rights		27,758	28,135
Prepayment		16,117	16,117
Interests in associates		31,746	31,707
		472,451	461,068
Current assets			
Inventories		211,588	204,796
Trade and bills receivable, deposits and prepayments	7	358,570	448,640
Amount due from an associate		2,320	3,612
Pledged bank balance		3,757	5,574
Bank balances, deposits and cash		71,521	56,996
		647,756	719,618
Current liabilities			
Creditors and accrued charges	8	315,693	429,951
Amount due to ultimate holding company		20,572	21,818
Income tax liabilities		6,278	15,135
Obligations under finance leases		56,324	40,581
Bank and other loans		235,550	219,650
		634,417	727,135
Net current assets/(liabilities)		13,339	(7,517)
Total assets less current liabilities		485,790	453,551
Non-current liabilities			
Obligations under finance leases		6,776	11,983
Deferred income – government grants		7,408	7,408
		14,184	19,391
Net assets		471,606	434,160
EQUITY			
Share capital		3,755	3,755
Reserves		467,851	430,405
		471,606	434,160

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	Share capital	Share premium	Special reserve	Restricted shares reserve	Redeemable convertible note reserve	Translation reserve	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	2,020	55,197	49,663	18,065	-	4,850	71	16,493	231,793	378,152
Profit for the period	-	-	-	-	-	-	-	-	29,216	29,216
Exchange difference arising on conversion of foreign operations	-	-	-	-	-	(1,081)	-	-	-	(1,081)
At 30 June 2016	2,020	55,197	49,663	18,065	-	3,769	71	16,493	261,009	406,287
At 1 January 2017	3,755	53,462	49,663	18,065	-	4,581	71	18,367	286,196	434,160
Profit for the period	-	-	-	-	-	-	-	-	38,252	38,252
Exchange difference arising on conversion of foreign operations	-	-	-	-	-	(806)	-	-	-	(806)
At 30 June 2017	3,755	53,462	49,663	18,065	-	3,775	71	18,367	324,448	471,606

Note:

As set out in the Company's circular dated 20 May 2016, the Directors proposed a bonus issue of shares, credited as fully paid by way of capitalization of the Company's share premium account, on the basis of one Bonus Share for every one existing Share held by shareholders whose name appear on the register of members of the Company on 30 June 2016 in proportion to their then shareholding. The proposed bonus issue of shares had been approved by the shareholders on the annual general meeting held on 23 June 2016.

As at 30 June 2016, 202,400,000 Shares were in issue. 202,400,000 Bonus Shares were issued on 5 July 2016 and since then, the Company's total number of issued shares was increased to 404,800,000 Shares accordingly. The Bonus Shares were credited as fully paid by way of capitalization of an approximate amount of HK\$2,024,000 out of the Company's share premium account.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2017

	2017 RMB'000	2016 RMB'000
Net cash generated from operating activities	24,209	22,393
Net cash used in investing activities	(34,874)	(50,045)
Net cash generated from financing activities	25,190	43,112
Increase in cash and cash equivalents	14,525	15,460
Cash and cash equivalents at beginning of the period	56,996	54,122
Cash and cash equivalents at end of the period, representing Bank balances, deposits and cash	71,521	69,582

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 4 April 2005. On 13 October 2005, the shares of the Company were listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were withdrawn from the GEM on 14 December 2010. On 15 December 2010, the Company's shares were listed on the Main Board of the Stock Exchange.

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

The 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 2016, except for the adoption of the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as of 1 January 2017 that are relevant to its operations. The adoption of these amendments to HKFRSs had no significant financial effect on these financial statements.

Issued but not yet effective HKFRSs

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

HKFRS 9 (2014)	<i>Financial Instruments</i> ¹
HKFRS 15	<i>Revenue from Contracts with Customers (and the related Clarification)</i> ¹
HKFRS 16	<i>Leases</i> ²
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i> ⁴
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2019
- ³ Effective for annual periods beginning on or after a date to be determined
- ⁴ Amendments to HKFRS 12 are effective for annual periods beginning on or after 1 January 2017, and Amendments to HKFRS 1 and Amendments to HKAS 28 are effective for annual periods beginning on or after 1 January 2018.

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 2017 and 2016, 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

	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories sold	511,401	484,743
Amortisation of intangible assets included in administrative expenses	162	97
Amortisation of land use rights included in administrative expenses	377	310
Depreciation of property, plant and equipment	24,808	29,951

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.* and 蘇州友成機工有限公司 Suzhou Yusei Machinery Co., Ltd.* for 2017 and 2016 was 15%.

In addition, the applicable PRC EIT rate of the Company's other subsidiaries namely, 浙江友成塑料模具有限公司 Zhejiang Yusei Plastics & Mould Co., Ltd.*, 友成(中國)模具有限公司 Yusei (China) Mould Co., Ltd.*, 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.*, 杭州友成模具技術研究有限公司 Hangzhou Yusei Mould Technology Research Co., Ltd.*, 蕪湖友成塑料模具有限公司 Wuhu Yusei Plastic Moulding Co., Ltd* and 湖北友成塑料模具有限公司 Hubei Yusei Plastic Moulding Co., Ltd* is 25%.

* The English names are for identification purposes only

6. EARNINGS PER SHARE

The earnings per share for the six months ended 30 June 2017 is calculated based on the profit attributable to equity holders of the Company of approximately RMB38,252,000 (2016: RMB29,216,000) for six months ended 30 June 2017 and on the weighted average number of ordinary shares of 404,800,000 shares in issue in 2017 (2016: 404,800,000 shares which have been adjusted for the new bonus shares issued on 5 July 2016 (note 9), as if such bonus issue had occurred at the beginning of the earliest period presented).

Diluted earnings per share is same as basic earnings per share for the six months ended 30 June 2017 and 2016 due to anti-dilutive effect.

7. TRADE AND BILLS RECEIVABLE, 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 and bills receivable is as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
1 – 30 days	208,443	258,549
31 – 60 days	63,214	77,372
61 – 90 days	41,524	56,899
91 – 180 days	22,753	29,044
Over 180 days	3,824	3,833
Trade debtors and bills receivable	339,758	425,697
Other debtors, deposits and prepayments	34,929	39,060
	374,687	464,757
Less: Prepayment, non-current portion	(16,117)	(16,117)
	358,570	448,640

8. CREDITORS AND ACCRUED CHARGES

The aging analysis of trade creditors is as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
1 – 30 days	102,338	134,813
31 – 60 days	56,496	92,097
61 – 90 days	37,799	50,965
91 – 180 days	17,288	24,715
181 – 365 days	5,695	4,186
Over 365 days	4,343	3,407
Trade creditors and bills payable	223,959	310,183
Other creditors and accrued charges	91,734	119,768
	315,693	429,951

9. BONUS ISSUE OF SHARES

As set out in the Company's circular dated 20 May 2016, the Directors proposed a bonus issue of shares, credited as fully paid by way of capitalization of the Company's share premium account, on the basis of one Bonus Share for every one existing Share held by shareholders whose name appear on the register of members of the Company on 30 June 2016 in proportion to their then shareholding. The proposed bonus issue of shares had been approved by the shareholders on the annual general meeting held on 23 June 2016.

As at 30 June 2016, 202,400,000 Shares were in issue. 202,400,000 Bonus Shares were issued on 5 July 2016 and since then, the Company's total number of issued shares was increased to 404,800,000 Shares accordingly. The Bonus Shares were credited as fully paid by way of capitalization of an approximate amount of HK\$2,024,000 out of the Company's share premium account.

10. APPROVAL OF FINANCIAL STATEMENTS

These Condensed Consolidated financial statements were approved and authorized for issue by the board of directors on 31 August 2017.