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YUSEI HOLDINGS LIMITED

友成控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 96)

**ANNOUNCEMENT OF AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors of Yusei Holdings Limited (the “Company”) announces the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023, which had been reviewed by the audit committee of the Company, together with the comparative figures for the corresponding period of last year, as follows:

Consolidated statement of profit or loss

For the year ended 31 December 2023

	<u>NOTES</u>	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Revenue	3	1,942,475	1,765,736
Cost of sales		<u>(1,702,632)</u>	<u>(1,562,695)</u>
Gross profit		239,843	203,041
Other income and gain	4	59,789	38,782
Net foreign exchange gain (loss)		1,453	(113)
Distribution costs		(113,557)	(106,317)
Administrative expenses		(73,098)	(62,869)
Finance costs	5	(36,849)	(24,072)
Share of profits of associates		<u>7,372</u>	<u>7,109</u>
Profit before tax		84,953	55,561
Income tax (expense) credit	6	<u>(3,871)</u>	<u>704</u>
Profit for the year	7	<u>81,082</u>	<u>56,265</u>

* For identification purpose only

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	<u>NOTE</u>	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Profit for the year		81,082	56,265
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operation		<u>(553)</u>	<u>(4,578)</u>
Total comprehensive income for the year		<u>80,529</u>	<u>51,687</u>
Profit for the year attributable to:			
Owners of the Company		79,096	55,355
Non-controlling interests		<u>1,986</u>	<u>910</u>
		<u>81,082</u>	<u>56,265</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		78,543	50,777
Non-controlling interests		<u>1,986</u>	<u>910</u>
		<u>80,529</u>	<u>51,687</u>
		RMB	RMB
Earnings per share			
Basic and diluted	9	<u>0.124</u>	<u>0.087</u>

Consolidated statement of financial position
As at 31 December 2023

	<u>NOTES</u>	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Non-current assets			
Property, plant and equipment		942,062	771,595
Right-of-use assets		180,582	113,798
Intangible assets		11,863	13,576
Goodwill		5,385	5,385
Deposit for acquisition of property, plant and equipment		8,430	-
Deposit for acquisition of right-of-use assets		-	7,400
Deferred tax assets		6,124	4,129
Interests in associates		50,575	46,203
		<u>1,205,021</u>	<u>962,086</u>
Current assets			
Inventories		458,366	534,360
Trade and bills receivables, deposits and prepayments	10	829,025	764,766
Amount due from ultimate holding company		-	1,241
Amounts due from associates		3,926	838
Pledged bank deposits		29,203	-
Bank balances and cash		58,238	58,706
		<u>1,378,758</u>	<u>1,359,911</u>
Current liabilities			
Trade and other payables	11	972,434	835,426
Amount due to an associate		1,377	1,168
Income tax liabilities		15,771	8,611
Bank and other loans - due within one year		484,994	500,232
		<u>1,474,576</u>	<u>1,345,437</u>
Net current (liabilities) assets		<u>(95,818)</u>	<u>14,474</u>
Total assets less current liabilities		<u>1,109,203</u>	<u>976,560</u>
Non-current liabilities			
Deferred income		5,858	6,008
Bank and other loans – due after one year		206,823	146,439
		<u>212,681</u>	<u>152,447</u>
		<u>896,522</u>	<u>824,113</u>
Capital and reserves			
Share capital		5,801	5,801
Reserves		881,265	810,842
		<u>887,066</u>	<u>816,643</u>
Non-controlling interests		9,456	7,470
		<u>896,522</u>	<u>824,113</u>

Notes:

1. CORPORATE INFORMATION AND 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. Its ultimate and immediate holding company is Conpri Limited (incorporated in Japan). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are moulding fabrication, manufacturing and trading of moulds and plastic components.

The consolidated financial statements are presented in Renminbi (“RMB”). Other than those subsidiaries established in the People’s Republic of China (the “PRC”), Mexico and Serbia whose functional currency is RMB, Mexico Pesos and Serbia Dinars respectively, the functional currency of the Company is Hong Kong dollars (“HK\$”). The Group adopted RMB as its presentation currency as the directors of the Company consider that the major operations are in the PRC and it is appropriate to present the consolidated financial statements in RMB.

As at 31 December 2023, the Group’s recorded current liabilities exceeded its current assets by approximately RMB95,818,000. The directors of the Company are of the opinion that the Group will have adequate funds to finance its future financing requirements and working capital based on the following considerations:

- (a) The Group is expected to be profitable and hence continue to generate operation cash inflows from its future business operations;
- (b) The Group has unutilised bank facilities of approximately RMB352,426,000; and
- (c) The Group has maintained long-term strong business relationship with its major banks to get their continuing support and is actively discussing with these banks for renewal of short-term bank loans or banking facilities, and the directors of the Company are of the opinion that renewal banking facilities is likely to be obtained during the year ending 31 December 2024.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 31 December 2023. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17 and related amendments	Insurance Contracts

The application of the new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold, less discount and value-added tax during the year.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) (i.e. the chief executive) in order to allocate resources to segments and to assess their performance.

The Group’s operating activities are attributable to a single operating segment focusing on the moulding fabrication, manufacturing and trading of moulds and plastic components. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the CODM. The CODM monitors the revenue from moulding fabrication, manufacturing and trading of moulds and plastic components for the purpose of making decisions about resources allocation and performance assessment. However, no revenue analysis, operating results and other discrete financial information are available for the resource allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

3. REVENUE AND SEGMENT INFORMATION (Continued)

The Group derives and recognises all of its revenue from the delivery of goods at a point in time in the following major product types.

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Plastic components	1,657,513	1,494,470
Moulds	<u>284,962</u>	<u>271,266</u>
	<u>1,942,475</u>	<u>1,765,736</u>

Geographical information

During the years ended 31 December 2023 and 2022, the Group's major operations were located in the PRC.

During the year ended 31 December 2023, 98.23% (2022: 99.89%) of the Group's revenue from external customers was generated in the PRC while as at 31 December 2023, 85% (2022: 92%) of the Group's non-current assets was located in the PRC, remaining 5% and 10% (2022: 4% and 4%) of the Group's non-current assets was located in Serbia and Mexico, respectively.

4. OTHER INCOME AND GAIN

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Sales of raw and scrap materials	160,139	150,685
Cost of raw and scrap materials	<u>(147,559)</u>	<u>(136,707)</u>
Gain on sales of raw and scrap materials	<u>12,580</u>	<u>13,978</u>
Quality inspection income	205	227
Bank interest income	174	73
Management services income	154	183
Gain on disposal of property, plant and equipment	1,606	112
Government subsidies (Note)	43,472	23,516
Release of government grants for land	235	224
Processing fee income	-	62
Reversal of impairment loss on trade receivables	1,073	-
Others	<u>290</u>	<u>407</u>
	<u>59,789</u>	<u>38,782</u>

Note: During the year ended 31 December 2023, government subsidies of approximately RMB43,472,000 (2022: RMB23,516,000) have been recognised which were designated for the encouragement of business development and high technology development incentive. All conditions in respect of these subsidies had been fulfilled and such government subsidies were recognised in profit or loss and included in other income for the year.

5. FINANCE COSTS

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Interest on:		
Bank and other loans	<u>36,849</u>	<u>24,072</u>

6. INCOME TAX EXPENSE (CREDIT)

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Current income tax:		
PRC Enterprise Income Tax (the "EIT")	6,075	1,403
Over - provision in prior years	<u>(209)</u>	<u>(109)</u>
Deferred tax	<u>5,866</u> <u>(1,995)</u>	<u>1,294</u> <u>(1,998)</u>
	<u>3,871</u>	<u>(704)</u>

(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 Company did not have any assessable profits subject to Hong Kong Profits Tax for both years and the Company's subsidiaries' income neither arises in, nor is derived from, Hong Kong during both years.

6. INCOME TAX EXPENSE (CREDIT) (Continued)

(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, 廣州友成機工有限公司 Guangzhou Yusei Machinery Co., Ltd.* (“Guangzhou Yusei”), 杭州友成機工有限公司 Hangzhou Yusei Machinery Co., Ltd.* (“Hangzhou Yusei”), 湖北友成塑料模具有限公司 Hubei Yusei Plastics & Mould Co., Ltd.* (“Hubei Yusei”), 友成(中國) 模具有限公司 Yusei China Moulding Co., Ltd.* (“Yusei China”), and 杭州友成模具技術研究有限公司 Hangzhou Yusei Moulding Technology Co., Ltd.* (“Yusei Technology”) for the year ended 31 December 2023 was 15% (2022: 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. Guangzhou Yusei has further obtained the renewal of its high technology qualification on 2 December 2019 and 2 December 2022 and is entitled to the concession rate of 15% from 2019 to 2022 and 2022 to 2025 respectively.

On 30 November 2018, 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 30 November 2018. Hangzhou Yusei has further obtained the renewal of its high technology qualification on 16 December 2021 and is entitled to the concession rate of 15% from 2021 to 2024.

On 15 November 2021, Hubei Yusei was approved by Science and Technology Department of Hubei Province as high technology enterprise and therefore is subject to EIT at a concession rate of 15% for three years, with effective from 15 November 2021.

On 16 December 2021, Yusei China and Yusei Technology were 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 16 December 2021.

* The English names are for identification purposes only.

7. PROFIT FOR THE YEAR

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and the chief executive's remuneration	<u>3,055</u>	<u>3,035</u>
Salaries, wages and other benefits	233,825	257,043
Retirement benefits scheme contributions	<u>20,643</u>	<u>19,849</u>
Other staff costs	<u>254,468</u>	<u>276,892</u>
Total staff costs	<u>257,523</u>	<u>279,927</u>
Depreciation of property, plant and equipment	141,360	121,427
Depreciation of right-of-use assets	3,452	2,543
Amortisation of intangible assets (included in administrative expenses)	<u>3,967</u>	<u>3,475</u>
Total depreciation and amortisation expenses	<u>148,779</u>	<u>127,445</u>
Auditor's remuneration	900	900
Impairment loss on trade receivables	-	5,084
Allowance for inventories (included in cost of sales)	2,269	3,631
Reversal of allowance for inventories (included in cost of sales)	-	(566)
Research and development costs recognised as an expense	88,201	81,372
Cost of inventories recognised as an expense	<u>1,700,363</u>	<u>1,559,630</u>

8. DIVIDENDS

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Dividends recognised as distribution during the year:		
2022 Final – RMB1.30 cents (2021 Final – RMB1.30 cents) per share	<u>8,120</u>	<u>8,260</u>

Subsequent to the end of the reporting period, a final dividend of RMB1.30 cents per share in respect of the year ended 31 December 2023 per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>79,096</u>	<u>55,355</u>
<u>Number of shares</u>		
	<u>2023</u> '000	<u>2022</u> '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>636,550</u>	<u>636,550</u>

Diluted earnings per share is same as basic earnings per share for the years ended 31 December 2023 and 2022 as there is no potential ordinary shares outstanding.

10. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Trade receivables	656,910	602,570
Less: impairment loss recognised	<u>(10,504)</u>	<u>(11,577)</u>
Bills receivables	646,406	590,993
Advance to suppliers	58,329	59,805
Prepayments	47,581	47,006
Tax recoverable	24,622	27,238
Other receivables and deposits	31,354	18,128
	<u>20,733</u>	<u>21,596</u>
	<u>829,025</u>	<u>764,766</u>

Note:

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 be extended to the range from 90 days to 270 days. The Group does not hold any collateral over these balances.

The Group has a policy of providing allowance for impairment loss which is based on the evaluation of collectability and age of accounts and on management's judgement including credit worthiness and past collection history of each customer.

10. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The ageing analysis of trade receivables, net of impairment loss recognised presented based on the invoice date, which is approximated to revenue recognition date is as follows:

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Within 30 days	234,903	206,502
31 to 60 days	211,353	145,536
61 to 90 days	103,868	153,901
91 to 180 days	66,753	68,171
181 to 365 days	11,759	7,451
Over 365 days	17,770	9,432
	<hr/>	<hr/>
Trade receivables	646,406	590,993
	<hr/>	<hr/>

11. TRADE AND OTHER PAYABLES

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Trade payables and bills payables	675,085	585,615
Value added tax payables	7,236	8,146
Contract liabilities	84,097	72,983
Payables on property, plant and equipment	58,612	35,380
Interest payables	3,986	4,613
Other payables	60,039	50,114
Accrued staff costs	53,459	50,668
Accrued charges	29,920	27,907
	<hr/>	<hr/>
	972,434	835,426
	<hr/>	<hr/>

The ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Within 30 days	383,248	270,050
31 to 60 days	131,557	118,842
61 to 90 days	43,729	93,304
91 to 180 days	102,067	62,747
181 to 365 days	7,404	35,455
Over 365 days	7,080	5,217
	<hr/>	<hr/>
	675,085	585,615
	<hr/>	<hr/>

The average credit period on purchase of goods is 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year ended 31 December 2023, the Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the Peoples' Republic of China (the "PRC"). The Group also provides services for certain assembling and further processing of plastic components for its customers. The Group's customers are mainly the manufacturers of branded auto parts and components, office equipment and plastic components in the PRC.

During the year ended 31 December 2023, the Group has been benefited from the steady growth in revenue due to customers' increased orders. As a result, the Group's revenue and its profit attributable to shareholders of the Company for the year ended 31 December 2023 was approximately RMB1,942,475,000 and RMB79,096,000, respectively.

For the year ended 31 December 2023, the Group incurred research and development expenses of approximately RMB88,201,000 (2022: RMB81,372,000). The Group will continue 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 considers constructing production plants near to the main customers for providing fast and efficient services to the main customers. The Group had set up wholly-owned subsidiaries in Mexico and Serbia and are installing the production lines for production and sales of production and sales of the moulding and of auto parts and components in American and European markets. 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 year, Yusei Mexico and Yusei Serbia (both are the Group's overseas subsidiaries) commenced the production and it acts as the production bases serving for customers located in Europe and America respectively.

Financial review

Revenue

The Group's revenue for the year ended 31 December 2023 increased by 10.0% to approximately RMB1,942,475,000 as compared to that of approximately RMB1,765,736,000 for the year ended 31 December 2022 which was mainly benefited from the steady growth in the demand on the Group's products during the year.

Gross profit

The Group achieved a gross profit of approximately RMB239,843,000 for the year ended 31 December 2023, representing an increase of approximately 18.1% as compared to that of approximately RMB203,041,000 for the year ended 31 December 2022.

Increase in gross profit was mainly due to increase in revenue and increase in average gross profit margin during the year.

The Group's average gross profit margin was increased to approximately 12.3% for the year ended 31 December 2023 from approximately 11.5% for the year ended 31 December 2022. Such increase was mainly due to the Group's effective control over labour costs leading to lowering the average unit costs of products.

Distribution costs

Distribution costs for the year ended 31 December 2023 increased by approximately 6.8% to approximately RMB113,557,000 as compared to that of approximately RMB106,317,000 for the year ended 31 December 2022. The distribution costs were increased in line with increase in revenue.

Net foreign exchange gain/loss

Net foreign exchange gain/loss mainly represented the gain/loss arising from foreign currency translation of sales and purchases denominated in Japanese Yen ("JPY"), Euro Dollars and United State dollars ("US\$") into RMB.

Administrative expenses

Administrative expenses for the year ended 31 December 2023 increased approximately by 16.3% to RMB73,098,000 as compared to that of approximately RMB62,869,000 for the year ended 31 December 2022. Such increase was mainly attributable to increase in research and development costs of approximately RMB6,829,000 and inclusion of administrative expenses of Yusei Mexico and Serbia for the year.

Finance costs

Finance costs for the year ended 31 December 2023 increased approximately by 53.1% to RMB36,849,000 as compared to that of approximately RMB24,072,000 for the year ended 31 December 2022 due to increase in bank loans for business expansion purposes and increase in borrowing interest rate.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 42.9% from approximately RMB55,355,000 for the year ended 31 December 2022 to approximately RMB79,096,000 for the year ended 31 December 2023.

Financial resources and liquidity

As at 31 December 2023, the equity amounted to approximately RMB896,522,000 (2022: RMB824,113,000). Current assets amounted to approximately RMB1,378,758,000 (2022: RMB1,359,911,000), of which bank balances and cash totaling approximately RMB58,238,000 (2022: RMB58,706,000), pledged bank deposits of approximately RMB29,203,000 (2022: nil), inventories of approximately RMB458,366,000 (2022: RMB534,360,000) and trade and bill receivables, deposit and prepayments of approximately RMB829,025,000 (2022: RMB764,766,000). The Group had non-current assets of approximately RMB1,205,021,000 (2022: RMB962,086,000) and its current liabilities amounted to approximately RMB1,474,576,000 (2022: RMB1,345,437,000), comprising mainly its creditors and accrued charges, and bank and other borrowings. Non-current liabilities amounted to approximately RMB212,681,000 (2022: RMB152,447,000). The net asset value per share was RMB1.41 (2022: RMB1.30). The Group expresses its gearing ratio as a percentage of lease liabilities and borrowings over total assets. As at 31 December 2023, the Group had a gearing ratio of 26.8% (2022: 27.8%).

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, Mexico and Serbia and the Group operated in a single operating segment. Segmental analysis has been presented in the relevant paragraph of this announcement accordingly.

Employment and remuneration policy

As at 31 December 2023, the total number of the Group's staff was approximately 3,186 (2022: 2,950). The total staff costs (including directors' remuneration) amounted to approximately RMB257,523,000 (2022: RMB279,927,000) for the year. 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, Mexico and Serbia.

Charge on group assets

As at 31 December 2023, the Group's bank loans are secured by right-of-use assets and property, plant and equipment of the Group with net carrying values of approximately RMB48,957,000 (2022: RMB50,289,000) and RMB125,662,000 (2022: RMB133,350,000), respectively.

As at 31 December 2023, the Group's other loans of approximately RMB65,302,000 (2022: RMB37,799,000) were secured under sales and leaseback agreements by the Group's property, plant and equipment with net carrying value of RMB99,059,000 (2022: RMB51,983,000). The remaining other loans of approximately RMB50,000,000 (2022: nil) were secured by the Group's interest in associates with carrying values of approximately RMB49,752,000 (2022: nil).

Foreign currency risk

The Group carries on business in RMB, 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 trade and bills receivables, deposits and other receivables; bank balances and cash; trade and other payables 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.

Material acquisitions and disposal

Save as those disclosed above, the Group did not make any significant investments or material acquisitions and disposals of subsidiaries during the year ended 31 December 2023.

Contingent liabilities

As at 31 December 2023, the Group did not have any significant contingent liabilities.

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; (iii) active participation in production process of the suppliers to ensure the product quality and the mutual communication to improve the suppliers' production efficiency; and (iv) the Group constructs the factories of automation with automation machineries based on our own needs. It enhances the production efficiency and reduces the labour costs. 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.

Meanwhile, the Group continues to strengthen intelligent construction in order to improve the operating efficiency of the enterprise. The Group introduced high-level software talents and self-developed ERP, MES and other information systems, with combination of upgrades and transformation on automation, to achieve digitalization and visualization of processes across product development, production process, inventory warehousing and delivery. It greatly improved production efficiency and ensured quality stability.

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.

In order to keep up with the development of auto industry and to further meet customer demand, the Group will continue to put resources, when appropriate, to develop the business of Yusei Mexico and Yusei Serbia. In response to the development pace of their customers, the Group will install additional production lines for production for moulding and of auto parts and components in American and European markets, when appropriate.

Principal risks and uncertainties

Below are principal risks and uncertainties that may have a material and adverse effect on the Group's business, financial conditions and results of operations and the Group's risk management measures:

1. The Group may not be able to maintain its historical growth rates or profit margins, and its results of operations may fluctuate.

Building on its existing client base, the Group will continue to seek new customers. In addition, the Group leverages on the expertise and experience of its senior management to deliver efficient operation and management, so as to reduce the risk of instability.

2. The Group's business depends on its ability to retain key personnel.

The Group maintains good relationship with its senior management and provides its staff with sufficient professional trainings. Staff remuneration and benefits are in line with the prevailing market rates and subject to regular review by the Group.

3. Labour shortages and increase in labour costs may have an adverse effect on the Group's business operations.

The Group will step up efforts to recruit appropriate employees through various channels. The Group is committed to cultivating employees with great potential to become more productive senior staff.

In addition, the Group's activities are exposed to a variety of financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. Details of the financial risks are set out in the Company's annual report.

PROPOSED DIVIDENDS

The Directors recommended the payment of a final dividend of RMB1.30 cents per share in respect of the year ended 31 December 2023.

Upon approval from the forthcoming annual general meeting to be held on 24 June 2024 (the "AGM"), the final dividends, which are payable to shareholders whose names appear on the register of members of the Company on 4 July 2024, will be paid on or about 31 July 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the AGM of the Company, the registers of members of the Company will be closed from 18 June 2024 to 24 June 2024 (both days inclusive) during which period no transfer of shares will be effected. In order for a shareholder to be eligible to attend and vote at the AGM, all instrument of transfer must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 17 June 2024.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividends, the register of members of the Company will be closed from 28 June 2024 to 4 July 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividends (subject to shareholders' approval at the AGM), all instrument of transfer must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 27 June 2024.

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 31 December 2023.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2023, 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 Rules 3.21 to 3.22 of 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 quarterly reports (if prepared) 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 considered and reviewed the Group's annual results for the year ended 31 December 2023, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 December 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Shinewing (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors. The work performed by Shinewing (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Shinewing (HK) CPA Limited on the preliminary announcement.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Conpri Limited ("Conpri") beneficially owns approximately 36.65% equity interest of the Company. In addition, Conpri is owned as to 40.0% by Mr. Masuda, as to 40.0% by Mr. Toshimitsu Masuda and as to 20.0% (non-voting) by a staff organization of Yusei Machinery Corporation ("Yusei Japan"), respectively.

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.

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

The Directors confirmed that, throughout the year, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of 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.

By order of the Board
Yusei Holdings Limited
Katsutoshi Masuda
Chairman

PRC, 28 March 2024

As at the date of this announcement, the executive directors are Mr. Manabu Shimabayashi and Mr. Xu Yong; the non-executive directors are Mr. Katsutoshi Masuda and Mr. Toshimitsu Masuda, the independent non-executive directors are Mr. Lo Ka Wai, Mr. Fan Xiaoping and Mr. Hisaki Takabayashi.