



YUSEI HOLDINGS LIMITED 友成控股有限公司*

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



INTERIM
REPORT
2018

* for identification only

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BUSINESS REVIEW

During the six months ended 30 June 2018, 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.

Since 2016, the Group is facing challenges from the global economy which was affected by the unstable factors in relation to the international political unrest and economic instability most of the time during the current year. With the transformation and upgrading of business model of the Chinese enterprises, some of the Group's customers in manufacturing office equipment industry have transferred their production lines to Southeast Asian countries where the labour costs are lower. Having perceived this trend in prior year, the Group had focused its main business on the automotive industry. With the steady development of PRC's auto industry, the Group has maintained a sustainable business development by virtue of its competitive advantages in moulding and production of auto parts and components.

The Group continues to carry out research and development of moulding as the core, actively consolidate the technological advantages, and continue to strengthen the automated production, and improve the production processes so as to improve production efficiency. In addition, to enhance the cost advantage, the Group consider constructing production plants near to the main customers for providing fast and efficient services to the main customers. Meanwhile, in order to maintain the competitive advantage in the market segment, the Group continues to invest in purchasing more advanced equipment. In addition, we continue to put effort to develop the existing business and to explore new business.

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 4.9%. 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 2018 increased by 4.9% to approximately RMB640,346,000 as compared to that of approximately RMB610,359,000 for the six months ended 30 June 2017. 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 2018 was approximately RMB96,763,000, representing a slightly decrease of approximately RMB2,195,000 or 2.2% as compared to that of approximately RMB98,958,000 for the six months ended 30 June 2017.

The gross profit margin for the six months ended 30 June 2018 was approximately 15%. 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 2018 was approximately RMB17,135,000, representing an increase of approximately RMB4,856,000 as compared to RMB12,279,000 for the six months ended 30 June 2017. Such increase was mainly due to increase in government subsidies recognised.

Distribution costs

The Group's distribution costs for the six months ended 30 June 2018 was approximately RMB31,532,000, representing an increase of approximately RMB731,000 as compared to RMB30,801,000 for the six months ended 30 June 2017. Such increase in distribution costs was mainly due to increase in sales of the Group.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2018 was approximately RMB26,695,000, representing an increase of approximately RMB1,121,000 as compared to that of approximately RMB25,574,000 for the six months ended 30 June 2017.

Finance costs

The Group's finance costs for the six months ended 30 June 2018 was approximately RMB7,460,000, representing a decrease of approximately RMB458,000 as compared to that of approximately RMB7,918,000 for the six months ended 30 June 2017.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company was approximately RMB39,599,000 for the six months ended 30 June 2018 while the profit for the six months ended 30 June 2017 was approximately RMB38,252,000.

Financial resources and liquidity

As at 30 June 2018, the equity amounted to approximately RMB549,534,000. Current assets amount to approximately RMB536,054,000, of which approximately RMB54,503,000 were cash and bank deposits. The Group had non-current liabilities of approximately RMB26,577,000 and its current liabilities amounted to approximately RMB633,078,000, comprising mainly its creditors and accrued charges and bank and other loans. The net asset value per share was RMB1.36. The Group expresses its gearing ratio as a percentage of finance leases, and borrowings over total assets. As at 30 June 2018, the Group had a gearing ratio of 26.1%.

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 2018, 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 2018, 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 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 2018, the Group had no material capital commitments.

Public float requirement and Subscription of new shares under general mandate

As disclosed in the Company's announcement dated 12 June 2018, the public float of the Company was approximately 15.18%, which has fallen below 25% of the total issued share capital of the Company held by the public as prescribed by Rule 8.08(1)(a) of the Listing Rules.

Subsequent to the reporting date, on 8 August 2018 (after trading hours), the Company entered into the Subscription Agreements with 114 key employees of the Group (the "Subscribers"). Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot and issue, and Subscribers have conditionally agreed to subscribe for, a total of 14,698,000 Subscription Shares. The Subscription Shares will be issued at the Subscription Price of HK\$1.435 per Subscription Share. Any of the conditions precedents under the respective Subscription Agreements is not fulfilled at the date of this report.

The total number of 14,698,000 Subscription Shares to be allotted and issued under the Subscriptions represents (i) approximately 3.03% of the issued share capital of the Company as at the date of this report; and (ii) approximately 2.94% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this report and up to Completion other than as a result of the Subscriptions). The Subscription Shares will be issued under the General Mandate.

The aggregate gross proceeds of the Subscriptions will be approximately HK\$21,091,630 and the aggregate net proceeds of the Subscriptions, after deduction of expenses, are estimated to be approximately HK\$20,891,630, representing a net issue price of approximately HK\$1.421 per Subscription Share. It is proposed that out of the net proceeds from the Subscriptions, HK\$19,000,000 will be used for construction of a new factory in Hubei Province, the PRC and purchase of factory machineries (including CNC Gantry 5 axes high speed machinery centre and injection moulding machines) and the remaining amount will be used for general working capital of the Group.

Upon completion of Subscription, the public float requirement can be restored.

Details of the above subscription were set out in the Company's announcements dated 8 August 2018 and 13 August 2018, respectively.

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.

DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2018 (2017: 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		Approximate percentage of interests
		Personal Interests	Family Interests	Corporate Interests	Long Position	Short Position	
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	1,320,400 shares	-	-	1,320,400 shares	-	0.33%

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	40,526,000 Shares	-	10.01%

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 2018.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2018, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

The Company has established an audit committee comprising of the three independent non-executive directors, namely Mr. Hisaki Takabayashi, Mr. Fan Xiaoping and Mr. Lo Ka Wai, with written terms of reference in compliance with 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 2018, 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 2018, 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 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 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	3	640,346	610,359
Cost of sales		(543,583)	(511,401)
Gross profit		96,763	98,958
Other income		17,135	12,279
Distribution costs		(31,532)	(30,801)
Administrative expenses		(26,695)	(25,574)
Finance costs		(7,460)	(7,918)
Share of results of associates		(25)	39
Profit before taxation	4	48,186	46,983
Taxation	5	(8,587)	(8,731)
Profit attributable to the equity holders of the Company		39,599	38,252
Dividends		-	-
Earnings per share (RMB) – Basic and diluted	6	0.098	0.094

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2018

	2018 RMB'000	2017 RMB'000
Profit for the period	39,599	38,252
Exchange differences arising on conversion of foreign operations	(47)	(806)
Total comprehensive income for the period	39,552	37,446

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		449,968	427,964
Intangible asset		1,226	1,372
Land use rights		26,861	27,286
Amount due from an associate		9,432	21,318
Interests in associates		48,567	34,192
		536,054	512,132
Current assets			
Inventories		261,122	224,762
Trade and bills receivable, deposits and prepayments	7	357,368	439,465
Amount due from an associate		142	3,096
Pledged bank balance		-	831
Bank balances, deposits and cash		54,503	56,019
		673,135	724,173
Current liabilities			
Creditors and accrued charges	8	326,950	406,330
Amount due to ultimate holding company		1,762	1,762
Income tax liabilities		8,935	19,139
Obligations under finance leases		30,709	26,335
Bank and other loans		264,722	245,057
		633,078	698,623
Net current assets		40,057	25,550
Total assets less current liabilities		576,111	537,682
Non-current liabilities			
Amount due to ultimate holding company		20,572	20,572
Deferred income		6,005	7,128
		26,577	27,700
Net assets		549,534	509,982
EQUITY			
Share capital		3,755	3,755
Reserves		545,779	506,227
		549,534	509,982

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2018

	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 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
At 1 January 2018	3,755	53,462	49,663	18,065	4,903	71	18,367	361,696	509,982
Profit for the period	-	-	-	-	-	-	-	39,599	39,599
Exchange difference arising on conversion of foreign operations	-	-	-	-	(47)	-	-	-	(47)
At 30 June 2018	3,755	53,462	49,663	18,065	4,856	71	18,367	401,295	549,534

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2018

	2018 RMB'000	2017 RMB'000
Net cash generated from operating activities	35,584	24,209
Net cash used in investing activities	(61,249)	(34,874)
Net cash generated from financing activities	24,149	25,190
Increase/(Decrease) in cash and cash equivalents	(1,516)	14,525
Cash and cash equivalents at beginning of the period	56,019	56,996
Cash and cash equivalents at end of the period, representing Bank balances, deposits and cash	54,503	71,521

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 "Listing Rules").

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 2017, except for the adoption of the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as of 1 January 2018 that are relevant to its operations. The adoption of these amendments to HKFRSs had no significant financial effect on these financial statements.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
HK(IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2014–2016 Cycle except for Amendments to HKFRS 12</i>

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.

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.

HKFRSs (Amendments)	<i>Annual Improvements to HKFRSs 2015-2017 Cycle¹</i>
HKAS 28 (Amendment)	<i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures¹</i>
HKAS 19 (Amendment)	<i>Employee Benefits – Plan Amendments, Curtailment or Settlement¹</i>
HKFRS 9 (Amendment)	<i>Financial Instruments – Prepayment Features with Negative Compensation¹</i>
HKFRS 10 (Amendment) and HKAS 28 (2011) (Amendment)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 16	<i>Leases¹</i>
HKFRS 17	<i>Insurance Contracts²</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments¹</i>

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date to be determined

The Group is in the process of making 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 2018 and 2017, 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

	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories sold	543,583	511,401
Amortisation of intangible assets included in administrative expenses	146	162
Amortisation of land use rights included in administrative expenses	425	377
Depreciation of property, plant and equipment	39,245	24,808

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"), 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.* ("Guangzhou Yusei") and 蘇州友成機工有限公司 Suzhou Yusei Machinery Co., Ltd.* ("Suzhou Yusei") for the six months ended 30 June 2018 and 2017 was 15%.

On 9 December 2016, Guangzhou Yusei was approved by Science and Technology Department of Guangdong Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 9 December 2016.

On 17 September 2015, Hangzhou Yusei was approved by Science and Technology Department of Zhejiang Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 17 September 2015.

On 5 August 2014, Suzhou Yusei was approved by Science and Technology Department of Suzhou Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 1 January 2014. Suzhou Yusei has further obtained the renewal of its high technology qualification on 7 December 2017 and is entitled to the concession rate of 15% from 2017 to 2020.

The applicable PRC EIT rate of 浙江友成塑料模具有限公司 Zhejiang Yusei Plastics & Mould Co., Ltd.* ("Zhejiang Yusei"), 友成(中國)模具有限公司 Yusei (China) Mould Co., Ltd.* ("Yusei China"), 杭州友成模具技術研究有限公司 Hangzhou Yusei Mould Technology Research Co., Ltd.* ("Hangzhou Yusei Moulding"), 蕪湖友成塑料模具有限公司 Wuhu Yusei Plastic Moulding Co., Ltd.* ("Wuhu Yusei"), 湖北友成塑料模具有限公司 Hubei Yusei Plastic Moulding Co., Ltd.* ("Hubei Yusei"), 友成機工(天津)有限公司 Yusei Machinery (Tianjin) Co., Ltd.* ("Tianjin Yusei") and 杭州友成科技有限公司 Hangzhou Yusei Technology Limited* ("Yusei Technology") is 25% for the six months ended 30 June 2018 and 2017.

* The English names are for identification purposes only

6. EARNINGS PER SHARE

The earnings per share for the six months ended 30 June 2018 is calculated based on the profit attributable to equity holders of the Company of approximately RMB39,599,000 (2017: RMB38,252,000) for six months ended 30 June 2017 and on the weighted average number of ordinary shares of 404,800,000 shares in issue in 2018 (2017: 404,800,000 shares).

Diluted earnings per share is same as basic earnings per share for the six months ended 30 June 2018 and 2017 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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
1 – 30 days	192,230	228,467
31 – 60 days	67,589	80,885
61 – 90 days	44,147	53,308
91 – 180 days	26,195	34,240
Over 180 days	5,148	5,773
Trade debtors and bills receivable	335,309	402,673
Other debtors, deposits and prepayments	22,059	36,792
	<u>357,368</u>	<u>439,465</u>

8. CREDITORS AND ACCRUED CHARGES

The aging analysis of trade creditors is as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
1 – 30 days	100,187	128,065
31 – 60 days	65,742	81,008
61 – 90 days	28,736	38,372
91 – 180 days	19,956	25,726
181 – 365 days	2,312	2,218
Over 365 days	2,865	8,402
Trade creditors and bills payable	219,798	283,791
Other creditors and accrued charges	107,152	122,539
	326,950	406,330

9. BONUS ISSUE OF SHARES

As set out in the Company's circular dated 24 May 2018, the Directors proposes a bonus issue of shares on the basis of one bonus share for every five existing shares held by Shareholders whose names appear on the register of members of the Company on 29 June 2018. The relevant resolution was approved by the shareholders in the annual general meeting of the Company held on 23 June 2018. The share certificates for the bonus shares were dispatched to Shareholders on or around 9 July 2018.

10. APPROVAL OF FINANCIAL STATEMENTS

These Condensed Consolidated financial statements were approved and authorized for issue by the board of directors on 31 August 2018.