



2023 ANNUAL REPORT



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

CONTENTS

	<i>PAGE(S)</i>
CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3-7
REPORT OF THE DIRECTORS	8-16
CORPORATE GOVERNANCE REPORT	17-23
BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT	24-25
INDEPENDENT AUDITOR'S REPORT	26-31
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	32
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	33
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	34-35
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	36
CONSOLIDATED STATEMENT OF CASH FLOWS	37-38
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	39-108



CORPORATE INFORMATION

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Henggentou Village, Guali Town
Xiaoshan District, Hangzhou City,
Zhejiang Province,
The PRC

BUSINESS ADDRESS IN HONG KONG

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3 Hoi Shing Road
Tsuen Wan
N.T. Hong Kong

COMPANY SECRETARY

Mr. Shum Shing Kei CPA

COMPLIANCE OFFICER

Mr. Xu Yong

AUDIT COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Hisaki Takabayashi

REMUNERATION COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Hisaki Takabayashi

NOMINATION COMMITTEE

Mr. Lo Ka Wai
Mr. Fan Xiaoping
Mr. Hisaki Takabayashi

AUTHORISED REPRESENTATIVES

Mr. Xu Yong
Mr. Shum Shing Kei

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wan Chai
Hong Kong

STOCK CODE

96

AUDITOR

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS

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54 Chenghe Street
Xiaoshan
Hangzhou
Zhejiang 311201
The PRC

Agricultural Bank of China
Jianshe Road
Xiaoshan Economy & Technology Development Zone
Zhejiang
311215
The PRC

Shanghai Pudong Development Bank
55 Tiyu Road
Chengxiang Town, Xiaoshan
Zhejiang
311215
The PRC

The Bank of Tokyo-Mitsubishi, UF J Ltd
20/F, AZIA Center
1233 Lujiazui Ring Road
Pudong Shanghai
People's Republic of China

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, development and fabrication of plastic injection moulds and the manufacture of plastic components in the People's Republic of China (the "PRC"), Mexico and Serbia. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

The business review of the Group during the year, the description of the future business development, and the risks and uncertainties that the Group faces are set out in the Management Discussion and Analysis in this report. The particulars of financial risk management of the Group are set out in note 30(b) to the consolidated financial statements. A discussion and analysis of the Group's performance during the year is provided in the Management Discussion and Analysis in this report.

RESULTS AND DIVIDENDS

The profit for the year ended 31 December 2023 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 32 to 108.

The Directors recommended the payment of a final dividend of RMB1.30 cents per share in respect of the year ended 31 December 2023 subject to the approval from the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out as follows:

RESULTS

	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,942,475	1,765,736	1,462,235	1,317,660	1,301,618
Cost of sales	(1,702,632)	(1,562,695)	(1,296,055)	(1,155,876)	(1,165,687)
Gross profit	239,843	203,041	166,180	161,784	135,931
Other income and gain	59,789	38,782	29,785	21,846	25,625
Net foreign exchange gain (loss)	1,453	(113)	95	(1,547)	(534)
Distribution costs	(113,557)	(106,317)	(70,796)	(55,665)	(56,222)
Administrative expenses	(73,098)	(62,869)	(55,412)	(57,267)	(47,440)
Finance costs	(36,849)	(24,072)	(17,657)	(13,638)	(14,555)
Share of profits of associates	7,372	7,109	1,603	1,234	1,733
Profit before tax	84,953	55,561	53,798	56,747	44,538
Income tax (expense)/credit	(3,871)	704	(1,915)	(3,972)	(8,961)
Profit for the year	81,082	56,265	51,883	52,775	35,577
ASSETS AND LIABILITIES					
Total assets	2,583,779	2,321,997	1,817,212	1,603,153	1,497,511
Total liabilities	(1,687,257)	(1,497,884)	(1,036,526)	(868,131)	(799,745)
	896,522	824,113	780,686	735,022	697,766

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 28 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity and note 29 to the consolidated financial statements, respectively.

The reserve available for distribution to shareholders is based on the lower of the aggregate amount of profit after taxation for the year and retained profits brought forward determined under accounting standards in the PRC and that determined under general accepted accounting principles of Hong Kong after deduction of the current year's appropriations to the statutory surplus reserve and statutory public welfare fund.

RELATIONSHIP OF STAKEHOLDERS

To the best knowledge of the Group, employees, customers and business partners are the key to have continuous sustainable development. We commit to be people oriented and build up good relationship with employees, and work together with our business partners to provide high quality products and services to achieve the goal of sustainable development and contribution to the society.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility.

COMPLIANCE WITH RELATED LAW AND REGULATIONS

As far as the Board and management are aware, the Group has complied all related laws and regulations in all material aspects which may have significant impact on the operation of the Group.

REMUNERATION POLICY

As at 31 December 2023, the total number of the Group's staff was approximately 3,186. The total staff costs (including directors' remuneration) amounted to approximately RMB233,825,000 for the year. The Group remunerates its employees (including directors and senior management) 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.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 43% of the total sales for the year and sales to the largest customer included therein amounted to 15%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Xu Yong

Mr. Manabu Shimabayashi

Non-executive directors:

Mr. Katsutoshi Masuda

Mr. Toshimitsu Masuda

Mr. Lo Ka Wai*

Mr. Fan Xiaoping*

Mr. Hisaki Takabayashi*

* *Independent non-executive directors*

In accordance with articles 87 and 88 of the Company's articles of association, Messrs Katsutoshi Masuda, Manabu Shimabayashi and Hisaki Takabayashi will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs Lo Ka Wai, Fan Xiaoping and Hisaki Takabayashi and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 24 to 25 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with the executive directors for a term of 3 years. The contracts shall be continuing thereafter unless and until terminated by either party thereto giving to the other not less than three months written notice.

In addition, the Company has entered into letter of appointment with non-executive directors and independent non-executive directors which shall be continuing unless and until terminated by either party thereto giving to the other not less than three months written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

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

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)	-	-	233,316,864 shares	233,316,864 shares	-	36.65%
Company	Toshimitsu Masuda (Note 2)	-	-	233,316,864 shares	233,316,864 shares	-	36.65%
Company	Xu Yong	90,086,400 shares	-	-	90,086,400 shares	-	14.15%
Company	Manabu Shimabayashi	1,900,800 shares	-	-	1,900,800 shares	-	0.30%
Company	Fan Xiaoping	57,024 shares	-	-	57,024 shares	-	0.01%
Conpri Limited ("Conpri")	Mr. Masuda (Note 1)	148,052 shares	-	-	148,052 shares	-	44.04%
Conpri	Toshimitsu Masuda (Note 2)	60,140 shares	-	-	60,140 shares	-	17.89%

REPORT OF THE DIRECTORS

Notes:

1. As at 31 December 2023, Conpri Limited (“Conpri”) beneficially owns 36.65% equity interest of the Company. 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, respectively.
2. Mr. Toshimitsu Masuda, (son of Mr. Masuda) is interested in 17.89% in the issued share capital of Conpri which in turn is interested in 36.65% in the issued share capital of the Company. By virtue of SFO, Mr. Toshimitsu Masuda is deemed to be interested in 233,316,864 Shares through his shareholding in Conpri.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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 5% 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	Conpri	Beneficial Owner	233,316,864 shares	–	36.65%
Company	Superview International Investment Limited (Note 1)	Beneficial Owner	110,880,000 shares	–	17.42%
Company	Ding Hong Guang	Beneficial Owner	60,104,640 shares	–	9.44%

Note:

1. 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.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, each Director or other officers of the Company shall be indemnified out of the assets and profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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 and providing advice and comments thereon to the Board; and (ii) to review and supervise the Company's financial reporting and internal control procedures. Mr. Lo Ka Wai is the chairman of the audit committee.

The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023, which was of an opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN A COMPLETING 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;

REPORT OF THE DIRECTORS

- (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.

AUDITOR

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Katsutoshi Masuda

Chairman

PRC

28 March 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

It is our long standing belief that a high standard of corporate governance is the key to the Group's stable and effective operation and is in the interests of the Group and its shareholders in long term. Throughout the year ended 31 December 2023, 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 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.

DIRECTORS' SECURITIES TRANSACTIONS

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.

BOARD OF DIRECTORS

The Directors, with relevant and sufficient experience and qualification have exercised due care, fiduciary duties to the significant issues of the Company and its subsidiaries (the "Group"). The Board of the Company is comprised of two executive directors, two non-executive directors and three independent non-executive directors. All independent non-executive directors complied with the guidelines on independence set out under Rule 3.13 of the Listing Rules and have not violated any provision thereunder throughout the year. The list of directors and their biographies are set out in pages 24 to 25.

Interim and final board meetings of the Board are held on a regular basis. The Board is responsible for formulating and reviewing the business direction and strategy for the relevant auditing period and for supervising the operating and financial performance of the Group. Where necessary, the Board will also convene ad hoc meeting to discuss matters requiring a decision by the Board. The management is authorized to exercise discretion on daily operation matters.

The Articles of the Company clearly stipulate that the general manager of the Company is responsible for implementing various strategies and overseeing the daily operations of the Company and is required to report to the Board on a regular basis. The Board will formulate the development strategies of the Company within its scope of authorization. The management is authorized and entrusted by the Board to implement the strategies and oversee the daily operations of the Group.

During the year, the Board held 4 meetings. Pursuant to the Articles of the Company, "meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities".

CORPORATE GOVERNANCE REPORT

Regular meetings of the Board of the Company were held during the Year. Extra meetings were also held to cater for important matters arising from time to time. Directors may attend such meetings in person or through other electronic means of communication. Notice of 14 days was given to each director prior to a board meeting.

The company secretary assisted the chairman of the Board in preparing the meeting agenda. The directors are allowed to submit proposed agenda items to the secretary to the Board before the date appointed for the relevant meeting.

Minutes of board meetings and meetings of committees are duly kept by the secretary to the Board and freely available for inspection by the directors. Such meeting minutes recorded opinions and suggestions raised by the directors in the meeting. The final versions of such minutes were sent to directors for signing and confirmation.

Transactions in which directors are deemed to be involved in conflict of interests or deemed to be materially interested in will not be dealt with by written resolution. The relevant director will be allowed to attend the meeting but may not express any opinion and will be required to abstain from voting.

During the year, the chairman annually holds a meeting with the independent non-executive directors without the presence of other directors.

The directors may seek independent professional advice on professional matters involved at the expense of the Company.

Mr. Toshimitsu Masuda is the son of Mr. Katsutoshi Masuda.

Name of directors	Attendance in meetings of the Board in 2023	Attendance in annual general meeting in 2023
Katsutoshi Masuda (Chairman and Non-Executive Director)	4/4	1/1
Xu Yong (Executive Director)	4/4	1/1
Shimabayashi Manabu (Executive Director)	4/4	1/1
Toshimitsu Masuda (Non-Executive Director)	4/4	1/1
Lo Ka Wai (Independent Non-Executive Director)	4/4	1/1
Fan Xiaoping (Independent Non-Executive Director)	4/4	1/1
Hisaki Takabayashi (Independent Non-Executive Director)	4/4	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of chairman and general manager were served by different individuals. The chairman is responsible for overseeing operations of the Board and formulating the strategies and policies of the Company, while the general manager for managing the businesses of the Company.

Mr. Katsutoshi Masuda served as the chairman of the Board of the Company, which is equivalent to the post of chairman, responsible for leading the Board and the procedures and operation of the Board.

Mr. Xu Yong served as the general manager of the Company, which is equivalent to the post of chief executive officer, responsible for the daily operations of the Company and other matters authorized by the Board.

CORPORATE GOVERNANCE REPORT

RETIREMENT OF DIRECTORS BY ROTATION AND RE-ELECTION

Each of Directors has entered into a service contract or a letter of appointment with the Company for a term of three years which shall be continuing unless and until terminated by either party thereto giving to the other not less than three months written notice.

Pursuant to the Articles of the Company, one-third of the directors shall retire from office by rotation and, being eligible, will offer themselves for re-election at the annual general meeting.

If an Independent Non-executive Director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected.

INDEMNITIES OF DIRECTORS AND CHIEF EXECUTIVES

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 businesses 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 over 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 Executives.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

During the year, the Directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

REMUNERATION COMMITTEE

The Company has established Remuneration Committee comprising all independent non-executive directors.

The Remuneration Committee is responsible for reviewing the remuneration policies for directors and senior management of the Company, and fixing the remuneration packages for directors and senior management, including benefits in kind, pension and compensation. The terms of reference of the Remuneration Committee was published on the Group's website.

The Remuneration Committee has held one meeting during the year with all members of the Committee attended.

During the year under review, the Remuneration Committee has assessed performance of the executive Directors and reviewed and determined their remuneration packages. The remuneration of Directors comprises basic salary, pensions and discretionary bonus. The Remuneration Committee has also reviewed the remuneration of existing non-executive Directors. Details of the amount of emoluments of Directors for the year ended 31 December 2023 are set out in Note 11 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company has set up nomination committee comprising all independent non-executive directors. The Nomination Committee is responsible for the recommendation, election and appointment of Directors of the Company. The criteria for nomination of directors for re-election include the past performance of the respective directors and the suitability of the nominee as a director of a listed company. The term of reference of Nomination Committee was published on the Group's website.

The Nomination Committee has held one meeting during the year with all members of the Committee attended.

During the year, the work performed by the Nomination Committee included: (1) the recommendation of the retiring directors for re-election at the annual general meeting; (2) the review of composition of the Board; and (3) the assessment of independence of the independent Non-executive Directors.

The Board had adopted the Board Diversity Policy which sets the approach to achieve and maintain diversity of the Board to enhance quality of its performance. The Policy aims to achieve diversity through the consideration of number of factors including but not limited to skills, regional and industry experience, background, age, race, gender and other qualities. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments are based on merit, in the content of the talents, skills and experience, and taking into account diversity.

With regard to the implementation of the Board diversity policy, the following measurable objectives are adopted: (1) Independent Directors shall represent one third or more of the total number of Directors of the Board; (2) At least one independent Director is an accounting professional; and (3) At least half of the Board members shall have over seven years of experience in their respective industries. During the year ended 31 December 2023, the Board achieved the measurable objectives of the Board diversity policy.

The Nomination Committee will report annually on the composition of the Board under diversified perspective, and monitor the implementation of this policy to ensure its effectiveness. It will discuss any revisions that may be required and recommend such revisions to the Board for consideration and approval.

Currently, the Board consists of male directors only. According to Rule 13.92 of the Main Board Listing Rules, in order to comply with board diversity requirements, the listed company with single-gender Board must appoint at least one director of a different gender to the Board by 31 December 2024. The Company is still seeking appropriate female director(s) to serve on the Board to comply with Listing Rule requirements.

AUDITORS' REMUNERATION

SHINEWING (HK) CPA Limited ("SHINEWING") were appointed as the auditor of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 16 June 2023. Auditing fees in respect of annual audit and non-audit services for the year ended 31 December 2023 amounted to RMB900,000 and RMB6,000, respectively.

The consolidated financial statements for the years ended 31 December 2008-2023 were audited by SHINEWING.

AUDIT COMMITTEE

The Company has established an Audit Committee comprising all Independent Non-executive Directors, namely Messrs Lo Ka Wai (as chairman), Fan Xiaoping and Hisaki Takabayashi, with written terms of reference published on the Group's website. The primary duties of the Audit Committee are (1) to review, in draft form, the Company's annual report and accounts, and interim reports and providing advice and comments thereon to the Board; and (2) to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee held two meetings during the year with a 100% attendance by all the committee members to review the Group's 2022 annual results and 2023 interim results.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company adopted the Dividend Policy with effect from January 2019 whereby the Board is committed to maintaining an optimal capital structure. This is pursued to deliver returns to shareholders and ensure that adequate capital resources are available for business growth. Subject to business conditions, the Board aims to deliver a sustainable dividend that is in line with the earnings improvements and long-term growth of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. To develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
2. To review and monitor the training and continuous professional development of directors and senior management;
3. To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and
5. To review the Group's compliance with the Code and disclosure in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors acknowledge their responsibility to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders in a timely manner. The Directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance ("Companies Ordinance"), the Hong Kong Financial Reporting Standards ("HKFRSs") and all applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate HKFRSs which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable.

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of interim and annual results announcements reflects the Board's commitment to provide transparent and up-to-date disclosures of the results of the Group.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Group. The Audit Committee reviews and monitors the integrity of the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements.

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditors' Report attached to the Company's 2023 Annual Report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Company Secretary: Mr. Shum Shing Kei (fellow member of the Hong Kong Institute of Certified Public Accountants). During the year ended 31 December 2023, Mr. Shum has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the risk management and internal control system of the Group. The Board has developed its systems of risk management and internal controls and is also responsible for reviewing and maintaining an adequate risk management and internal control system to safeguard the interests of the shareholders and the assets of the Group. The executive directors and senior management of the Group have been granted corresponding authorizations to manage and monitor all operating systems of the entity and to handle the related affairs pursuant to the principles of trust and impartiality. The Audit Committee supervises the risk management and internal control system of the Group and reviews the internal audit report presented by the senior management, as well as reports any major issues and makes recommendations to the Board.

During the year under review and as of the date hereof, the Board considered that the prevailing risk management and internal control system of the Group is steady and is adequate to protect the interests of the shareholders, customers and employees as well as the assets of the Group. The Group has engaged sufficient employees in the accounting and finance functions, who have the resources, qualifications and experiences as well as the necessary training and budget.

SHAREHOLDER RIGHTS

GENERAL MEETING

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, their duly appointed delegates are available to answer questions at the shareholders' meetings. Auditor of the Company is also invited to attend the Company's AGM and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditor's Report. Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

Notice of AGM together with related papers are sent to the shareholders at least 20 clear business days before the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. All votes of shareholders at the general meeting will be decided by poll. The Chairman will demand that all resolutions put to the vote at the AGM will be taken by poll and will explain such rights and procedures during the AGM before voting on the resolutions. An independent scrutineer will be appointed to count the votes and the poll results will be posted on the websites of the Company and the Stock Exchange after the AGM.

Shareholders of the Company can make a requisition to convene an extraordinary general meeting ("EGM") pursuant to Article 58 of the Company's Articles of Association. The procedures for the shareholders to convene an EGM are as follows:

1. One or more shareholders ("Requisitionist") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the directors for the transaction of any business specified in such requisition.

CORPORATE GOVERNANCE REPORT

- Such requisition shall be made in writing to the directors or the company secretary of the Company at all of the following addresses:

Principal place of business of the Company in Hong Kong

Address: Unit D6B, 17/F., TML Tower, 3 Hoi Shing Road, Tsuen Wan, NT, Hong Kong

Email: zl-chen@yusei.cn

Attention: Company Secretary

Head office of the Company

Address: Lin Gang Industrial Zone, Henggengtou Village, Guali Town, Xiaoshan District, Hangzhou City, Zhejiang Province, the People's Republic of China

Attention: Company Secretary

Registered office of the Company

Address: Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

Attention: Company Secretary

- The EGM shall be held within two months after the deposit of such requisition.
- If the directors fail to proceed to convene such meeting within 21 days of such deposit, the Requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the Requisitionist as a result of the failure of the directors shall be reimbursed to the Requisitionist by the Company.

INVESTORS RELATIONS

The Board and senior management recognize their responsibility to represent the interests of all shareholders and to maximize shareholder's value and have made the following commitments to the Group:

- continuing effort to maintain long-term stability and growth in shareholder value and return on investment;
- responsible planning, establishment and operation of the Group's core businesses;
- responsible management of the Group's investment and business risks; and
- true, fair and detailed disclosure of the financial position and operating performance of the Group.

The Group believes that shareholders' rights should be well respected and protected. The Group endeavors to maintain good communications with shareholders on its performance through interim reports, annual reports, general meetings and public disclosure on the Company's website, so that they may make an informed assessment of their investments and exercise their rights as shareholders. The Group also encourages shareholders' participation through general meetings or other means.

For the purpose of promoting the mutual communication between the Group, its shareholders and potential investors on a regular basis, the Group has set up an investor relations office to respond to the questions and enquiries from shareholders and the general public. For any enquiries, investors may write directly to the Group at its place of business in the PRC. They may also call us directly by phone.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Katsutoshi MASUDA (増田勝年先生), aged 79, is the chairman and a non-executive Director of the Company. Mr. Masuda was appointed as the chairman of the Company on 2 June 2005 and as a Director on 21 April 2005. Mr. Masuda has over 35 years of experience in mould fabrication and manufacturing. Mr. Masuda founded Yusei Machinery Corporation (“Yusei Japan”) and Conpri Limited (“Conpri”), the Company’s ultimate holding company, and is currently also a director and shareholder of Yusei Japan and Conpri. Mr. Masuda is one of the founders of the Group in April 1992 and is responsible for the major strategy of the Group.

Mr. XU Yong (許勇先生), aged 61, is an executive Director and the general manager of Yusei. Mr. Xu was appointed as a Director of the Company on 21 April 2005. Mr. Xu has over 10 years of experience in mould fabrication. Mr. Xu completed an industrial business administration course in 浙江廣播電視大學 (Zhejiang Broadcasting & Television University) in August 1986 and completed a Japanese language course in 杭州大學外語學院 (Department of Foreign Language of University of Hangzhou) and 浙江省科學技術培訓中心 (Science and Technology Training Centre of Zhejiang Province) in February 1993 and November 1993 respectively. In November 1994, Mr. Xu completed a production management and mechanical engineering internship program in Toneseiki Company Limited (日本利根精機株式會社). Mr. Xu was graduated from the Central Party School of the Communist Party of China in 2008 and obtained the law degree. Mr. Xu joined Zhejiang Yusei as its deputy general manager in June 1995. Currently, Mr. Xu is responsible for the general management of the Group and the supervision of the overall production operation.

Mr. Manabu SHIMABAYASHI (島林學步先生), aged 50, is an executive director and deputy general manager of Yusei. Mr. Shimabayashi will be appointed as an executive Director of the Company with effect from the date on which the listing of the Shares is transferred from GEM to Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). He graduated from Seijo University (成城大學) with a bachelor degree in economics in 1996. He was employed by an accountants’ firm in Shizuoka, Japan from 1996 to 2007. Mr. Shimabayashi joined the Group in 2007 as head of management department of Zhejiang Yusei.

Mr. Toshimitsu MASUDA (増田敏光先生), aged 55, son of Mr. Katsutoshi Masuda, was appointed as a non-executive Director on 2 June 2005. Mr. Toshimitsu Masuda graduated from Kogakuin University and obtained Bachelor Degree in engineering in March 1991. Mr. Toshimitsu Masuda joined Yusei Japan in 1997 as a director and is a shareholder of Yusei Japan. He is also a director and shareholder of Conpri. Mr. Toshimitsu Masuda joined the Group in May 1998.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FAN Xiaoping (范曉屏先生), aged 65, was appointed as an independent non-executive Director on 2 September 2005. Mr. Fan graduated from 浙江大學 (University of Zhejiang) with a bachelor degree in physics in July 1982 and completed a master program in administration science and engineering in July 1988.

Mr. LO Ka Wai (羅嘉偉先生), aged 54, was appointed as an independent non-executive Director on 2 September 2005. Mr. Lo graduated from the University of Wollongong, Australia in 1992 with a bachelor degree in commerce (with merit). Mr. Lo is a qualified accountant and is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo was an executive director of National United Resources Holdings Limited and of Han Tang International Holdings Limited (previously known as Pearl River Tyre (Holdings) Limited) and was an independent non-executive director of Sheng Yuan Holdings Limited, all of which are listed on the Main Board of the Stock Exchange.

Mr. Hisaki TAKABAYASHI (高林久記先生), aged 63, was appointed as an independent non-executive Director on 2 September 2005. Mr. Takabayashi graduated from 大東文化大學 (Daitobonka University) with a bachelor degree in Chinese in March 1983. Mr. Takabayashi was the deputy representative of the Shanghai Office of 日本靜岡縣國際經濟振興會 (Shizuoka International Economic Organisation) in 2002. At present, Mr. Takabayashi is the Business Bureau Supervisor of 日本靜岡縣日中友好協進會 (Japan and China Friendship Council of Shizuoka Prefecture).

SENIOR MANAGEMENT

Mr. SHEN Jinjiang (沈錦江先生), aged 70, joined the Group in 2013. He is currently the Group's deputy general manager. Before joining the Group, Mr. Shen served as senior management positions in a number of large enterprises. Currently, Mr. Shen is responsible for the financial management of the Group, upgrading the management and optimizing business operations.

Mr. WANG Dehong (王德洪先生), aged 54, was graduated from Hubei Institute of Technology in 1994 to obtain a Bachelor degree of Engineering. In 1995, Mr. Wang joined the Group and had held various positions, including technician, chief of quality control department, head of production department and production controller. Mr. Wang is currently the deputy general meeting of Suzhou Yusei.

Mr. SHUM Shing Kei (沈成基先生), aged 52, is company secretary of the Company. He obtained a master degree in financial management from the University of London, the United Kingdom in December 1998. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in April 2005, he had over 20 years of experience in auditing and accounting and had worked for an international accounting firm and a listed company in Hong Kong.

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE MEMBERS OF YUSEI HOLDINGS LIMITED

友成控股有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yusei Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 32 to 108, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowance on trade receivables from selling of goods

Refer to Note 20 to the consolidated financial statements and the accounting policies on page 53 to 58.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the Group had trade receivables from selling of goods with carrying amount of approximately RMB646 million, net of impairment loss of approximately RMB11 million.</p> <p>The management of the Group estimates the amount of lifetime expected credit losses ("ECL") of trade receivables individually for debtors with significant balances and/or collectively based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effect. In addition, trade receivables that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.</p> <p>We have identified the impairment assessment of trade receivables as a key audit matter because of its significance to the consolidated financial statements and because the impairment assessment involves a significant degree of judgement by management which may affect the carrying value of the Group's trade receivables for the current year.</p>	<p>Our audit procedures were designed to challenge the assumptions and critical judgements of the Group's forward-looking ECL model on impairment assessment of trade receivables.</p> <p>We have assessed the provision matrix used in the model by reference to the historical information together with other external available information. In particular, we have challenged the appropriateness of the default rate of various debtors that have similar loss patterns by taking into account the ageing at the end of the reporting period. We have also challenged the appropriateness of the assumptions used in forward-looking information by comparing credit worthiness of each debtor and macro economy and industry performance and checking historical and subsequent settlement records of and other correspondence with the customers.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Allowance for inventories

Refer to Note 19 to the consolidated financial statements and the accounting policies on page 51.

The key audit matter	How the matter was addressed in our audit
<p>The Group has inventories of approximately RMB458 million as at 31 December 2023. The directors of the Company review an ageing analysis at the end of each reporting period, and makes allowance on obsolete and slow-moving inventory items identified that are no longer suitable for use in production.</p> <p>During the year, the allowance for inventories of approximately RMB2 million has been recorded to reduce the costs of inventories to their net realisable values which are the estimated selling prices less the estimated costs of completion and the estimated costs necessary to make the sales. Significant management judgment is required.</p> <p>In making this judgment, the directors of the Company estimate the net realisable value for such raw materials, work-in-progress and finished goods based primarily on the latest invoice prices and current market conditions. The directors of the Company also carry out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance on obsolete items.</p> <p>We have identified the valuation of inventories as a key audit matter because this involves a significant degree of management judgement on the valuation methods and assumptions for the estimation on the allowance for inventories.</p>	<p>Our audit procedures were designed to assess the methodology and assumptions used by the management in calculating the inventory allowance. We reviewed management's identification of slow-moving and obsolete inventories, attended physical inspection on stocktake for identifying slow-moving or obsolete inventories and critically assessed whether appropriate allowance had been established for slow-moving and obsolete items. When considering management's assessment, we have also taken into account the most recent prices achieved on sales across the product lines and the subsequent usage of the inventories.</p> <p>We considered whether we would expect a change to the methodology and assumptions based on any changes compared to those used in prior years. We also assessed the reliability of management's assessment by considering the utilisation or release of previously recorded allowance.</p>

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Shun Ming.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lee Shun Ming

Practising Certificate Number: P07068

Hong Kong

28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	6	1,942,475	1,765,736
Cost of sales		(1,702,632)	(1,562,695)
Gross profit		239,843	203,041
Other income and gain	7	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	8	(36,849)	(24,072)
Share of profits of associates	18	7,372	7,109
Profit before tax		84,953	55,561
Income tax (expense) credit	9	(3,871)	704
Profit for the year	10	81,082	56,265

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTE	2023 RMB'000	2022 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		(553)	(4,578)
Total comprehensive income for the year		80,529	51,687
Profit for the year attributable to:			
Owners of the Company		79,096	55,355
Non-controlling interests		1,986	910
		81,082	56,265
Total comprehensive income for the year attributable to:			
Owners of the Company		78,543	50,777
Non-controlling interests		1,986	910
		80,529	51,687
		RMB	RMB
Earnings per share			
Basic and diluted	13	0.124	0.087

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14	942,062	771,595
Right-of-use assets	15	180,582	113,798
Intangible assets	16	11,863	13,576
Goodwill	17	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	26	6,124	4,129
Interests in associates	18	50,575	46,203
		1,205,021	962,086
Current assets			
Inventories	19	458,366	534,360
Trade and bills receivables, deposits and prepayments	20	829,025	764,766
Amount due from ultimate holding company	24	–	1,241
Amounts due from associates	21	3,926	838
Pledged bank deposits	22	29,203	–
Bank balances and cash	22	58,238	58,706
		1,378,758	1,359,911
Current liabilities			
Trade and other payables	23	972,434	835,426
Amount due to an associate	21	1,377	1,168
Income tax liabilities		15,771	8,611
Bank and other loans — due within one year	25	484,994	500,232
		1,474,576	1,345,437
Net current (liabilities) assets		(95,818)	14,474
Total assets less current liabilities		1,109,203	976,560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred income	27	5,858	6,008
Bank and other loans - due after one year	25	206,823	146,439
		212,681	152,447
		896,522	824,113
Capital and reserves			
Share capital	28	5,801	5,801
Reserves	29	881,265	810,842
		887,066	816,643
Non-controlling interests		9,456	7,470
		896,522	824,113

The consolidated financial statements on pages 32 to 108 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Mr. Katsutoshi Masuda
Director

Mr. Xu Yong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital	Share premium	Special reserve	Reserve for shares issued with vesting conditions	Translation reserve	Capital reserve	Statutory surplus reserve	Retained profits	Sub total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 28)		(Note 29(i))	(Note 29(iv))		(Note 29(ii))	(Note 29(iii))				
At 1 January 2022	5,801	123,375	49,663	18,065	5,799	71	27,885	543,467	774,126	6,560	780,686
Profit for the year	-	-	-	-	-	-	-	55,355	55,355	910	56,265
Other comprehensive expense for the year	-	-	-	-	(4,578)	-	-	-	(4,578)	-	(4,578)
Total comprehensive (expense) income for the year	-	-	-	-	(4,578)	-	-	55,355	50,777	910	51,687
Transfer to statutory reserve	-	-	-	-	-	-	5,863	(5,863)	-	-	-
Dividend recognised as distribution (Note 12)	-	-	-	-	-	-	-	(8,260)	(8,260)	-	(8,260)
At 31 December 2022	5,801	123,375	49,663	18,065	1,221	71	33,748	584,699	816,643	7,470	824,113
At 1 January 2023	5,801	123,375	49,663	18,065	1,221	71	33,748	584,699	816,643	7,470	824,113
Profit for the year	-	-	-	-	-	-	-	79,096	79,096	1,986	81,082
Other comprehensive expense for the year	-	-	-	-	(553)	-	-	-	(553)	-	(553)
Total comprehensive (expense) income for the year	-	-	-	-	(553)	-	-	79,096	78,543	1,986	80,529
Transfer to statutory reserve	-	-	-	-	-	-	13,356	(13,356)	-	-	-
Dividend recognised as distribution (Note 12)	-	-	-	-	-	-	-	(8,120)	(8,120)	-	(8,120)
At 31 December 2023	5,801	123,375	49,663	18,065	668	71	47,104	642,319	887,066	9,456	896,522

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax	84,953	55,561
Adjustments for:		
Bank interest income	(174)	(73)
Depreciation and amortisation	148,779	127,445
Finance costs	36,849	24,072
Government subsidies	(43,472)	(23,516)
Impairment loss on trade receivables	–	5,084
Allowance for inventories	2,269	3,631
Gain on disposal of property, plant and equipment	(1,606)	(112)
Release of government grants	(235)	(224)
Reversal of impairment loss on trade receivables	(1,073)	–
Reversal of allowance for inventories	–	(566)
Share of profit of associates	(7,372)	(7,109)
Operating cash flows before movements in working capital	218,918	184,193
Increase in trade and bills receivables, deposits and prepayments	(61,444)	(201,218)
Decrease (increase) in inventories	73,915	(89,624)
Advance to associates	(3,088)	(261)
Advance from an associate	209	–
Increase in trade and other payables	110,665	203,813
Cash generated from operations	339,175	96,903
Income tax refunded	1,294	1,868
NET CASH FROM OPERATING ACTIVITIES	340,469	98,771

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(286,433)	(295,387)
Deposit for acquisition of property, plant and equipment	(8,430)	–
Repayment from ultimate holding company	1,241	49
Purchase of right-of-use assets	(60,230)	(16,561)
Purchase of intangible assets	(2,254)	(2,916)
Proceeds from disposal of property, plant and equipment	4,886	1,131
Placement of pledged bank deposits	(29,203)	–
Dividend received from an associate	3,000	–
Interest received	174	73
NET CASH USED IN INVESTING ACTIVITIES	(377,249)	(313,611)
FINANCING ACTIVITIES		
Repayment of bank and other loans	(547,369)	(385,977)
Interest paid	(37,476)	(24,944)
Dividend paid	(8,120)	(8,260)
New bank and other loans raised	585,460	625,102
Government subsidies received	43,472	23,516
NET CASH FROM FINANCING ACTIVITIES	35,967	229,437
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(813)	14,597
CASH AND CASH EQUIVALENTS AT 1 JANUARY	58,706	43,293
Effect of foreign exchange rate changes	345	816
CASH AND CASH EQUIVALENTS AT 31 DECEMBER Representing by bank balances and cash	58,238	58,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Yusei Holdings Limited (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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
HKRS 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.

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "Investments in associates" below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

The requirements of HKAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments in associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers (Continued)

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract liabilities of unrelated contracts are not presented on a net basis.

Descriptions of the Group's performance obligations in contracts with customers and significant judgments applied in revenue recognition are as follows:

(a) *Sales of plastic components and moulds*

The Group produces and sells plastic components and moulds. Revenue from the sales of plastic components is recognised when control of the product has transferred to the customer. Control of the product is considered transferred to the customer when the goods are delivered.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Payment of the transaction price is usually due within 90 days of the date when control of the products is transferred to the customer.

Revenue from sales of moulds is recognised at a point of time when control over the moulds is transferred to our customers.

(b) *Other income*

Other income from the sales of raw materials and scrap materials is recognised when control of the product has transferred to the customer. Control of the product is considered transferred to the customer when the goods are delivered.

Service income including quality inspection income and processing fee income is recognised when services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than construction in progress) less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the differences between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The right-of-use assets comprise lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Sale and leaseback transactions

The Group acts as a seller-lessee

The Group applies the requirements of HKFRS 15 Revenue from Contracts with Customers to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowing within the scope of HKFRS 9 Financial Instruments.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits

Retirement benefits scheme contribution

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in profit or loss and is included in the “other income and gain” line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not i) contingent consideration of an acquirer in a business combination, ii) held-for-trading, or iii) designated as at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Fair value measurement

When measuring fair value except for share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of goodwill, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated depreciation and useful lives of property, plant and equipment and right-of-use assets

The directors of the Company determine the estimated useful lives and related depreciation charges for its property, plant and equipment and right-of-use assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and right-of-use assets of similar nature and functions or useful lives suggested by State Administration of Taxation of the PRC. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The directors of the Company will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amounts of the property, plant and equipment and right-of-use assets as at 31 December 2023 amounted to approximately RMB942,062,000 (2022: RMB771,595,000) and RMB180,582,000 (2022: RMB113,798,000) respectively.

Estimated impairment of property, plant and equipment and right-of-use assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment and right-of-use assets, recoverable amount of the asset needs to be determined if there is indication that those assets may be impaired. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. The carrying amounts of the property, plant and equipment and right-of-use assets as at 31 December 2023 amounted to approximately RMB942,062,000 (2022: RMB771,595,000) and RMB180,582,000 (2022: RMB113,798,000) respectively. No accumulated impairment loss was recognised for property, plant and equipment and right-of-use assets as at 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of interests in associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of the interests in associates as at 31 December 2023 amounted to approximately RMB50,575,000 (2022: RMB46,203,000). No impairment losses were recognised during the year ended 31 December 2023 and 2022.

Estimated allowance for inventories

The directors of the Company review an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The directors of the Company estimate the net realisable value for such raw materials, work-in-progress and finished goods based primarily on the latest invoice prices and current market conditions. The directors of the Company also carry out an inventory review on a product-by-product basis at the end of each reporting period and make allowance for obsolete items. As at 31 December 2023, the carrying amount of inventories is approximately RMB458,366,000 net of allowance for inventories of approximately RMB18,319,000 (2022: RMB534,360,000, net of allowance for inventories of RMB18,236,000). During the year ended 31 December 2023, the Group recognised an allowance for inventories of approximately RMB2,269,000 (2022: RMB3,631,000). No reversal of allowance for inventories was recognised (2022: RMB566,000) for the year ended 31 December 2023.

Estimated loss allowance on trade receivables

The loss allowance for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the loss allowance calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment loss charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2023, the carrying amount of trade receivables is approximately RMB646,406,000, net of loss allowance of approximately RMB10,504,000 (2022: RMB590,993,000, net of allowance of approximately RMB11,577,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of other receivables and deposits

The Group use ECL model to assess the impairment of other receivables and deposits. The application of ECL model requires significant judgements and estimates, and requires consideration for all reasonable and proofed information, including forward-looking information. When making these judgements and estimates, the Group infers expected changes in debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industrial risks and other factors. Different estimates may affect the accrual of provision for impairment. The accrued provision for impairment may not be equal to the actual amount of impairment losses in the future.

As at 31 December 2023, the carrying amount of other receivables and deposits is approximately RMB20,733,000 (2022: RMB21,596,000), net of allowance for ECL of nil (2022: nil). No impairment losses were recognised during the year ended 31 December 2023 and 2022.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2023, the carrying amount of goodwill is approximately RMB5,385,000 (2022: RMB5,385,000). Details of the recoverable amount calculation are disclosed in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see above), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the ability to continue as a going concern and the major events or conditions, which may give rise to liquidity risk are set out in note 1.

Judgments in determining the timing of satisfaction of performance obligation

Judgement is required to assess whether control over the moulds is transferred to our customers. We consider that customers will only obtain the legal title of the completed moulds after they have issued the final acceptance report, for which we have present right to the payment and the collection of the consideration is probable. The Group manufactures moulds that are highly customised for the particular customer with no alternative use for others, but has no enforceable right to our customer's payment for our performance completed to date. We consider that the control over the sales of moulds are transferred at a point of time, instead of overtime, when our customers issue the final acceptance report.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes bank and other loans as disclosed in Note 25 and amounts due from/to ultimate holding company and associates as disclosed in Notes 24 and 21 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raise of new loans or repayment of existing loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Transaction price allocated to the remaining performance obligations

As at 31 December 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately RMB299,267,000 (2022: RMB260,921,000). The amount represents revenue expected to be recognised in the future from delivery of goods. The Group will recognise this revenue when the goods are delivered to the customers, which is expected to occur over the next 12 - 24 months (2022: next 12 - 24 months).

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 were located in Serbia and Mexico, respectively.

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	2023 RMB'000	2022 RMB'000
Customer A	308,562	261,519
Customer B	239,414	195,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. OTHER INCOME AND GAIN

	2023 RMB'000	2022 RMB'000
Sales of raw and scrap materials	160,139	150,685
Cost of raw and scrap materials	(147,559)	(136,707)
Gain on sales of raw and scrap materials	12,580	13,978
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 (Note 27)	235	224
Processing fee income	–	62
Reversal of impairment loss on trade receivables	1,073	–
Others	290	407
	59,789	38,782

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.

8. FINANCE COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. INCOME TAX EXPENSE (CREDIT)

	2023 RMB'000	2022 RMB'000
Current income tax:		
PRC Enterprise Income Tax (the "EIT")	6,075	1,403
Over – provision in prior years	(209)	(109)
	5,866	1,294
Deferred tax (Note 26)	(1,995)	(1,998)
	3,871	(704)

(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.

(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%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

(iii) PRC EIT (Continued)

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.

The income tax expense (credit) for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	84,953	55,561
Tax at the income tax rate at 25% (2022: 25%)	21,238	13,890
Tax effect of share of profits of associates	(1,843)	(1,777)
Tax effect of expenses not deductible for tax purpose	1,933	1,310
Tax effect of income not taxable for tax purpose	(224)	(142)
Tax effect of tax losses not recognised	7,883	8,613
Over - provision in prior years	(209)	(109)
Tax effect attributable to tax concessions granted to the PRC subsidiaries	(19,628)	(20,343)
Utilisation of tax losses previously not recognised	(5,279)	(2,146)
Income tax expense (credit) for the year	3,871	(704)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and the chief executive's remuneration (Note 11)	3,055	3,035
Salaries, wages and other benefits	233,825	257,043
Retirement benefits scheme contributions	20,643	19,849
Other staff costs	254,468	276,892
Total staff costs	257,523	279,927
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)	3,967	3,475
Total depreciation and amortisation expenses	148,779	127,445
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	1,700,363	1,559,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors and Chief Executive

Details of remuneration paid and payable to each of the seven (2022: seven) directors and the chief executive of the Company for the years ended 31 December 2023 and 2022 are as follows:

For the year ended 31 December 2023

	Executive directors		Non-executive directors		Independent non-executive directors			Total
	Xu Yong (Note b)	Manabu Shimabayashi	Katsutoshi Masuda	Toshimitsu Masuda	Lo Ka Wai	Fan Xiaoping	Hisaki Takabayashi	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings								
Fee	630	630	896	45	108	27	27	2,363
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings								
Other emoluments								
- Salaries	122	120	-	-	-	-	-	242
- Discretionary bonus (Note a)	450	-	-	-	-	-	-	450
	572	120	-	-	-	-	-	692
Total emoluments	1,202	750	896	45	108	27	27	3,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors and Chief Executive (Continued)

For the year ended 31 December 2022

	Executive directors		Non-executive directors		Independent non-executive directors			Total
	Xu Yong (Note b)	Manabu Shimabayashi	Katsutoshi Masuda	Toshimitsu Masuda	Lo Ka Wai	Fan Xiaoping	Hisaki Takabayashi	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings								
Fee	630	630	851	43	102	26	26	2,308
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings								
Other emoluments								
- Salaries	122	120	-	-	-	-	-	242
- Discretionary bonus (Note a)	450	-	-	-	-	-	-	450
- Contributions to retirement benefits schemes	35	-	-	-	-	-	-	35
	607	120	-	-	-	-	-	727
Total emoluments	1,237	750	851	43	102	26	26	3,035

Notes:

- The discretionary bonus is determined with reference to the individual performance during the years ended 31 December 2023 and 2022.
- Mr. Xu Yong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.
- During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the directors and chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive has waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees

Of the five individuals with the highest emoluments in the Group, three (2022: three) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The aggregate emoluments of the remaining two (2022: two) individuals were attributable to two members of senior management, as follows:

	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	1,041	960
Retirement benefits scheme contributions	53	86
	1,094	1,046

The emoluments paid to the members of senior management (excluding directors) were within the following bands:

	Number of employees	
	2023	2022
Nil to HK\$1,000,000 (equivalent to approximately RMB909,090 (2022: RMB851,386))	2	2

During the years ended 31 December 2023 and 2022, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. DIVIDENDS

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

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.

13. 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:

	2023 RMB'000	2022 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	79,096	55,355

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	636,550	636,550

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Moulds RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	301,090	910,660	8,129	36,175	44,404	53,075	1,353,533
Additions	1,018	140,626	519	384	21,342	140,572	304,461
Disposal	-	(38,079)	(878)	-	-	-	(38,957)
Transfer	3,566	8,656	-	-	-	(12,222)	-
At 31 December 2022	305,674	1,021,863	7,770	36,559	65,746	181,425	1,619,037
Additions	-	88,390	1,757	1,763	28,084	189,671	309,665
Disposal	-	(31,103)	-	(40)	-	-	(31,143)
Transfer	60,186	47,527	-	-	-	(107,713)	-
Exchange realignment	790	5,485	-	59	-	20	6,354
At 31 December 2023	366,650	1,132,162	9,527	38,341	93,830	263,403	1,903,913
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	112,572	610,789	6,399	10,941	23,252	-	763,953
Provided for the year	11,675	94,182	959	894	13,717	-	121,427
Disposal	-	(37,624)	(314)	-	-	-	(37,938)
At 31 December 2022	124,247	667,347	7,044	11,835	36,969	-	847,442
At 1 January 2023	124,247	667,347	7,044	11,835	36,969	-	847,442
Provided for the year	11,676	109,089	737	744	19,114	-	141,360
Disposal	-	(27,836)	-	(27)	-	-	(27,863)
Exchange realignment	193	674	-	45	-	-	912
At 31 December 2023	136,116	749,274	7,781	12,597	56,083	-	961,851
CARRYING VALUES							
At 31 December 2023	230,534	382,888	1,746	25,744	37,747	263,403	942,062
At 31 December 2022	181,427	354,516	726	24,724	28,777	181,425	771,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives:

Buildings	12 - 20 years
Machinery and equipment	3 - 20 years
Motor vehicles	3 - 5 years
Office equipment	3 - 5 years
Moulds	3 - 5 years

As at 31 December 2023 and 2022, certain of the property, plant and equipment were pledged to obtain bank loans granted to the Group, details of which are set out in Note 25.

During the years ended 31 December 2023 and 2022, the Group entered into sales and leaseback agreements. Pursuant to which, the Group sells certain plant and machineries to a financial institution, which shall then be leased back for use by the Group, with the lease period of one year from the date of inception. Upon expiry of the lease term, the Group has the right to repurchase the leased assets in accordance with the agreed terms and with a consideration of a nominal amount of RMB100. The Group continues to recognise these plant and machineries and the transfer proceeds were recognised as secured other loans as set out in Note 25.

15. RIGHT-OF-USE ASSETS

(i) Right-of-use assets

	2023 RMB'000	2022 RMB'000
Land	180,582	113,798

The above item of right-of-use assets is depreciated on a straight-line basis at the following useful lives:

Land	Over lease term
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Right-of-use assets of approximately RMB180,582,000 (2022: RMB113,798,000) represents land use rights located in the PRC, Mexico and Serbia. As at 31 December 2023 and 2022, certain of the land were pledged to obtain bank loans granted to the Group, details of which are set out in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Right-of-use assets (Continued)

The lease terms for land is generally 50 years.

Additions to the right-of-use assets for the year ended 31 December 2023 amounted to approximately RMB67,630,000 (2022: RMB9,161,000) due to new ownership of land use rights.

(ii) Amounts recognised in profit or loss

	2023 RMB'000	2022 RMB'000
Depreciation expense on land	3,452	2,240
Depreciation expense on properties	–	303
Expense relating to short-term leases	3,155	3,826

(iii) Others

During the year ended 31 December 2023, the total cash outflow for leases amounted to approximately RMB3,155,000 (2022: RMB3,826,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. INTANGIBLE ASSETS

	Software RMB'000
COST	
At 1 January 2022	25,544
Additions	2,916
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At 31 December 2022	28,460
Additions	2,254
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At 31 December 2023	30,714
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AMORTISATION	
At 1 January 2022	11,409
Provided for the year	3,475
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At 31 December 2022	14,884
Provided for the year	3,967
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At 31 December 2023	18,851
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CARRYING VALUES	
At 31 December 2023	11,863
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At 31 December 2022	13,576
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The amount represents software which is amortised on a straight-line basis over one to ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost		
At the beginning and end of the financial year	5,385	5,385
Carrying amounts		
At the end of the financial year	5,385	5,385

During the year ended 31 December 2023, management of the Group determines that there are no impairment of any of its cash-generating units containing goodwill with indefinite useful lives.

The recoverable amounts of this unit have been determined on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 5.5% (2022: 7.0%), and pre-tax discount rate of 14.04% (2022: 11.09%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3% (2022: 2%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Cost of investments in associates – unlisted	21,971	21,971
Share of post-acquisition profits, net of dividend received	28,604	24,232
Interests in associates	50,575	46,203

Included in the cost of investments in associates is goodwill of approximately RMB2,111,000 (2022: RMB2,111,000) arising on acquisition of associates.

As at 31 December 2023, certain of the interests in associates were pledged to obtain other loans granted to the Group, details of which are set out in Note 25 (2022: nil).

As at 31 December 2023 and 2022, the Group had interests in the following associates:

Name of entity	Form of entity	Place of incorporation/ principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activities
				2023	2022	2023	2022	
杭州友成實業有限公司 Hangzhou Yusei Industrial Company Limited* ("Yusei Industrial")	Incorporated	PRC	Registered capital	30%	30%	30%	30%	Moulding fabrication
杭州友成進出口有限公司 Hangzhou Yusei Import and Export Company Limited# ("Yusei Import and Export")	Incorporated	PRC	Registered capital	30%	30%	30%	30%	Trading of plastic components and moulds
浙江友成棒壘球俱樂部管理有限公司 Zhejiang Yusei Baseball and Softball Club Management Company Limited *	Incorporated	PRC	Registered capital	30%	30%	30%	30%	Provision of sport events planning services
大連創景友成模具有限公司 Dalian Chuangjing Yusei Mould Company Limited@ ("Dalian Yusei")	ncorporated	PRC	Registered capital	21%	21%	21%	21%	Trading of plastic components and moulds

* The English names are for identification purposes only.

Yusei Import and Export was a wholly-owned subsidiary of Yusei Industrial.

@ Dalian Yusei was a partially-owned subsidiary of Yusei Industrial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate

Yusei Industrial is the only material associate of the Group for both years. Summarised financial information in respect of the Group's material associate is set out below, which represents amounts shown in the associate's consolidated financial statements are prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

Yusei Industrial and its subsidiaries (Yusei Import and Export) ("Yusei Industrial Group")

	2023 RMB'000	2022 RMB'000
Current assets	273,987	378,656
Non-current assets	105,231	103,890
Current liabilities	(220,415)	(339,416)
	2023 RMB'000	2022 RMB'000
Revenue	421,481	342,359
Profit for the year and total comprehensive income for the year	25,673	23,873
Dividend received from the associate during the year	3,000	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associate (Continued)

Yusei Industrial and its subsidiaries (Yusei Import and Export) (“Yusei Industrial Group”) (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Net assets of Yusei Industrial Group	158,803	143,130
Proportion of the Group’s ownership interest in Yusei Industrial Group	30%	30%
Goodwill	2,111	2,111
Carrying amount of the Group’s interest in Yusei Industrial Group	49,752	45,050

The financial information and carrying amount of the Group’s interest in an associate that is not individually material and is accounted for using the equity method are set out below:

	2023 RMB'000	2022 RMB'000
The Group’s share of loss and total other comprehensive expense	(330)	(53)

	2023 RMB'000	2022 RMB'000
Carrying amount of the Group’s interest in an immaterial associate	823	1,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	63,237	69,255
Work-in-progress	111,753	125,802
Finished goods	283,376	339,303
	458,366	534,360

During the year ended 31 December 2023, allowance for slow-moving inventories of approximately RMB2,269,000 (2022: RMB3,631,000) has been recognised and included in the cost of sales.

During the year ended 31 December 2023, there was a change in allowance of approximately RMB2,186,000 (2022: nil) for inventories due to written-off of previously impaired inventories during the year.

No reversal of allowance for inventories (2022: Reversal of allowance of RMB566,000) has been recognised during the year ended 31 December 2023.

20. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

- (a) 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.

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:

	2023 RMB'000	2022 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
Trade receivables	646,406	590,993

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience and creditworthiness of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes: (Continued)

(a) (Continued)

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively as follows:

As at 31 December 2023	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.0	450,935	4,680
Within 90 days past due	1.6	105,513	1,645
91 - 180 days past due	3.1	68,919	2,166
181 - 365 days past due	6.4	31,543	2,013
Total		656,910	10,504

As at 31 December 2022	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.4	427,351	5,983
Within 90 days past due	2.1	119,978	2,525
91 - 180 days past due	4.3	39,045	1,662
181 - 365 days past due	8.7	16,196	1,407
Total		602,570	11,577

The movement in the loss allowance on trade receivables is as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	11,577	6,493
(Reversal of) impairment loss recognised on trade receivables	(1,073)	5,084
At the end of the year	10,504	11,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes: (Continued)

- (b) The ageing analysis of bills receivables presented based on the issue date at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Within 90 days	52,124	56,295
91 to 180 days	6,205	3,510
	58,329	59,805

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significant difficulties in recovering these bills receivables before their due dates, no loss allowance was provided on the Group's bills receivables for the years ended 31 December 2023 and 2022.

- (c) Included in other receivables and deposits are other receivables and refundable deposit for right-of-use assets of approximately RMB10,398,000 (2022: RMB10,398,000), which have low risk of default or has not been a significant increase in credit risk since initial recognition and no impairment loss is recognised.

Receivables, deposits and other receivables of the Group that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
EURO ("EUR")	5,992	–
United State Dollars ("US\$")	10,007	15,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. AMOUNTS DUE FROM/TO ASSOCIATES

The amounts are unsecured, interest-free and repayable on demand.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2023, pledged bank deposits and bank balances and cash of an aggregate of approximately RMB78,084,000 (2022: RMB39,599,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the Government of the PRC. The bank balances held by the Group carry interest at prevailing market rate for both years.

Bank balances and cash of the Group that is denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
US\$	6,047	16,323
JPY	849	695
EUR	875	322

As at 31 December 2023, the pledged bank deposits amounting to approximately RMB29,203,000 (2022: nil) have been pledged for short-term bills payables and are therefore classified as current assets. The pledged bank deposit will be released upon settlement of relevant bills payables or upon the end of contract.

During the year ended 31 December 2023, the pledged bank deposits carry fixed interest rate of 1.55% (2022: nil) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. TRADE AND OTHER PAYABLES

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

	2023 RMB'000	2022 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
Trade payables and bills payables	675,085	585,615
Value added tax payables	7,236	8,146
Contract liabilities (Note)	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
	972,434	835,426

Note: Contract liabilities include advances received to deliver moulds.

The significant increase in contract liabilities in 2023 was mainly due to increase in the number of contracts during the year and incomplete contracts brought from last year.

Revenue recognised during the year ended 31 December 2023 that was included in the contract liabilities at the beginning of the year is approximately RMB31,937,000 (2022: RMB29,466,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

The Group receives a deposit before the production activity commences that give rise to contract liabilities at the start of a contract. The Group typically receives a 30% deposit on acceptance of manufacturing orders.

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.

Trade payables and accrued charges of the Group that is denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
US\$	11,546	22,655
JPY	283	341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and settled during the year.

25. BANK AND OTHER LOANS

	2023 RMB'000	2022 RMB'000
Current		
Bank loans	419,692	442,433
Other loans	65,302	57,799
	484,994	500,232
Non-current		
Bank loans	156,823	146,439
Other loans	50,000	–
	206,823	146,439
	691,817	646,671
Analysed as:		
Secured bank loans	576,515	588,872
Secured other loans (Notes (a) and (b))	115,302	37,799
Unsecured other loans (Note b)	–	20,000
	691,817	646,671

Notes:

- (a) As at 31 December 2023, the secured other loans carry interest ranged from 2.80% to 4.50% (2022: 3.65%).
- (b) The secured other loans of RMB50,000,000 (2022: unsecured other loans of RMB20,000,000) were advanced from a company in which Mr. Xu Yue, the shareholder of the Company, has direct equity interest. The secured other loans carry interest at 4.50% per annum with a maturity date of 16 January 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

25. BANK AND OTHER LOANS (CONTINUED)

The exposure of the Group's interest-bearing bank and other loans are as follows:

	2023 RMB'000	2022 RMB'000
Fixed-rate loans	691,817	646,671

The ranges of effective interest rates per annum of the Group's bank and other loans are as follows:

	2023	2022
Fixed-rate bank loans	3.45% to 7.82%	1.53% to 5.20%
Fixed-rate other loans	2.80% to 4.50%	3.65% to 5.00%

As at 31 December 2023, the secured bank loans were secured by the Group's right-of-use assets and property, plant and equipment 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 secured 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 values of approximately RMB99,059,000 (2022: RMB51,983,000). The remaining secured other loans of approximately RMB50,000,000 (2022: nil) were secured by the Group's interests in associates with net carrying values of approximately RMB49,752,000 (2022: nil).

During the year ended 31 December 2023, the Group obtained new bank and other loans with amount of approximately RMB585,460,000 (2022: RMB625,102,000). The proceeds were used to finance the general working capital of the Group.

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2023 RMB'000	2022 RMB'000
Within one year or on demand	484,994	500,232
After one year but within five years	206,823	146,439
	691,817	646,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

26. DEFERRED TAX ASSETS

The following is the analysis of the deferred tax assets for financial reporting purposes:

	Tax losses RMB'000	Allowance of impairment loss on trade receivables RMB'000	Revenue Recognition RMB'000	Total RMB'000
At 1 January 2022	80	1,107	944	2,131
Credit to profit or loss	–	1,711	287	1,998
As 31 December 2022 and 1 January 2023	80	2,818	1,231	4,129
Charged to profit or loss	–	(269)	2,264	1,995
At 31 December 2023	80	2,549	3,495	6,124

As at 31 December 2023, the Group has estimated unused tax losses of approximately RMB149,070,000 (2022: RMB138,654,000). A deferred tax asset has been recognised in respect of estimated unutilised tax losses of approximately RMB320,000 (2022: RMB320,000). Included in unrecognised tax losses of approximately RMB148,750,000 are losses of approximately RMB82,388,000 (2022: RMB86,295,000) that can be carried forward for five years from the year in which the respective loss arose. Other losses of approximately RMB66,362,000 may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB706,979,000 (2022: RMB714,995,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

27. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Deferred income – government grants	5,997	6,232
Represented by:		
Current liabilities (included in other payables)	139	224
Non-current liabilities	5,858	6,008
	5,997	6,232

Note: During the year ended 31 December 2023, government grants released to the consolidated profit or loss as other income amounted to approximately RMB235,000 (2022: RMB224,000).

28. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK\$0.01 each			
Authorised			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,500,000	15,000	N/A
Issued and fully paid			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	636,550	6,365	5,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. RESERVES

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of the registered capital of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation on 6 June 2005.

(ii) Capital reserve

The amount represents the excess capital contribution by the ultimate holding company to the subsidiary in prior years.

(iii) Statutory surplus reserve

The Articles of Association of the subsidiaries requires the appropriation of 10% of its profit after tax determined under the PRC accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, under normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

(iv) Reserve for shares issued with vesting conditions

The reserve for shares issued with vesting conditions represents the accumulated fair value at the date of allotment of the relevant shares (allotted on 12 October 2005) subsequently vested.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	816,835	733,179
Financial liabilities		
Financial liabilities at amortised cost	1,571,430	1,399,774

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amounts due from/to associates and ultimate holding company, pledged bank deposits, bank balances and cash, trade and other payables and bank and other loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

The Group's major exposure to currency risk is attributable to the trade and bills receivables, deposits and other receivables, bank balances and cash, trade and other payables, and bank and other loans of the Group which are mainly denominated in foreign currencies of US\$, JPY, and EUR. 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 of the Company monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) *Currency risk (Continued)*

The carrying amounts of the Group's major monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	2023 RMB'000	2022 RMB'000
Monetary assets		
US\$		
Trade and bills receivables, deposits and other receivables	10,007	15,308
Bank balances and cash	6,047	16,323
	16,054	31,631
JPY		
Bank balances and cash	849	695
EUR		
Trade and bills receivables, deposits and other receivables	5,992	–
Bank balance and cash	875	322
	6,867	322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

	2023 RMB'000	2022 RMB'000
Monetary liabilities		
US\$		
Trade and other payables	11,546	22,655
Bank loans	48,832	51,640
	60,378	74,295
JPY		
Trade and other payables	283	341
Bank loans	46,954	46,028
	47,237	46,369
EUR		
Bank loans	40,865	40,060

Sensitivity analysis

The Group is mainly exposed to currency risk in US\$, JPY, and EUR. The following table details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in RMB or HK\$ against JPY and 5% (2022: 5%) increase and decrease in RMB or HK\$ against US\$, and EUR with all other variables held constant. 10% and 5% (2022: 10% and 5%) are the sensitivity rate used when the reporting foreign currency risk internally to key management personnel and represents directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes foreign currencies denominated monetary assets and liabilities and adjusts their translation based on their carrying amounts at the end of each reporting period. A positive number below indicates an increase in the post-tax profit where RMB or HK\$ strengthen 5% (2022: 5%) against US\$, HK\$ and EUR and strengthen 10% (2022: 10%) against JPY. For a 5% and 10% (2022: 5% and 10%) weakening of RMB or HK\$ against the foreign currencies respectively, there would be an equal and opposite impact on the post-tax profit.

	2023 RMB'000	2022 RMB'000
US\$	1,862	1,775
JPY	3,872	3,812
EUR	1,449	1,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (see Note 22 for details) and bank and other loans (see Note 25 for details). The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank balances (see Note 22 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Interest Rate arising from the Group's RMB denominated bank balances.

Sensitivity analysis

As at 31 December 2023, it is estimated that a general increase or decrease of 1% (2022: 1%) in interest rates, with all other variables held constant, would increase (2022: increase) or decrease (2022: decrease) the Group's post-tax profit for the year ended 31 December 2023 by approximately RMB439,000 (2022: RMB450,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for bank balances in existence at the end of the reporting period. The 1% (2022: 1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from trade and bills receivables, other receivables and deposits, amount due from ultimate holding company, amounts due from associates, bank balances and cash and pledged bank deposits. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

The Group's exposure to credit risk

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL - not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL - credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

31 December 2023	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	N/A	(Note (i))	Lifetime ECL (simplified approach)	656,910	(10,504)	646,406
Bills receivables (Note (ii))	N/A	Performing	12m ECL	58,329	-	58,329
Other receivables and deposit	N/A	Performing	12m ECL	20,733	-	20,733
Pledged bank deposits (Note (ii))	N/A	Performing	12m ECL	29,203	-	29,203
Bank balances and cash (Note (ii))	N/A	Performing	12m ECL	58,238	-	58,238
Amounts due from associates	N/A	Performing	12m ECL	3,926	-	3,926

31 December 2022	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	N/A	(Note (i))	Lifetime ECL (simplified approach)	602,570	(11,577)	590,993
Bills receivables (Note (ii))	N/A	Performing	12m ECL	59,805	-	59,805
Other receivables and deposit	N/A	Performing	12m ECL	21,596	-	21,596
Bank balances and cash (Note (ii))	N/A	Performing	12m ECL	58,706	-	58,706
Amount due from ultimate holding company	N/A	Performing	12m ECL	1,241	-	1,241
Amounts due from associates	N/A	Performing	12m ECL	838	-	838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

Notes:

- (i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 20 includes their further details on the loss allowance for these assets.
- (ii) The credit risk on liquid funds and bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2023, the Group has concentration of credit risk as 13% (2022: 8%) and 34% (2022: 30%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 93.06% (2022: 97.41%) of the total receivables as at 31 December 2023.

The credit quality of counterparty in respect of amount due from ultimate holding company and associates are assessed by taking into account their financial positions and other factors. The directors of the Company are of the opinion that the risk of default by the counterparty is low.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Taking all factors set out in note 1 into account, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and long term, including negotiation with financial institutions to raise new bank loans.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain continuing financial supports from its bankers. As at 31 December 2023, banking facilities in an aggregate amount of approximately RMB928,941,000 (2022: RMB826,329,000) were available from the Group's principal bankers, of which approximately RMB576,515,000 (2022: RMB588,872,000) has been utilised and included in bank and other loans. The Group's management monitors the utilisation of bank and other loans and ensures compliance with existing loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table includes both interest and principal cash flows.

As at 31 December 2023

	Weighted average interest rate %	Within one year or on demand RMB'000	More than one year less than five years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	-	878,236	-	878,236	878,236
Amount due to an associate	-	1,377	-	1,377	1,377
Bank and other loans	4.13	519,035	211,841	730,876	691,817
		1,398,648	211,841	1,610,489	1,571,430

As at 31 December 2022

	Weighted average interest rate %	Within one year or on demand RMB'000	More than one year less than five years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	-	751,935	-	751,935	751,935
Amount due to an associate	-	1,168	-	1,168	1,168
Bank and other loans	4.07	520,601	152,402	673,003	646,671
		1,273,704	152,402	1,426,106	1,399,774

(c) Fair value

The directors of the Company consider the fair values of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their carrying amounts due to short-term maturities.

The directors of the Company consider the fair values of non-current financial assets and non-current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financial activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financial activities.

	Non-cash changes						
	1/1/2023	Financing cash flows	Foreign exchange movements	Release of deferred income	Finance		31/12/2023
					cost incurred	Dividend declared	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest payables included in trade and other payables (Note 23)	4,613	(37,476)	-	-	36,849	-	3,986
Deferred income (Note 27)	6,232	-	-	(235)	-	-	5,997
Bank and other loans (Note 25)	646,671	38,091	7,055	-	-	-	691,817
Dividend payable	-	(8,120)	-	-	-	8,120	-
	657,516	(7,505)	7,055	(235)	36,849	8,120	701,800

	Non-cash changes						
	1/1/2022	Financing cash flows	Foreign exchange movements	Release of deferred income	Finance		31/12/2022
					cost incurred	Dividend declared	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest payables included in trade and other payables (Note 23)	5,485	(24,944)	-	-	24,072	-	4,613
Deferred income (Note 27)	6,456	-	-	(224)	-	-	6,232
Bank and other loans (Note 25)	400,266	239,125	7,280	-	-	-	646,671
Dividend payable	-	(8,260)	-	-	-	8,260	-
	412,207	205,921	7,280	(224)	24,072	8,260	657,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. COMMITMENTS

	2023	2022
	RMB'000	RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of plant and equipment	57,673	128,790
– construction of new production plant	25,066	64,760
	82,739	193,550

33. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. The Group contributed 5% at relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The mandatory contributions from each of the employer and employees are subject to a cap of HK\$1,500 per month.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Company contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2023, the total retirement benefits scheme contributions charged to the consolidated profit or loss amounted to approximately RMB20,643,000 (2022: RMB19,884,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. RELATED PARTY TRANSACTIONS

Details of the balances with related parties are set out in the consolidated statement of financial position and Notes 21 and 24.

During the year ended 31 December 2023, the Group had the following material transactions with its related parties:

Name of related party	Relationship	Nature of transactions	2023 RMB'000	2022 RMB'000
Yusei Industrial	Associate	Sales of Mould	13	–
		Sales of machinery and equipment	1,400	–
		Rental fee paid	–	316
		Reimbursement of utilities charges	20	46
Yusei Import and Export	Associate	Reimbursement of utilities charges	23	–
Hangzhou Suo Kai Industrial Co., Ltd	Related party (Note b)	Sales of Mould	–	708
		Reimbursement of utilities charges	3,086	4,128
Zhejiang Old Workshop Investment Co., Ltd.	Related party (Note b)	Interest expense	2,250	1,001

Notes:

- (a) The above transactions were made on terms mutually agreed between both parties.
- (b) Mr. Xu Yue, the shareholder of the Company, has direct equity interest in the company.

In addition to the above, the remuneration of directors and other members of key management during the year were as follows:

	2023 RMB'000	2022 RMB'000
Short-term benefits	4,096	3,960
Retirement benefits scheme contributions	53	121
	4,149	4,081

The remuneration of directors and key executives disclosed above are based on the service contracts entered into between the Group and the respective individuals. The remuneration of directors and key executives for subsequent renewal of these service contracts will be determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of all subsidiaries of the Company as at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place/ Country of incorporation or registration/ operations	Fully paid registered capital	Class of share	Proportion ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly		2023	2022	
				2023	2022	2023	2022			
Zhejiang Yusei Plastics & Mould Co., Ltd (Note d)	PRC	US\$3,000,000	Registered capital	100%	100%	-	-	100%	100%	Moulding fabrication, manufacturing and trading of plastic components
Hangzhou Yusei (Note d)	PRC	US\$8,000,000	Registered capital	-	-	100%	100%	100%	100%	Moulding fabrication, manufacturing and trading of plastic components
Yusei Technology (Note d)	PRC	US\$500,000	Registered capital	-	-	100%	100%	100%	100%	Moulding fabrication
Yusei China (Note e)	PRC	US\$15,300,000	Registered capital	34.64%	34.64%	65.36%	65.36%	100%	100%	Moulding fabrication
Suzhou Yusei Machinery Co.,Ltd. (Note d)	PRC	US\$10,000,000	Registered capital	35%	35%	65%	65%	100%	100%	Moulding fabrication, manufacturing and trading of plastic components
Guangzhou Yusei (Note e)	PRC	US\$4,000,000	Registered capital	25%	25%	75%	75%	100%	100%	Moulding fabrication, manufacturing and trading of plastic components
Wuhu Yusei Plastics & Mold Co., Ltd. (Note d)	PRC	RMB1,000,000	Registered capital	-	-	100%	100%	100%	100%	Moulding fabrication, manufacturing and trading of plastic components
Hubei Yusei (Note e)	PRC	US\$10,000,000	Registered capital	25%	25%	75%	75%	100%	100%	Moulding fabrication, manufacturing and trading of plastic components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Particulars of all subsidiaries of the Company as at 31 December 2023 and 2022 are as follows: (Continued)

Name of subsidiary	Place/ Country of incorporation or registration/ operations	Fully paid registered capital	Class of share	Proportion ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly		2023	2022	
				2023	2022	2023	2022			
Youcheng Machinery (Tianjin) Co., Ltd. (Note d)	PRC	RMB80,000,000	Registered capital	-	-	100%	100%	100%	100%	Moulding fabrication, manufacturing and trading of plastic components
Jilin Dongguang Yusei Machanic Co., Ltd. ("Jilin Yusei") (Note c & d)	PRC	RMB60,000,000 (2019: RMB48,000,000)	Registered capital	-	-	100%	100%	100%	100%	Manufacturing and trading of plastic components
Mexico Yusei Machinery S.A. DE C.V.	Mexico	MXN19,100,000	Registered capital	99%	99%	1%	1%	100%	100%	Manufacturing and trading of plastic components
Yusei (Hong Kong) Trading Limited	Hong Kong	HK\$10,000	Registered capital	100%	100%	-	-	100%	100%	Inactive
Youcheng (Tianjin) Plastic Mould Co., Ltd. (Note d)	PRC	RMB120,000,000	Registered capital	-	-	100%	100%	100%	100%	Moulding fabrication, manufacturing and trading of plastic components
Youcheng (Zhejiang) Lighting Appliance Co., Ltd. (Note d)	PRC	RMB50,000,000	Registered capital	-	-	100%	100%	100%	100%	Inactive
Yusei Machinery d.o.o	Serbia	RSD117,579,400	Registered capital	-	-	100%	100%	100%	100%	Manufacturing and trading of plastic components
Foshan Youcheng Machinery Co., Ltd.(Note d)	PRC	RMB80,000,000	Registered capital	-	-	100%	100%	100%	100%	Moulding fabrication, manufacturing and trading of plastic components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

- (a) None of the subsidiaries had any debt securities outstanding as at the end of both years or at any time during both years.
- (b) Started from the year ended 31 December 2019, the Group owns 50% equity shares of Yusei Technology indirectly. However, based on the contractual arrangements between the Group and other investor, the Group has the power to appoint and remove the majority of the board of directors of Yusei Technology. Therefore, the directors of the Company concluded that the Group has control over Yusei Technology and Yusei Technology is consolidated in these consolidated financial statements.
- (c) During the year ended 31 December 2020, the Group acquired additional 35% equity interest in Jilin Yusei at a consideration of approximately RMB5,504,000 and Jilin Yusei became a wholly-owned subsidiary of the Company. The difference between the cash consideration and the carrying amount of the net liabilities attributable to the additional interest assumed from the non-controlling shareholders of approximately RMB2,414,000 is debited to retained profits. On 11 December 2020, the registered capital of Jilin Yusei was enlarged from RMB48,000,000 to RMB60,000,000.
- (d) The entity is a wholly foreign owned enterprise
- (e) The entity is a sino-foreign joint venture.
- (f) None of the subsidiaries have non-controlling interests that are material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Investments in subsidiaries	(i)	413,759	413,759
Investment in an associate	(ii)	20,471	20,471
		434,230	434,230
Current assets			
Deposits, prepayments and other receivables		473	463
Amount due from ultimate holding company	24	–	761
Amounts due from subsidiaries	(iii)	113,053	93,378
Bank balances and cash		2,726	12,734
		116,252	107,336
Current liabilities			
Other payables and accruals		4,607	4,387
Bank loans – due within one year		80,193	101,668
Amounts due to subsidiaries	(iii)	52,874	40,462
		137,674	146,517
Net current liabilities		(21,422)	(39,181)
Total assets less current liabilities		412,808	395,049
Non-current liabilities			
Bank and other loans – due after one year		56,458	36,061
		356,350	358,988
Capital and reserves			
Share capital	28	5,801	5,801
Reserves	(iv)	350,549	353,187
Total equity		356,350	358,988

Approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Mr. Katsutoshi Masuda
Director

Mr. Xu Yong
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

- (i) As at 31 December 2023, investments in subsidiaries are carried cost at approximately RMB413,759,000 (2022: RMB413,759,000), no accumulated impairment losses were recognised (2022: nil).
- (ii) As at 31 December 2023, investment in an associate carried cost at approximately RMB20,471,000 (2022: RMB20,471,000), no impairment loss was recognised (2022: nil).
- (iii) The amounts due from/to subsidiaries are unsecured and repayable on demand. As at 31 December 2023, except for an amount due from subsidiaries of approximately RMB90,133,000 (2022: RMB49,657,000) carrying interest ranged from 3.50% to 3.95% per annum (2022: 4%), the remaining balances are interest-free.
- (iv) Reserves of the Company

	Share premium RMB'000	Reserve for shares issued with vesting conditions RMB'000	Capital Reserve RMB'000 (Note)	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	122,860	18,065	73,854	6,834	158,068	379,681
Loss for the year	-	-	-	-	(12,938)	(12,938)
Other comprehensive expense for the year	-	-	-	(5,296)	-	(5,296)
Total comprehensive expense for the year	-	-	-	(5,296)	(12,938)	(18,234)
Dividend recognised as distribution (Note 12)	-	-	-	-	(8,260)	(8,260)
At 31 December 2022	122,860	18,065	73,854	1,538	136,870	353,187
Profit for the year	-	-	-	-	7,006	7,006
Other comprehensive expense for the year	-	-	-	(1,524)	-	(1,524)
Total comprehensive expense for the year	-	-	-	(1,524)	7,006	5,482
Dividend recognised as distribution (Note 12)	-	-	-	-	(8,120)	(8,120)
At 31 December 2023	122,860	18,065	73,854	14	135,756	350,549

Note: The amount represents the excess capital contribution by the Company to the subsidiaries in prior years.