



YORKEY
Stock Code : 2788

YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
精熙國際(開曼)有限公司*
(incorporated in the Cayman Islands with limited liability)

2015
Annual Report



* For identification purpose only



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Corporate Information

Executive Directors

Lai I-Jen
Nagai Michio

Non-Executive Directors

Liao Kuo-Ming
Wu Shu-Ping

Independent Non-Executive Directors

Chiang Hsiang-Tsai
Chou Chih-Ming
Wang Yi-Chi

Company Secretary and Qualified Accountant

Ng Chi-Ching, FCPA, CPA (Aust.)

Registered Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Place of Business in Hong Kong

Workshops 1-2, 6th Floor
Block A, Goldfield Industrial Centre
1 Sui Wo Road
Shatin
New Territories
Hong Kong

Place of Business in the PRC

No. 2 Xiaobian Industrial District
Changan Town
Dongguan City
Guangdong Province
The PRC

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

CTBC Bank Co., Ltd.
HSBC Bank (Taiwan) Limited
Bank Sinopac
Ta Chong Bank Ltd.
China Construction Bank
China Merchant Bank

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

2788

Chairman's Statement



On behalf of the board of directors, I am pleased to present the shareholders the annual report of Yorkey Optical International (Cayman) Ltd (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

Annual Results

The Group's turnover for the year was approximately US\$77,553,000, representing a decrease of approximately 8% compared with US\$84,454,000 for the previous year. The Group's net profit for the year ended 31 December 2015 was approximately US\$4,033,000, representing a decrease of approximately 21% as compared with US\$5,096,000 in 2014.

Dividends

The board of directors of the Company ("the Board") recommended a final dividend of HK\$0.035 (approximately US0.451 cents) and a special dividend of HK\$0.1 (approximately US1.29 cents) per share. Including the interim dividend of HK\$0.035 (approximately US0.451 cents) per share paid to shareholders on 15 October 2015, total dividend paid to the shareholders in respect of the year ended 31 December 2015 will be HK\$0.17 (approximately US\$2.192 cents), bringing a dividend payout ratio of approximately 447%.

Business Review and Outlook

Looking back, in 2015, the Group's revenue for the year was mainly derived from the sales of components for digital still cameras ("DSCs"). The percentage of DSCs contribution to the Group's revenue was approximately 58.6%. The Group also gradually made use of its own technology strengths and followed the market trends of mainstream products. Given the increasing popularity of sports, which drives the development of outdoor action cameras, the Group has also actively devoted its efforts to this area. However, given the downturn in the global DSCs industry, changes in the global economic environment and the slowdown in the economic growth in China, the operating environment remains challenging.

The Group's gross profit for the year was approximately US\$20,706,000 and the gross profit margin was approximately 26.7% (2014: gross profit of US\$21,709,000 and gross profit margin of 25.7%), representing an increase as compared to those in the previous year. The Group's net

Chairman's Statement



profit for the year ended 31 December 2015 was approximately US\$4,033,000, representing a decrease of approximately 21% as compared with US\$5,096,000 in 2014, mainly due to the recognition of Pioneer Yorkey do Brasil Ltda's ("PYBL") loss.

PYBL is a joint venture established in Brazil in October 2011. The revenue of PYBL was derived from the sales of components for DSCs and related components for automobiles. Despite Brazil is the host nation of the 2016 Olympics, its economic development is not as well as expected in recent years. Coupled with the devaluation of local currency and downturn of the DSCs industry, PYBL was loss making. Details of the interest in PYBL are set out in note 16 to the financial statements.

Looking into year 2016, the operating environment continues to be challenging and the uncertainties in the external economic environment remain high. In consideration of the continued increasing labour cost and high staff turnover rate in the PRC, the Group will be more careful when evaluating new production facilities expansion, so as to reduce its costs and enhance its competitiveness. Leverage on its own core comparative advantages and highly responsive ability, the Group will endeavour to provide "one-stop" services by stepping up its research and development efforts on new products (including components for surveillance cameras, action cameras, health care instruments, beauty treatment instruments and advanced TV etc.) with a view of increasing profitability.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, customers and suppliers for their continuous support, as well as the management team and the staff of the Group for their hard work and contributions in the past year.

Lai I-Jen
Chairman

Management Discussion and Analysis

Operational and Financial Review

The Group is principally engaged in the manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases, including plastic and metallic parts and components of DSCs, action cameras, copier-based multifunction peripherals and surveillance cameras.

Revenue

The Group's turnover for the year was approximately US\$77,553,000, representing a decrease of approximately 8% compared with US\$84,454,000 for the previous year, mainly due to the decline in the DSCs industry affected by competition from mobile devices.

The Group's revenue for the year was mainly derived from the sales of components for DSCs. The percentage of DSCs contribution to the Group's revenue was approximately 58.6%. The Group also gradually made use of its own technology strengths and followed the market trends of mainstream products. Given the increasing popularity of sports, which drives the development of outdoor action cameras, the Group has also actively devoted its efforts to this area. Nevertheless, faced with factors such as the changing global economic environment and the slowing economy in the PRC, the operating environment remained challenging.

Gross Profit

The Group's gross profit for the year was approximately US\$20,706,000 and the gross profit margin was approximately 26.7% (2014: gross profit of US\$21,709,000 and gross profit margin of 25.7%), representing an increase as compared to that in the previous year. The increase in gross profit margin was mainly due to the improved efficiency and effective cost control efforts.

The Group was capitalized on its enhanced technique to provide "one-stop" comprehensive services from component design, module development manufacture, plastic shaping, metal stamping to surface processing and assembling.

Other Income and Gains

The Group's other income for the year was US\$2,882,000 (comprising bank interest income of US\$894,000, rental income of US\$244,000, reversal for bad and doubtful debts of US\$133,000, exchange gain of US\$1,555,000 and miscellaneous income of US\$56,000), representing an increase as compared with US\$2,057,000 (comprising bank interest income of US\$1,724,000, rental income of US\$305,000 and miscellaneous income of US\$28,000) in 2014. The decrease in bank interest income was mainly due to the decrease in interest rates. The decrease in rental income was due to the decrease in leased area. There was foreign currency profit arising from depreciation of Renminbi against United States dollars.

Management Discussion and Analysis

Interest in an associate

The revenue of PYBL was derived from the sales of components for DSCs and related components for automobiles.

Despite Brazil is the host nation of the 2016 Olympics, its economic development is not as well as expected in recent years. Coupled with the devaluation of local currency and downturn of the DSCs industry, PYBL was loss making.

Net Profit

The Group's net profit for the year ended 31 December 2015 was approximately US\$4,033,000, representing a decrease of approximately 21% as compared with US\$5,096,000 in 2014, mainly due to the recognition of PYBL's loss.

Liquidity and Financial Resources

As at 31 December 2015, the Group had current assets of approximately US\$141,368,000 (2014: US\$144,667,000) and current liabilities of approximately US\$20,670,000 (2014: US\$21,404,000). The current ratio of the Group was approximately 684% (2014: 676%).

As at 31 December 2015, the Group had cash at bank and on hand of approximately US\$123,812,000 (as at 31 December 2014: US\$122,568,000), and zero bank borrowing. Net cash increased by US\$1,244,000 from 31 December 2014.

Cash inflow from operating activities for the year was US\$13,525,000.

Net cash inflow from investing activities for the year was approximately US\$1,065,000, which comprised interest received of approximately US\$894,000, capital expenditure in various divisions of the Group of US\$613,000 and cash inflow from disposal of available-for-sale investments of US\$784,000.

Net cash outflow used in financing activities for the year was approximately US\$11,991,000, which comprised dividend paid during the year of US\$11,165,000 and shares repurchased of US\$826,000.

Effect of foreign exchange rate changes for the year was US\$1,355,000.

Exchange Risk Exposure and Contingent Liabilities

Foreign currency exposure refers to the risks associated with the foreign exchange rate movements on the financial results and cash flows of the Group. The Group is mainly exposed to currencies of Hong Kong dollars, Japanese Yen and Renminbi. The exchange rate fluctuation between Hong Kong dollars and United States dollars is not significant as the exchange rates are pegged to each other. Despite there was exchange risk associated with Japanese Yen denominated net assets due to depreciation of Japanese Yen against United State dollars, the amount was minimal. The Group recorded exchange gain due to depreciation of Renminbi against United States dollars.

As at 31 December 2015, the Group had no significant contingent liabilities.

Capital Commitment

As at 31 December 2015, the capital commitment of the Group was US\$9,000 (2014: US\$194,000).

Management Discussion and Analysis

Employment, Training and Development

As at 31 December 2015, the Group had a total of 2,260 employees (as at 31 December 2014: 2,595 employees). Staff costs incurred for the year amounted to approximately US\$21,512,000 (2014: US\$22,155,000).

A long-term and stable human capital policy accommodated with fringe benefits, including medical insurance and provident fund, and competitive remuneration packages are adopted in order to attract and retain quality personnel and provide incentives for the staff to enhance performance.

The Group strives to maintain good relations with its employees and is committed to employee training and development on a regular basis in order to maintain the quality of our products.

Outlook

Looking into year 2016, the operating environment continues to be challenging and the uncertainties in the external economic environment remain high. In consideration of the continued increasing labour cost and high staff turnover rate in the PRC, the Group will be more careful when evaluating new production facilities expansion, so as to reduce its costs and enhance its competitiveness. Leverage on its own core comparative advantages and highly responsive ability, the Group will endeavour to provide "one-stop" services by stepping up its research and development efforts on new products (including components for surveillance cameras, action cameras, health care instruments, beauty treatment instruments and advanced TV etc.) with a view of increasing profitability.

Final Dividend

The Directors proposed to declare and distribute to the shareholders a final dividend of HK\$0.035 per share. It is expected that the final dividend will be paid on or before 2 August 2016. The distribution proposal is subject to approval by shareholders at the annual general meeting.

Special Dividend

The Directors proposed to declare and distribute to the shareholders a special dividend of HK\$0.1 per share. It is expected that the special dividend will be paid on or before 2 September 2016. The distribution proposal is subject to approval by shareholders at the annual general meeting.

Including the interim dividend of HK\$0.035 per share paid to the shareholders on Thursday, 15 October 2015 and the final dividend and special dividend to be paid in the future, total dividend paid to the shareholders for the year 2015 will be HK\$0.17 per share, bringing a dividend payout ratio of approximately 447%.

Profile of Directors and Senior Management

Executive Directors

Mr. LAI I-Jen (賴以仁), aged 67, is an executive Director and chairman of the Group. He has over 30 years of experience in the manufacture and sale of optical components and optical equipments. He is currently chairman of Asia Optical Co., Inc., (“Asia Optical”, the ultimate holding company of the Group) a company listed on the Taiwan Stock Exchange. Asia Optical is principally engaged in the design, manufacture and sale of optical parts and components and is reputable within industry.

Mr. Lai is also currently chairman of Asia Tech Image Inc., (“Asia Tech”) a company listed on the Taiwan’s GreTai Securities Market. Asia Tech is held by Asia Optical as to 31%, and principally engaged in the trading of image sensor and electronic related parts and components.

Mr. Lai has substantial experiences and international vision in business management, marketing and global logistics.

Mr. NAGAI Michio (永井三知夫), aged 61, is an executive Director and the chief executive office of the Group. Prior to joining the Group, Mr. Nagai was employed by Pioneer Corporation and has served in various senior positions including as a division head and as a senior vice president. Mr. Nagai has over 30 years of experience in mid and long term strategic planning, organizational restructuring, enhancement of manufacture engineering, development and introduction of automation device, project management and various areas of specialty in kind. Mr. Nagai joined the Group in March 2011.

Non-executive Directors

Mr. LIAO Kuo-Ming (廖國銘), aged 79, is a non-executive Director. Mr. Liao joined the Group in March 2001. He was the fifth session honorary chairman of Taiwan Businessmen Association Dongguan (東莞市台商投資企業協會長安分會第五屆名譽會長), the second session vice president of Dongguan City Chang-An Town Taiwan Businessmen Association (東莞市長安鎮台商聯誼會第二屆副會長) and the first session vice president, second session secretary general of Foreign Businessmen Association, Xiaobian, Dongguan, PRC (東莞市長安外商投資企業協會霄邊分會第一屆副會長及第二屆常務理事).

Ms. WU Shu-Ping (吳淑品), aged 53, is a non-executive Director. Ms. Wu is currently a director of Asia Optical Co., Inc., a director of Asia Tech Image Inc., and holds directorship in various companies. She has an extensive financial background and had been actively involved in the listing, oversea financing, merger & acquisition projects of Asia Optical. Ms. Wu is experienced in the operations of the capital market and capital allocation and management of multinational enterprises in the manufacture industry.

Profile of Directors and Senior Management

Independent non-executive Directors

Mr. CHIANG Hsiang-Tsai (江向才), aged 45, was appointed as an independent non-executive Director in December 2005. Mr. Chiang holds a master's degree in accountancy and financial information systems from Cleveland State University in the United States and a doctoral degree in business administration with specialisation in accounting and information technology management from Nova Southeastern University in the United States. Mr. Chiang has published a number of research papers in periodicals and produced a number of writings and he is currently a full-time professor (專任教授) with the Department of Accounting. He is also the chief financial officer (財務長) in Feng Chia University in Taiwan, and independent director of TONS LIGHTOLOGY INC. (a company listed on the Taiwan's GreTai Securities Market), Heran Co., Ltd. (a company listed on the Taiwan Emerging Market), and SUPERTEC MACHINERY, INC. (a public company in Taiwan).

Mr. CHOU Chih-Ming (周智明), aged 57, was appointed as an independent non-executive Director in December 2005. He is a registered agent for book keeping and tax return filing and founded Chou Chih-Ming Accounting and Tax Agent Firm (周智明事務所) in 1990. He has over 36 years of experience in book keeping. Mr. Chou's working experience also includes Chu Ting Enterprise Co., Ltd. (巨簪企業股份有限公司) where he was a scrutineer (監察人). He had also been the sixth session secretary general of Taichung County Associate of Tax and Accounting Agent (台中縣稅務會計記帳代理業職業工會第六屆常務理事); the second session secretary general of the National Federation of Tax and Accounting Agent Republic of China (中華民國稅務會計記帳代理業職業工會全國聯合會第二屆常務理事); the first session president of Taichung County Association

of Accounting and Tax Agent Services (台中縣記帳及報稅代理業務人公會第一屆理事長); the first session president of Taichung County Association of Accounting (台中縣記帳士公會第一屆理事長); and the first session executive director of Tax-Accountancy Association, R.O.C (中華民國記帳及報稅代理業務人公會全國聯合會第一屆常務理事).

Mr. WANG Yi-Chi (王逸琦), aged 44, was appointed as an independent non-executive Director in May 2012. He holds a doctoral degree in industrial engineering from Mississippi State University in the United States. His areas of expertise are lean enterprise transformation and gemba kaizen. Mr. Wang has published numerous research articles in some international journals and he is currently a full-time associate professor (專任副教授) with the Department of Industrial Engineering and Systems Management at Feng Chia University in Taiwan.

Senior Management

Mr. CHAN Sun-Ko (詹孫科), aged 47, is the department head of the mould technology department, metal stamping department, plastic injection and moulding department and surface treatment processing department of the Group. Mr. Chan had worked in other companies in the plastic moulding industry and has more than 10 years of experience in this industry. He is responsible for overseeing the production technique and ensuring the product quality for the Group. He joined the Group in July 1998.

Ms. TAN Ya-Juan (譚亞娟), aged 40, is the department head of the manager of cases and bags department of the Group. Ms. Tan has over 15 years of experience in the field of manufacturing and assembling of cases and bags, and is responsible for overseeing the production process, quality of products of the cases and bags department. Ms. Tan joined the Group in December 1995.

Profile of Directors and Senior Management

Mr. ZOU Zhigang (鄒志剛), aged 59, is the head of the assembly department of the Group. Mr. Zou has over 20 years of working experience in the industry. Mr. Zou joined the Group in June 2012.

Mr. HUANG Cheng-I (黃正一), aged 49, is the head of sales and marketing department of the Group. Mr. Huang has over 10 years of sales and marketing experience. He is responsible for the administration and supervision of overall sales and marketing activities of the Group. He joined the Group in July 2000.

Mr. NG Chi Ching (吳子正), aged 45, is the chief financial officer of the Group and the qualified accountant of the Company. Mr. Ng is responsible for the overall finance of the Group. Mr. Ng graduated from The Australian National University with a bachelor's degree in commerce in 1994. He has over 10 years of experience in financial management and business management. Mr. Ng had worked in an international audit firm during the periods from May 1995 to March 1997 and from July 1997 to July 1999. Mr. Ng is a FCPA of the Hong Kong Institute of Certified Public Accountants and a CPA of CPA Australia. Mr. Ng joined the Group in January 2006.

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2015.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 30 to the financial statements.

Results

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

Five Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 80 of this annual report.

Dividends

On 15 October 2015, the Company paid an interim dividend of HK\$0.035 (approximately US0.451 cents) per share in respect of the six months ended 30 June 2015.

The Board has resolved to recommend a payment of final dividend of HK\$0.035 (approximately US0.451 cents) and special dividend of HK\$0.1 (approximately US1.29 cents) per share. Hence, taking into consideration of the interim dividend, final dividend and special dividend, the total amount of dividend per share adds up to HK\$0.17 (approximately US2.192 cents) in respect of the year ended 31 December 2015. The final dividend is expected to be paid on or before 2 August 2016; whilst the special dividend is expected to be paid on or before 2 September 2016.

Share Capital

Details of the movements in the issued share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2015 amounted to approximately US\$149,306,000.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 33.

Investment Properties

Details of the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

Properties, Plant and Equipment

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

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's largest customer and the five largest customers taken together accounted for approximately 13.9% and 49.5% of the Group's total turnover for the year, respectively.

The aggregate purchases attributable to the Group's largest supplier and the five largest suppliers taken together accounted for approximately 5.1% and 19.2% of the Group's total purchase for the year, respectively.

Report of the Directors

Save and except for Asia Optical Co., Inc. and Asia Optical International Ltd., none of the Directors or their respective associates are aware of any Shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the other top five customers and suppliers of the Group for the year.

Directors and directors' service contracts

The directors of the Company ("Directors") during the year were:

Executive directors:

Mr. Lai I-Jen (*Chairman*)
Mr. Nagai Michio

Non-executive directors:

Mr. Liao Kuo-Ming
Ms. Wu Shu-Ping

Independent non-executive directors:

Mr. Chiang Hsiang-Tsai
Mr. Chou Chih-Ming
Mr. Wang Yi-Chi

The biographical details of the directors are set out on pages 8 to 9 of this annual report.

Mr. Lai I-Jen (executive Director) entered into a service contract with the Company for a term of 1 year commencing from 7 June 2013. Mr. Nagai Michio (executive Director) entered into a service contract with the Company for a term of 1 year commencing from 24 May 2012. Each service contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Liao Kuo-Ming (non-executive Director) has been appointed for a term of 1 year commencing from 7 June 2013. Ms. Wu Shu-Ping (non-executive Director) has been appointed for a term of 1 year commencing from 20 December 2005. In addition, the appointment of each of the non-executive Directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

Mr. Chiang Hsiang-Tsai (independent non-executive Director) and Mr. Chou Chih-Ming (independent non-executive Director) have been appointed for a term of 1 year commencing from 20 December 2005. Mr. Wang Yi-Chi (independent non-executive Director) has been appointed for a term of 1 year commencing from 24 May 2012. In addition, the appointment of each of the independent non-executive Directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

Other than disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employing company within one year without payment of compensation (other than statutory compensation)).

The Company had received confirmations from each of the Company's independent non-executive Directors of their independence and considered all independent non-executive Directors to be independent. In accordance with the provisions of the Company's Articles of Association, Mr. Lai I-Jen, Mr. Nagai Michio, Mr. Liao Kuo-Ming, Ms. Wu Shu-Ping, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Wang Yi-Chi will retire from the Board at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election. Details of Directors' emoluments on a named basis are set out in note 9 to the consolidated financial statements on page 61 of this annual report.

Report of the Directors

Directors and Chief Executive's Interests in Shares

As at 31 December 2015, the interest or short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") to be notified to the Stock Exchange and the Company, are set out below:

1. Long positions in the shares, underlying shares and debentures of the Company

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company had any long position in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

2. Short positions in the shares, underlying shares and debentures of the Company and interests and short positions in the shares, underlying shares and debentures of the Company's associated corporation

As at 31 December 2015, none of the Directors or chief executives of the Company, had any interest in short position in the shares, underlying shares or debentures of the Company or any interest or short position in the shares, underlying shares or debentures of the Company's associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Stock Exchange and the Company pursuant to the Model Code.

At no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares, or debentures of, the Company or its associated corporation.

Directors' Interest in Contracts of Significance

Save as disclosed in note 29 to the consolidated financial statements, no significant contract to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

Directors' Rights to Acquire Shares

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2015, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

1. Long position in the shares and underlying shares of the Company

Name of shareholder of the Company	Type of interest	Number of shares/ underlying shares in the Company	Percentage of the issued share capital in the Company
Asia Optical International Ltd.	Beneficial owner	186,833,000	22.75%
Asia Optical Co., Inc.	Interest of a controlled corporation	226,833,000 (Note 1)	27.63%
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	143,817,000	17.52%
Ability Enterprise Co., Ltd.	Interest of a controlled corporation	143,817,000 (Note 2)	17.52%
Fortune Lands International Ltd.	Founder of discretionary trust	113,000,000 (Note 3)	13.76%
Mr. Chan Sun-Ko	Interest of a controlled corporation	113,000,000 (Note 4)	13.76%
Ms. Wu Bo-Yan	Interest of a spouse	113,000,000 (Note 5)	13.76%
Webb David Michael	Beneficial owner	50,204,000	6.11%

Report of the Directors

Note 1: Asia Optical Co., Inc. holds 100% direct interest in the issued capital of Asia Optical International Ltd. (“AOIL”) and therefore is taken to be interested in an aggregate of 186,833,000 Shares held by AOIL.

Note 2: Ability Enterprise Co., Ltd. (“Ability Enterprise”) holds 100% direct interest in the issued capital of Ability Enterprise (BVI) Co., Ltd. (“Ability Enterprise BVI”) and therefore is taken to be interested in an aggregate of 143,817,000 Shares held by Ability Enterprise BVI.

Note 3: As recorded in the register required to be kept under section 336 of the SFO, Fortune Lands is the founder of The Yorkey Employee’s Trust and is the registered owner of 113,000,000 Shares which it will hold as trustee of The Yorkey Employees’ Trust.

Note 4: As recorded in the register required to be kept under section 336 of the SFO, Mr. Chan Sun-Ko (“Mr. Chan”), being the sole shareholder of Fortune Lands International Ltd. (“Fortune Lands”), is taken to be interested in an aggregate of 113,000,000 Shares held by Fortune Lands.

Note 5: As recorded in the register required to be kept under section 336 of the SFO, Ms. Wu Bo-Yan, the spouse of Mr. Chan, is taken to be interested in an aggregate of 113,000,000 Shares in which Mr. Chan is interested in.

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any long position being held by any persons, other than a director or chief executive of the Company, in the shares or underlying shares in the Company which would be recorded in the register required to be kept under section 336 of the SFO.

2. Short positions in the shares and underlying shares of the Company

As at 31 December 2015, the Company had not been notified of any short position being held by any substantial shareholder in the shares or underlying shares in the Company which would be recorded in the register required to be kept under section 336 of the SFO.

Share Option Scheme

A share option scheme (the “Share Option Scheme”) was conditionally adopted by the shareholders’ written resolution of the Company dated 18 January 2006.

The Share Option Scheme had become unconditional upon the listing of the Company’s shares on the Stock Exchange on 10 February 2006. No share options were granted, exercised or cancelled by the Company under the share option scheme during the year and there are no outstanding share options under the Share Option Scheme as at 31 December 2015. The Share Option Scheme expired on 17 January 2016.

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisitions of shares in, or debentures of the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or any had exercised any such right.

Report of the Directors

Summary of Principal Terms of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to employees, senior executive or officer, manager and directors of the Company or any of its subsidiaries and outside third parties who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall be 80,000,000 (excluding the over-allotment portion) shares, representing 10% of the issued share capital of the Company as at the date of listing of shares on the Stock Exchange.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time. Options granted in the past 12-month period up to and including the date of grant to substantial shareholders or independent non-executive directors in excess of 0.1% of the issued share capital of the Company and with an aggregate value in excess of HK\$5,000,000 must be approved by the Company's shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose its discretion any such minimum period at the time of grant of any particular option. The period during which the options may be exercised will be notified by the Board to each grantee upon grant of each option, provided that it shall commence on a date not earlier than the date of the grant of an option and not be more than ten (10) years from the date of grant of the option. An offer of grant of an option must be accepted being a date not more than fourteen (14) days after the date of grant. The amount payable on acceptance of an option is HK\$1.00.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

The Share Option Scheme shall be valid and effective for a term commencing on the 18 January 2006 and ending on the 17 January 2016.

Report of the Directors

Connected Transactions

During the year ended 31 December 2015, the Group had the following connected transactions that were subject to the Listing Rules' reporting requirements for disclosure in this annual report.

1. Purchase of digital cameras' integrated circuits and circuit boards by Yorkey Optical Technology Limited ("YOT") from Ever Pine International Limited ("Ever Pine")

On 25 March 2013, YOT, a wholly-owned subsidiary of the Company and Ever Pine renewed the supplemental Ever Pine purchase agreement in respect of the purchase of digital cameras' integrated circuits and circuit boards by the Group from Ever Pine for a term commencing from 1 January 2014 to 31 December 2015.

Ever Pine is owned as to approximately 34.65% by Ability Enterprise BVI, the substantial shareholder of the Company and is an associate of Ability Enterprise BVI. Hence, Ever Pine is a connected person of the Company.

The reason for such transactions is that the Group wishes to provide convenience to the customers by offering one-stop services and the Directors consider that by purchasing DSCs' integrated circuits and circuit boards from Ever Pine, the Group could have a better control over the relevant costs, such as freight.

For the year ended 31 December 2015, purchase of digital cameras' integrated circuits and circuit boards from Ever Pine by the Group amounted to approximately US\$23,000.

2. Lease of property by Dongguan Yorkey Optical Machinery Components Ltd ("Dongguan Yorkey") to Dongguan Guang Tong Business Machines Co., Ltd. ("Dongguan Guang Tong")

On 25 March 2013, Dongguan Yorkey, an indirect wholly-owned subsidiary of the Company, as landlord and Dongguan Guang Tong, as tenant renewed the supplemental lease agreement pursuant to which Dongguan Guang Tong has agreed to lease a property ("PRC Property") with a gross floor area of 5,028.19 sq.m. situated at Junction of Erhuan Central Road, No. 2 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, the PRC as factory premises for the operation of the business of Dongguan Guang Tong and staff quarters for a term commencing from 1 January 2014 to 31 December 2015.

Dongguan Guang Tong is wholly owned by Ever Pine. As such, Ability Enterprise BVI indirectly holds 34.65% of the equity interests in Dongguan Guang Tong. Dongguan Guang Tong is an associate of Ability Enterprise BVI and hence, a connected person of the Company for the purposes of the Listing Rules.

Report of the Directors

The Group entered into the Lease Agreement in order to prevent the floor area on the third floor from being vacant and unused.

For the year ended 31 December 2015, the rental income received from Dongguan Guang Tong amounted to approximately US\$244,000.

3. Sales of office equipment related parts and components from YOT to Ever Pine

On 25 March 2013, YOT and Ever Pine renewed the supplemental master sale and purchase agreement whereby YOT agreed to sell office equipments (including but not limited to copiers and multi-function printers) related parts and components to Ever Pine for a term commencing from 1 January 2014 to 31 December 2015.

The reasons for such transactions are as follows: (1) the Group has been granted ISO certification, and the Group's products were manufactured up to the quality requirements as requested by the customers of Ever Pine; and (2) in order to procure efficiency and save costs, Ever Pine purchased components from the Group since Dongguan Guang Tong rented certain factory premises from Dongguan Yorkey.

For the year ended 31 December 2015, sales of office equipments (including but not limited to copiers and multi-function printers) related parts and components to Ever Pine by the Group amounted to approximately US\$91,000.

4. Sale of digital camera parts made with plastic and/or metal materials, molding, coating and printing related products from YOT to Ability Group

On 22 August 2006, YOT entered into a master sale and purchase agreement ("Ability Group Master Agreement") with Ability Enterprise Co., Ltd., the parent company of Ability Enterprise BVI, and its affiliate companies that are engaged in DSC assembly or sales, including Viewquest Technologies (BVI) Inc., Gold Market Investments Ltd. and Ashine Precision (China) Ltd. (collectively the "Ability Group"). Pursuant to the Ability Group Master Agreement, YOT agreed to sell digital camera parts made with plastic and/or metal materials, molding, coating and printing related products to Ability Group. The Ability Group Master Agreement expired on 31 December 2007. The term was extended to 31 December 2013 according to the supplemental agreement entered into by both parties in 2010. (Prior to 2 months before expiry of Ability Group Agreements, unless one of the parties gives written request of cessation to the other party, the agreements will be automatically renewed for a period of 3 years.)

The benefits of entering into the Ability Group Master Agreement are that (1) the Group will be in a better position to control the debt collection risks if such transaction is conducted with Ability Group; and (2) the Group is expected to benefit from expedient and efficient sales transaction.

Report of the Directors

For the year ended 31 December 2015, the sales of digital camera parts made with plastic and/or metal materials, molding, coating and printing related products to the Ability Group by the Group amounted to approximately US\$0.

5. Sale of synthetic leather cases for office equipment parts from Dongguan Yorkey to Dongguan Guang Tong

On 25 March 2013, Dongguan Yorkey and Dongguan Guang Tong renewed the supplemental DY agreement whereby Dongguan Yorkey agreed to sell synthetic leather cases for office equipment parts to Dongguan Guang Tong for a term commencing from 1 January 2014 to 31 December 2015.

The benefits of entering into the Dongguan Guang Tong Master Agreement are that (1) the Group will be in a better position to control the debt collection risks if such transaction is conducted with Dongguan Guang Tong; and (2) the Group is expected to benefit from Dongguan Guang Tong's better understanding of operations of the Group which should allow expedient and efficient sales transaction.

For the year ended 31 December 2015, the sales of leather cases for office equipment parts to Dongguan Guang Tong by the Group amounted to approximately US\$14,000.

6. Sale to and purchase from Asia Optical Co., Inc. and its subsidiaries (the "Asia Optical Group")

On 10 April 2013, YOT, Dongguan Yorkey and the Asia Optical Group, representing Asia Optical Co., Inc., the substantial shareholder of the Company, and its subsidiaries, entered into the Asia Optical Group Master Agreement ("Master Agreement") for a term commencing from the date of signing of the Master Agreement to 31 December 2015 whereby YOT and Dongguan Yorkey agreed to conduct sale and purchase transactions with the Asia Optical Group, including (a) sale of optical and opto-electronic product related parts and components, digital still camera related parts and components and image sensor related parts and components to the Asia Optical Group, (b) purchase of optical and opto-electronic product related parts and components, namely digital still camera related parts and components, from the Asia Optical Group and (c) engagement of the Asia Optical Group for provision of plating and surface treatment processing of optical and opto-electronic product related parts and components.

Report of the Directors

The Directors considered that entering into the agreement for the sale and purchase of optical and opto-electronic product related parts and components to the Asia Optical Group will benefit the Group from (i) expedient and efficient sales transaction due to a better understanding of operations of the Group by the Asia Optical Group; (ii) the enhancement of the Group's sales portfolio from the sale of the optical and opto-electronic product related parts and components to the Asia Optical Group; (iii) better control over the relevant costs, such as freight; and (iv) efficiency of processing.

For the year ended 31 December 2015, (a) Sale of optical and opto-electronic product related parts and components, digital still camera related parts and components and image sensor related parts and components to the Asia Optical Group amounted to approximately US\$8,594,000, (b) Purchase of optical and opto-electronic product related parts and components, namely digital still camera related parts and components, from the Asia Optical Group amounted to approximately US\$199,000 and (c) Engagement of the Asia Optical Group for provision of plating and surface treatment processing of optical and opto-electronic product related parts and components amounted to approximately US\$4,310,000.

7. Lease of property by Dongguan Sintai Optical Co., ("Dongguan Sintai") to Dongguan Yorkey

On 1 August 2013, Dongguan Yorkey Optical Machinery Components Ltd. as tenant entered into a tenancy agreement ("First Tenancy Agreement") with Dongguan Sintai as landlord pursuant to which Dongguan Sintai agreed to lease a property located in Xiao-bian, the Second Industrial Zone, Chang-an town, Dong-guan city, Guangdong, China, with a gross floor area of approximately 17,953.51 square metres in which a gross floor area of approximately 13,300.13 square metres is for the usage as manufacturing plant and a gross floor area of approximately 4,653.38 square metres is for the usage as staff dormitories for a term commencing from 1 August 2013 to 31 December 2015 and automatically renewed for one year if no objection is raised by either party one month before the expiry.

On 17 March 2014, Dongguan Yorkey Optical Machinery Components Ltd. as tenant entered into the second tenancy agreement in respect of the tenancy agreement ("Tenancy Agreement") with Dongguan Sintai as landlord pursuant to which Dongguan Sintai agreed to lease a property located in Xiao-bian, the Second Industrial Zone, Chang-an town, Dong-guan city, Guangdong, China, with a gross floor area of approximately 7,419 square metres for a term commencing from 1 April 2014 to 31 December 2015 and automatically renewed for one year if no objection is raised by either party one month before the expiry.

Report of the Directors

Dongguan Sintai is a wholly-owned subsidiary of Asia Optical International Ltd (“AOIL”), the substantial shareholder of the Company, and hence a connected person of the Company.

As the Group considers (i) the premises are suitable for the usage as a manufacturing plant and staff dormitories; and (ii) reasonable rental terms were agreed, the tenant entered into the Tenancy Agreement with the landlord.

For the year ended 31 December 2015, the rental paid to Dongguan Sintai amounted to approximately US\$1,247,000.

The Independent Non-Executive Directors have reviewed the continuing connected transactions and in their opinion, these transactions were entered into by the Group:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the terms of the agreements governing such transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 17 to 21 of this annual report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor’s letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Related Party Transactions and Continuing Connected Transactions

The related party transactions referred to in note 29 to the financial statements have also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Management Contracts

Except for the connected transactions as stated in this directors’ report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors

Emolument Policy

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence.

The emolument of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, as authorised by shareholders at the annual general meeting.

The Company has adopted the Share Option Scheme as an incentive to eligible employees. Details of the Share Option Scheme is set out on pages 15 to 16.

Directors' Remuneration

The director's fees, basic salaries and other allowances are disclosed in note 9 to the consolidated financial statements.

There were no compensation paid during the financial year or receivable by Directors or past Directors for the loss of office as a Director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments.

Pension Schemes

The pension schemes of the Company and its subsidiaries are primarily in the form of contributions to the China statutory public welfare fund.

Sufficiency of Public Float

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

Purchase, Redemption or Sale of Listed Securities of The Company

During the year ended 31 December 2015, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares '000	Price per share		Aggregate Consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
June	3,388	1.07	1.01	3,568
August	1,236	0.87	0.80	1,039
September	1,840	0.89	0.85	1,601
October	212	0.95	0.92	200
	<u>6,676</u>			<u>6,408</u>

US\$'000

Equivalent to

826

Report of the Directors

The repurchase of the Company's shares during the period was effected by the directors, pursuant to the repurchase mandate granted by shareholders at the annual general meeting of the Company held on 18th June, 2015, with a view to benefiting shareholders as a whole by enhancing the earnings per share of the Group.

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

LITIGATION

Save as the announcement dated 7 April 2016, no member of the Group was engaged in any litigation or claim of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under company laws in the Cayman Islands.

Auditor

A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be submitted at the annual general meeting of the Company.

On behalf of the Board

LAI I-Jen

Chairman

18 March 2016

Corporate Governance Report

Corporate Governance Practices

The Group is committed to ensure high standards of corporate governance in the interest of its shareholders. The Directors also acknowledge that it is their responsibility for preparing the financial statements of the Group for the year ended 31 December 2015.

The Group has adopted the code provisions set out in the Code of Corporate Governance Practices (the "Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has reviewed each code provision set out in the Code and confirmed that the Company has fully complied with the Code during the period.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all the Directors regarding any non-compliance with the Model Code during the period and they all confirmed they have fully complied with the required standard set out in the Model Code.

Board of Directors

For the year ended 31 December 2015, the Board comprised two executive Directors, namely, Mr. Lai I-Jen and Mr. Nagai Michio; two non-executive Directors, namely, Mr. Liao Kuo-Ming and Ms. Wu Shu-Ping; and three independent non-executive Directors, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Wang Yi-Chi. Mr. Lai I-Jen was the Chairman of the Company.

The Board will have four scheduled meetings a year and meet at other times as and when required to review financial and internal control, risk management, company strategy and operating performance of the Group. Board minutes are

kept by the secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors. During the year, four board meetings were held and the attendance of each Director is set out below:

Name of director	Number of Meetings attended
Lai I-Jen (<i>Chairman</i>)	4/4
Nagai Michio (<i>Chief Executive Officer</i>)	4/4
Liao Kuo-Ming	4/4
Wu Shu-Ping	4/4
Chiang Hsiang-Tsai	4/4
Chou Chih-Ming	4/4
Wang Yi-Chi	4/4

The Board is responsible for ensuring that there is a competent executive management which is able to run the Company in a sound and efficient manner. The Board is also responsible for establishing the Company's business strategies and plans from time to time to ensure that the operations of the Company are conducted effectively whilst the chief executive officer and senior management are responsible for strategic planning of the Company's various business units and day-to-day management and operations.

Each executive Director is delegated with individual authority and responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The roles of the chairman of the Board and the chief executive officer are segregated and are not exercised by the same individual. The Company has received, from each independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent. The independent non-executive Directors will provide independent opinion and share their knowledge and experience with the other members of the Board.

Corporate Governance Report

Each of the non-executive Directors, namely, Mr. Liao Kuo-Ming and Ms. Wu Shu-Ping, is appointed for an initial term of one year commencing from 7 June 2013 and 20 December 2005, respectively, subject to re-election at forthcoming annual general meetings in accordance with the Articles of Association of the Company and the relevant letters of appointment.

The Board had conducted appropriate internal control procedures and reviewed risk management strategies and policies of the Company to ensure that the Company runs its business in compliance with all legal and regulatory requirements with prudence and integrity.

Each proposed candidate of director of the Company is provided with presentation and training by the professional legal advisor of the Company prior to appointment to ensure that he/she is fully aware of her/her responsibilities under the Listing Rules and other applicable laws and regulations as director of a listed company in Hong Kong.

During the year, all the directors attended or read the relevant seminars/information regarding the business operation of the Group, overall economic conditions and applicable orders and the Company provided information to directors from time to time to ensure that the directors continue to make contribution to the Board and comply with the requirements of Paragraph A.6.5 of the Code of Corporate Governance Practices in a fully informed and relevant manner.

Remuneration Committee

The Company has established a remuneration committee with written terms of reference as suggested under the code provisions under the Code. The remuneration committee comprises three members, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Wang Yi-Chi, all being independent non-executive Directors. The chairman of the remuneration committee is Mr. Chiang Hsiang-Tsai. The remuneration committee will meet at least twice a year to determine the

remuneration policy for Directors and senior management. During the year, two remuneration committee meetings were held and the attendance of each Director is set out below:

Name of director	Number of Meetings attended
Chiang Hsiang-Tsai	2/2
Chou Chih-Ming	2/2
Wang Yi-Chi	2/2

The principal responsibilities of the remuneration committee include making recommendations to the Board on the remuneration package of the Directors and the senior management to ensure that the remuneration offered is appropriate for the duties and responsibilities assumed and in line with the general market practice.

The work performed by the Remuneration Committee during the year ended 31 December 2015 included determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts.

Remuneration of Directors

Details of the amount of Directors emoluments are set out in note 9 to the financial statements.

Auditors' Remuneration

During the year ended 31 December 2015, the fees paid/payable to the auditor in respect of audit services provided by the auditor to the Group was approximately US\$199,000 and other non-audit services particularly for interim results review and tax compliance which amounted to approximately US\$77,000 and US\$85,000, respectively, for the year under review.

Corporate Governance Report

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the code provisions under the Code. The audit committee ensures adequate supervision of the Company's financial reporting processes, reviews the internal audit program and reports, ensures co-ordination between internal and external auditors, and monitors the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedure approved by the Board. The Audit Committee performed the above duties during the year ended 31 December 2015.

The audit committee comprises three independent non-executive Directors, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Wang Yi-Chi. The chairman of the audit committee is Mr. Chiang Hsiang-Tsai.

During the year, two audit committee meetings were held and the attendance of each Director is set out below:

Name of director	Number of Meetings attended
Chiang Hsiang-Tsai	2/2
Chou Chih-Ming	2/2
Wang Yi-Chi	2/2

The directors acknowledged their responsibility for preparing the financial statements for each financial period which give a true and fair view of the financial affairs of the Group.

The Group's interim results for the six months ended 30 June 2015 and annual results for the year ended 31 December 2015 have been reviewed by the audit committee.

Nomination Committee

The Nomination Committee was established on 16 March 2012. Details of the duties and responsibilities of the Nomination Committee are set out in its terms of reference. The Nomination Committee is established primarily for the purpose of regularly reviewing the structure, size and composition of the Board, and making recommendations to the Board, on nominations and appointment of Directors, and succession planning for Directors.

The nomination committee comprises three independent non-executive Directors, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Wang Yi-Chi. The chairman of the nomination committee is Mr. Chiang Hsiang-Tsai.

During the year, one nomination committee meeting was held and the attendance of each Director is set out below:

Name of director	Number of Meetings attended
Chiang Hsiang-Tsai	1/1
Chou Chih-Ming	1/1
Wang Yi-Chi	1/1

The following is a summary of the work performed by the Nomination Committee during the year:

- reviewed the structure, size and composition of the Board and made recommendation to the Board on the Directors who should retire and make themselves available for re-election and election at the annual general meeting of the Company held on 18 June 2015, pursuant to the Company's Articles of Association; and
- assessed the independence of all independent non-executive Directors.

Corporate Governance Report

Corporate Governance Functions

The Board has delegated the responsibility to the Audit Committee to perform the corporate governance functions of the Company, including the following:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- (e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

INTERNAL CONTROL

The Board is mainly responsible for establishing and maintaining an adequate and effective internal control system to ensure the Group's assets against unauthorized use or disposition, to safeguard the assets of the Group and shareholders' interest and to ensure that proper accounting records are maintained in accordance with the laws and regulations.

During the year, the Company reviewed the internal control system of the Group to assess the effectiveness of the Group's internal control system, which covered the major control procedures

in areas of financial, operations, compliance and risk management, and was satisfied with the effectiveness of the Group's internal control procedures.

At the same time, the Company has formulated the code of commercial ethics to guide the employees' behaviour in a fair and reasonable manner and in good faith across the Group through the code.

Shareholders' Rights

Procedures for calling for an extraordinary general meeting and making recommendation

Pursuant to the Company's Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Making Enquiries or Proposals to the Board

Shareholders who would like to make enquiries or proposals regarding the Company to the Board may send such enquiry or proposals emails to: ir@yorkey-optical.com

Corporate Governance Report

During the year, an annual general meeting (the "2015 AGM") of the Company was held on 18 June 2015. The attendance of each director is shown below:

Name of director	Number of general meetings attended/ held in 2015
Lai I-Jen	1/1
Nagai Michio	1/1
Liao Kuo-Ming	1/1
Wu Shu-Ping	1/1
Chiang Hsiang-Tsai	1/1
Chou Chih-Ming	1/1
Wang Yi-Chi	1/1

During the year, an extraordinary general meeting (the "2015 EGM") of the Company was held on 18 June 2015. The attendance of each director is shown below:

Name of director	Number of extraordinary general meetings attended/ held in 2015
Lai I-Jen	1/1
Nagai Michio	1/1
Liao Kuo-Ming	1/1
Wu Shu-Ping	1/1
Chiang Hsiang-Tsai	1/1
Chou Chih-Ming	1/1
Wang Yi-Chi	1/1

Investor Relations

The Company is committed to maintain high level of transparency in communicating with its shareholders and the investment community at large. The Company provides information in relation to the Company and its business in its annual report which is to be dispatched to shareholders on a timely basis.

All the shareholders of the Company are to be given a 21 days' notice of the date and venue of the Company's Annual General Meeting where the shareholders will have an opportunity to communicate directly with the Board.

Company Secretary

Our company secretary, Mr. Ng Chi-Ching, is a full time employee of the Company. For the year ended 31 December 2015, Mr. Ng confirmed that he had complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Constitutional Documents

There were no changes made to the Company's constitutional documents during the year ended 31 December 2015.

Independent Auditor's Report



TO THE SHAREHOLDERS OF YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yorkey Optical International (Cayman) Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 79, which comprise the consolidated statement of financial position as at 31 December 2015, and 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

		2015	2014
	Notes	US\$'000	US\$'000
Revenue	7	77,553	84,454
Cost of goods sold		(56,847)	(62,745)
Gross profit		20,706	21,709
Other income and gains		2,882	2,057
Distribution costs		(1,207)	(1,277)
Administrative expenses		(12,462)	(13,209)
Research and development expenses		(1,718)	(1,755)
Loss on disposal of available-for-sale investments		(216)	–
Share of results of an associate		(2,959)	(1,967)
Profit before taxation	8	5,026	5,558
Taxation	10	(993)	(462)
Profit for the year		4,033	5,096
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising from translation of financial statements of foreign operations		(2,858)	(774)
– fair value loss on available-for-sale investments		–	(45)
– reclassification adjustment relating to disposal of available-for-sale investments		45	–
Other comprehensive expense for the year		(2,813)	(819)
Total comprehensive income for the year		1,220	4,277
Earnings per share			
– Basic	12	US0.49 cents	US0.62 cents

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
Non-current assets			
Investment properties	13	126	239
Property, plant and equipment	14	12,548	16,334
Prepaid lease payments	15	227	244
Interest in an associate	16	848	5,054
Deposits paid for acquisition of property, plant and equipment		191	275
		13,940	22,146
Current assets			
Inventories	17	4,596	4,571
Trade and other receivables	18	12,945	15,495
Amount due from an associate	19	–	1,053
Amounts due from related companies	20	15	25
Available-for-sale investments	21	–	955
Bank balances and cash	22	123,812	122,568
		141,368	144,667
Current liabilities			
Trade and other payables	23	18,298	19,920
Taxation payable		2,372	1,484
		20,670	21,404
Net current assets		120,698	123,263
Total assets less current liabilities		134,638	145,409
Capital and reserves			
Share capital	24	1,058	1,066
Reserves		133,580	144,343
Total equity		134,638	145,409

The consolidated financial statements on pages 31 to 79 were approved and authorised for issue by the Board of Directors on 18 March 2016 and are signed on its behalf by:

LAI I-JEN
CHAIRMAN

NAGAI MICHIO
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company							
	Share capital US\$'000	Share premium US\$'000	Special reserve US\$'000	Translation reserve US\$'000	Statutory	Investment	Retained profits US\$'000	Total US\$'000
					surplus reserve fund US\$'000	revaluation reserve US\$'000		
At 1 January 2014	1,066	63,800	19,350	9,295	2,525	-	54,169	150,205
Other comprehensive expense for the year	-	-	-	(774)	-	(45)	-	(819)
Profit for the year	-	-	-	-	-	-	5,096	5,096
Total comprehensive (expense) income for the year	-	-	-	(774)	-	(45)	5,096	4,277
Transfers	-	-	-	-	60	-	(60)	-
Dividend recognised as distribution (Note 11)	-	-	-	-	-	-	(9,073)	(9,073)
At 31 December 2014	1,066	63,800	19,350	8,521	2,585	(45)	50,132	145,409
Other comprehensive (expense) income for the year	-	-	-	(2,858)	-	45	-	(2,813)
Profit for the year	-	-	-	-	-	-	4,033	4,033
Total comprehensive (expense) income for the year	-	-	-	(2,858)	-	45	4,033	1,220
Transfers	-	-	-	-	218	-	(218)	-
Dividend recognised as distribution (Note 11)	-	-	-	-	-	-	(11,165)	(11,165)
Treasury shares purchased (Note 24)	(8)	(818)	-	-	-	-	-	(826)
At 31 December 2015	1,058	62,982	19,350	5,663	2,803	-	42,782	134,638

The special reserve represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of share capital of the subsidiaries acquired pursuant to the group reorganisation in 2005.

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the PRC subsidiary of the Company is required to maintain a statutory surplus reserve fund which is non-distributable. Appropriations to such reserve is allocated based on 10% of the profit after taxation of the statutory financial statements of the PRC subsidiary. Pursuant to the relevant laws and regulations in the PRC, appropriation to the statutory surplus reserve is required until the balance reaches 50% of the registered capital. The statutory surplus reserve fund can be used by the PRC subsidiary to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 US\$'000	2014 US\$'000
Operating activities		
Profit before taxation	5,026	5,558
Adjustments for:		
Interest income	(894)	(1,724)
Depreciation on investment properties	107	115
Depreciation on property, plant and equipment	3,751	4,448
Loss on disposal of property, plant and equipment	111	144
Amortisation of land use rights	6	6
Allowance (reversal of allowance) for obsolete inventories	176	(29)
(Reversal of allowance) allowance for bad and doubtful debts	(133)	284
Loss on disposal of available-for-sale investments	216	–
Share of results of an associate	2,959	1,967
Operating cash flows before movements in working capital	11,325	10,769
(Increase) decrease in inventories	(409)	1,116
Decrease in trade and other receivables	2,619	2,538
Decrease (increase) in amount due from an associate	1,053	(1,053)
Decrease in amounts due from related companies	9	8
Decrease in trade and other payables	(1,004)	(914)
Cash from operations	13,593	12,464
PRC income tax paid	(68)	(269)
Net cash from operating activities	13,525	12,195
Investing activities		
Interest received	894	1,724
Proceeds from disposal of available-for-sale investments	784	1,000
Purchase of property, plant and equipment	(433)	(703)
Deposits paid for acquisition of property, plant and equipment	(180)	(217)
Proceeds from disposal of property, plant and equipment	–	33
Purchase of available-for-sale investments	–	(1,000)
Net cash from investing activities	1,065	837
Cash used in financing activities		
Dividends paid	(11,165)	(9,073)
Shares repurchased	(826)	–
Net cash used in financing activities	(11,991)	(9,073)
Net increase in cash and cash equivalents	2,599	3,959
Cash and cash equivalents at 1 January	122,568	118,974
Effect of foreign exchange rate changes	(1,355)	(365)
Cash and cash equivalents at 31 December	123,812	122,568
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	123,812	122,568

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL

The Company is incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 30. A major shareholder of the Company is Asia Optical Co., Inc. which holds approximately 27.6% of the issued shares of the Company as at 31 December 2015. In the opinion of the directors, Asia Optical Co., Inc. is the ultimate holding company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in United States dollars ("US\$"), which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ³
Amendments to HKAS 27	Equity method in separate financial statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 “Financial instruments” (continued)

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 9 “Financial instruments” (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company do not anticipate that the adoption of HKFRS 9 in the future will have a significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- 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 entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 15 “Revenue from contracts with customers” (continued)

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 “Clarification of acceptable methods of depreciation and amortisation”

The amendments to HKAS 16 “Property, plant and equipment” prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 “Intangible assets” introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment and prepaid lease payments, respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group’s consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”

The amendments to HKFRS 10 “Consolidated financial statements” and HKAS 28 “Investments in associates and joint ventures” deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Amendments to HKFRS 10 and HKAS 28 “Sale or contribution of assets between an investor and its associate or joint venture” (continued)

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group’s consolidated financial statements in future periods should such transactions arise.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material impact on the results and financial positions of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments that are measured at fair values at the end of the reporting period.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. In estimating the fair value of an asset or a liability, 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal 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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

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 over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The requirements of HKAS 39 “Financial instruments: Recognition and measurement” are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 “Impairment of assets” 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 forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income, including rentals invoiced in advance, from investment properties let under operating leases is recognised on a straight-line basis over the period of the respective leases.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

For leasehold land and buildings in Hong Kong, where the cost of leasehold land cannot be reliably separated from the cost of leasehold land and buildings, the cost of leasehold land and buildings is depreciated over the lease term of 50 years, using the straight-line method.

The cost of buildings in the PRC is depreciated over 20 years, using the straight-line method.

The cost of leasehold improvements is depreciated on a straight-line basis over the period of the respective leases or 5 years, whichever is shorter.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of other items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	10%

The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, amount due from an associate, amounts due from related companies and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives, assets that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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 the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset 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 and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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 group 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 the 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 a 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised at the rates of exchange 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. United States dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

Retirement benefits costs

Payments to defined contribution retirement benefits plans or state-managed retirement benefits schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements (continued)

Equity-settled share-based payment transactions (continued)

For share options that vest immediately at the grant date, the fair value of the share options granted is recognised immediately in profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

4. 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 impairment on interest in an associate

In determining whether there is an impairment loss, the Group takes into consideration the estimated future cash flows to be generated by the associate. The amount of the impairment loss is measured as the difference between the carrying amount of the interest in an associate and the share of the present value of estimated future cash flows expected to be generated by the associate. As at 31 December 2015, the carrying amount of the interest in an associate is US\$848,000 (2014: US\$5,054,000). For the purpose of impairment testing, the recoverable amount of the associate has been determined based on a value in use calculation. In determining the value in use of the investment, the Group estimated its share of the present value of the estimated future cash flows expected to be generated from the investment in the associate, comprising the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment. No impairment on interest in an associate is required as the management expected that the present value of estimated future cash flows of the associate would exceed its carrying amount. Where the actual future cash flows are less than expected, an impairment loss may arise.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivables is US\$12,376,000 (net of allowance for doubtful debts of US\$238,000) (2014: carrying amount of US\$14,769,000, net of allowance for doubtful debts of US\$371,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 its owners.

The capital structure of the Group consists primarily of equity attributable to owners of the Company, comprising issued share capital and reserves, including retained profits.

At the end of the reporting period, no external debts are raised by the Group.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs of the Company. The Group's overall strategy remains unchanged from the prior year.

6. FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade receivables, amount due from an associate, amounts due from related companies, bank balances and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

Categories of financial instruments

	2015 US\$'000	2014 US\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	136,203	138,475
Available-for-sale investments	–	955
Financial liabilities		
Amortised cost	12,254	14,452

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (continued)

Credit risk

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 Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts estimated by the Group's management based on prior experience and their assessment of the current economic environment. In order to minimise the credit risk, the management of the Group continuously monitors to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group has concentration of credit risk as 13% (2014: 11%) and 44% (2014: 44%) of the total trade receivables are due from the Group's largest customer and the five largest customers, respectively. In addition, the Group has concentration of credit risk by geographical location as 49% (2014: 43%) and 43% (2014: 41%) of the total trade receivables are due from customers located in Japan and the PRC, respectively.

Market risk

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The Group has certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. Approximately 16% (2014: 20%) of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale whilst all costs are denominated in the group entities' functional currency. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in respective notes. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. However, the management monitors 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 2015

6. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign currency risk (continued)

The Group is mainly exposed to currency of Hong Kong dollars and Japanese Yen. The following table details the Group's sensitivity to a 10% increase and decrease in United States dollars against Japanese Yen. Since Hong Kong dollars is pegged to United States dollars, the management considers that the exchange rate fluctuation between Hong Kong dollars and United States dollars is not significant and therefore has not been included in the sensitivity analysis. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity rate used is the rate when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes trade and other receivables, trade and other payables and bank balances. The number below indicates an increase in profit for the year where United States dollars strengthens against Japanese Yen. If United States dollars weakens against Japanese Yen, there would be an equal and opposite impact on the profit.

	2015 US\$'000	2014 US\$'000
Japanese Yen	50	121

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on variable-rate interest bearing financial assets, mainly bank balances at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances at the end of the reporting period. The analysis is prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase/decrease by US\$619,000 (2014: increase/decrease by US\$613,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (continued)

Price risk

The Group is not exposed to any significant price risk as at 31 December 2015. Its available-for-sale investments as at 31 December 2014 were measured at fair value. Therefore, the Group was exposed to price risk as at 31 December 2014. The management managed this exposure by monitoring the investment portfolios.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risk of the available-for-sale investments as at 31 December 2014 while all other variables were held constant. If the prices of the available-for-sale investments had been 5% higher/lower, the investment revaluation reserve would increase/decrease by US\$48,000 as a result of the changes in fair value of the available-for-sale investments.

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by monitoring and maintaining 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.

The following table details the Group's remaining contractual maturity for its financial liabilities at the end of the reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes principal cash flows only as the financial liabilities are non interest-bearing.

	Repayable on demand or less than 3 months US\$'000	Total undiscounted cash flows US\$'000	Carrying amount US\$'000
At 31 December 2015			
Financial liabilities			
Trade and other payables	12,254	12,254	12,254
At 31 December 2014			
Financial liabilities			
Trade and other payables	14,452	14,452	14,452

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of the financial assets.

The Group's available-for-sale investments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of the financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31.12.2015 US\$'000	31.12.2014 US\$'000		
Available-for-sale investments	–	955	Level 2	The fair value was determined based on the price that the counterparty financial institution would pay to redeem the units.

There were no transfers between Level 1 and 2 in both years.

7. REVENUE AND OPERATING SEGMENT

Revenue

Revenue represents the fair value of the consideration received or receivable for goods sold by the Group to outside customers during the year.

Operating segment

The chief executive officer, being the chief operating decision maker of the Group, regularly reviews revenue analysis of the components of optical and opto-electronic products and considers them as one single operating segment on an aggregate basis. Other than revenue analysis, no operating results and other discrete financial information are available for the assessment of performance of the respective business divisions. For these reasons, no separate segment information is presented.

The chief executive officer reviews the profit for the year of the Group as a whole to make decisions about performance assessment and resource allocation. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information is prepared.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. REVENUE AND OPERATING SEGMENT (continued)

Other segment information

Geographical information

The Group's operations are located in the PRC (country of domicile).

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Japan	38,784	42,468	–	–
PRC	33,492	35,864	13,092	17,092
Others	5,277	6,122	–	–
	77,553	84,454	13,092	17,092

Information about major customers

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

	2015 US\$'000	2014 US\$'000
Customer A	10,810	10,988
Customer B	10,523	14,977

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2015 US\$'000	2014 US\$'000
Components of optical and opto-electronic products		
– cameras, action cameras and copiers	59,584	62,919
– others	17,969	21,535
	77,553	84,454

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8. PROFIT BEFORE TAXATION

	2015 US\$'000	2014 US\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (<i>note 9</i>)	246	261
Staff's retirement benefits scheme contributions	2,002	1,156
Other staff costs	21,512	22,155
	23,760	23,572
Less: Staff costs included in research and development expenses	(523)	(498)
	23,237	23,074
Depreciation on property, plant and equipment	3,751	4,448
Less: Depreciation included in research and development expenses	(71)	(88)
	3,680	4,360
Allowance (reversal of allowance) for obsolete inventories included in cost of goods sold	176	(29)
Amortisation of land use rights	6	6
Auditor's remuneration	276	273
Cost of inventories recognised as expense	56,847	62,745
Depreciation on investment properties	107	109
Exchange (gain) loss, net	(1,555)	704
Loss on disposal of available-for-sale investments	216	–
Loss on disposal of property, plant and equipment	111	144
Operating lease rentals in respect of		
– motor vehicles	219	212
– rented premises	1,319	1,229
(Reversal of allowance) allowance for bad and doubtful debts	(133)	284
and after crediting:		
Interest income (included in other income and gains)	894	1,724
Property rental income before deduction of negligible outgoings	244	305

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For the year ended 31 December 2015

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to the directors and the chief executive are as follows:

	2015			2014		
	Fees	Salaries and other benefits	Total	Fees	Salaries and other benefits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Executive directors						
Mr. Lai I-Jen	15	–	15	15	–	15
Mr. Nagai Michio (<i>note</i>)	15	141	156	15	156	171
Non-executive directors						
Mr. Liao Kuo-Ming	15	–	15	15	–	15
Ms. Wu Shu-Ping	15	–	15	15	–	15
Independent non-executive directors						
Mr. Chiang Hsiang-Tsai	15	–	15	15	–	15
Mr. Chou Chih-Ming	15	–	15	15	–	15
Mr. Wang Yi-Chi	15	–	15	15	–	15
	105	141	246	105	156	261

Note: Mr. Nagai Michio acts as the Chief Executive of the Company. The remuneration of Mr. Nagai Michio as the Chief Executive of the Company was JPY12,000,000 and HK\$325,634 (approximately equivalent to US\$141,000 in total) (2014: JPY12,000,000 and HK\$325,936 (approximately equivalent to US\$156,000)) for the year ended 31 December 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

The five highest paid individuals of the Group included one (2014: one) director, whose emoluments are disclosed above. The emoluments of the remaining four (2014: four) individuals in the Group were as follows:

	2015 US\$'000	2014 US\$'000
Employees		
– basic salaries and allowances	176	163
– retirement benefits scheme contributions	4	3
	180	166

There is no performance related incentive payment to the four (2014: four) highest paid individuals during the year. The emoluments of each of these highest paid individuals is less than HK\$1,000,000 (equivalent to US\$129,000).

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

10. TAXATION

	2015 US\$'000	2014 US\$'000
The tax (charge) credit comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the year	(995)	(492)
Overprovision in prior years	2	30
	(993)	(462)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's profit neither arises in nor is derived from Hong Kong during both years.

Notes to the Consolidated Financial Statements

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10. TAXATION (continued)

Tax charge for the year is reconciled to profit before taxation as follows:

	2015 US\$'000	2014 US\$'000
Profit before taxation	5,026	5,558
Tax at the applicable income tax rate of 25% (2014: 25%)	(1,257)	(1,390)
Tax effect of share of results of an associate	(740)	(492)
Tax effect of expenses not deductible for tax purposes	(425)	(284)
Tax effect of income not taxable for tax purposes	50	195
Tax effect of different tax rates applied to certain subsidiaries regarded as foreign enterprises in the PRC	1,377	1,479
Overprovision in prior years	2	30
Tax charge for the year	(993)	(462)

11. DIVIDENDS

	2015 US\$'000	2014 US\$'000
Dividends recognised as distribution during the year		
– Interim dividend for 2015 of HK3.5 cents (equivalent to US0.451 cents) (2014: HK3.5 cents; equivalent to US0.451 cents) per share	3,722	3,735
– Final dividend of 2014 of HK3.5 cents (equivalent to US0.451 cents) per share (2014: final dividend for 2013 of HK2.5 cents; equivalent to US0.322 cents per share)	3,735	2,669
– Special dividend for 2014 of HK3.5 cents (equivalent to US0.451 cents) (2014: special dividend for 2013 of HK2.5 cents; equivalent to US0.322 cents) per share	3,735	2,669
Cancellation upon repurchase of shares	(27)	–
	11,165	9,073
Dividends proposed		
– Final dividend for 2015 of HK3.5 cents (equivalent to US0.451 cents) (2014: final dividend for 2014 of HK3.5 cents; equivalent to US0.451 cents) per share	3,708	3,735
– Special dividend for 2015 of HK10 cents (equivalent to US1.29 cents) (2014: special dividend for 2014 of HK3.5 cents; equivalent to US0.451 cents) per share	10,594	3,735
	14,302	7,470

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11. DIVIDENDS (continued)

A final dividend of HK3.5 cents (2014: HK3.5 cents) per share and a special dividend of HK10 cents (2014: HK3.5 cents) per share have been proposed by the directors for the year and are subject to approval by the shareholders in the forthcoming annual general meeting. They are calculated on the basis of 821,102,000 shares (2014: 827,778,000 shares) in issue at the date of issuance of these consolidated financial statements.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profit for the year attributable to owners of the Company of US\$4,033,000 (2014: US\$5,096,000) and on the weighted average number of 823,703,907 shares (2014: 827,778,000 shares) in issue during the year.

No diluted earnings per share is presented as there were no dilutive potential ordinary shares during both years.

13. INVESTMENT PROPERTIES

	2015 US\$'000	2014 US\$'000
COST		
At 1 January	1,710	1,772
Currency realignment	(73)	(62)
At 31 December	1,637	1,710
DEPRECIATION		
At 1 January	1,471	1,417
Currency realignment	(67)	(61)
Provided for the year	107	115
At 31 December	1,511	1,471
CARRYING VALUE		
At 31 December	126	239

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For the year ended 31 December 2015

13. INVESTMENT PROPERTIES (continued)

The carrying amount of the Group's investment properties comprises:

	2015 US\$'000	2014 US\$'000
Leasehold land and buildings in Hong Kong	46	50
Buildings in the PRC	80	189
	126	239

The fair value of the Group's investment properties, including leasehold land portion, at the end of the reporting period was US\$1,697,000 (2014: US\$1,649,000). The fair value has been arrived at based on a valuation at the end of the reporting period, determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was carried out with reference to recent market prices for similar properties in similar locations and conditions. There has been no change from the valuation techniques used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

All the Group's investment properties are held for rental purposes under operating leases.

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings US\$'000	Furniture, fixtures and equipment US\$'000	Leasehold improvements US\$'000	Motor vehicles US\$'000	Plant and machinery US\$'000	Total US\$'000
At 1 January 2014	6,929	13,059	2,702	412	61,698	84,800
Currency realignment	(150)	(319)	(71)	(10)	(1,503)	(2,053)
Additions	–	157	580	–	79	816
Disposals	–	(151)	–	(2)	(1,391)	(1,544)
At 31 December 2014	6,779	12,746	3,211	400	58,883	82,019
Currency realignment	(293)	(544)	(152)	(18)	(2,614)	(3,621)
Additions	–	152	283	–	257	692
Disposals	–	(704)	–	–	(200)	(904)
At 31 December 2015	6,486	11,650	3,342	382	56,326	78,186
DEPRECIATION						
At 1 January 2014	4,356	11,452	2,612	400	45,360	64,180
Currency realignment	(89)	(285)	(65)	(9)	(1,130)	(1,578)
Provided for the year	327	625	125	9	3,362	4,448
Eliminated on disposals	–	(136)	–	–	(1,229)	(1,365)
At 31 December 2014	4,594	11,656	2,672	400	46,363	65,685
Currency realignment	(209)	(507)	(125)	(18)	(2,146)	(3,005)
Provided for the year	320	426	188	–	2,817	3,751
Eliminated on disposals	–	(633)	–	–	(160)	(793)
At 31 December 2015	4,705	10,942	2,735	382	46,874	65,638
CARRYING VALUES						
At 31 December 2015	1,781	708	607	–	9,452	12,548
At 31 December 2014	2,185	1,090	539	–	12,520	16,334

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	2015 US\$'000	2014 US\$'000
The carrying amount of the Group's property interests comprises:		
Leasehold land and buildings in Hong Kong	100	108
Buildings in the PRC	1,681	2,077
	1,781	2,185

15. PREPAID LEASE PAYMENTS

	2015 US\$'000	2014 US\$'000
CARRYING VALUE		
At 1 January	244	257
Currency realignment	(11)	(7)
Charged to profit or loss	(6)	(6)
At 31 December	227	244

Prepaid lease payments represent prepayment of rentals for land use rights situated in the PRC for a period of 50 years.

16. INTEREST IN AN ASSOCIATE

	2015 US\$'000	2014 US\$'000
Cost of investment, unlisted	13,893	13,893
Share of post-acquisition losses	(8,890)	(5,931)
Currency realignment	(4,155)	(2,908)
	848	5,054

The Group contributed 49% of the registered capital of Pioneer Yorkey do Brasil Ltda. ("PYBL"), which is established in Brasil and is engaged principally in the manufacture and sale of components for digital still cameras and related components for automobiles.

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16. INTEREST IN AN ASSOCIATE (continued)

The Group is able to exercise significant influence over PYBL because it has the power to appoint one out of the three directors of PYBL under the provisions stated in the Articles of Association of PYBL.

The summarised financial information below represents amounts shown in PYBL's financial statements prepared in accordance with HKFRSs. PYBL is accounted for using the equity method in these consolidated financial statements.

	At 31 December	
	2015	2014
	US\$'000	US\$'000
Current assets	7,272	19,038
Non-current assets	9,075	16,543
Current liabilities	(5,928)	(18,670)
Non-current liabilities	(8,689)	(6,597)

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Revenue	11,562	20,645
Loss for the year	(6,039)	(4,014)
Other comprehensive (expense) income for the year	(2,545)	227
Total comprehensive expense for the year	(8,584)	(3,787)
Dividends received or receivable from the associate during the year	–	–

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

	At 31 December	
	2015	2014
	US\$'000	US\$'000
Net assets	1,730	10,314
Group's 49% share of net assets of an associate	848	5,054

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17. INVENTORIES

	2015 US\$'000	2014 US\$'000
Raw materials	1,933	2,200
Work in progress	1,161	917
Finished goods	1,502	1,454
	4,596	4,571

18. TRADE AND OTHER RECEIVABLES

	2015 US\$'000	2014 US\$'000
Trade receivables		
– companies controlled by shareholders of the Company which have significant influence over the Company	989	3,358
– others	11,625	11,782
	12,614	15,140
Less: Allowance for doubtful debts	(238)	(371)
	12,376	14,769
Other receivables	569	726
	12,945	15,495

Payment terms with customers are mainly on credit. Invoices to outside customers are normally payable within 60 days to 120 days of issuance, while invoices to long-established customers are normally payable within one year.

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18. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015 US\$'000	2014 US\$'000
Age		
0 to 60 days	9,522	11,048
61 to 90 days	1,895	3,245
91 to 120 days	711	379
121 to 180 days	127	40
181 to 365 days	121	57
	12,376	14,769

Before accepting any new customers, the Group will appoint a special team to monitor the potential customer's credit quality and define credit limits by customer. More than 98% of the trade receivables are neither past due nor impaired.

Included in the Group's trade receivables balance at the end of the reporting period are debtors with aggregate carrying amount of US\$248,000 (2014: US\$97,000) which are past due at the reporting date for which the Group had not provided for impairment loss as there is no adverse change in the credit standing of the debtors from the date when credit was initially granted. The Group does not hold any collateral over these balances. The average age of these receivables is 210 days (2014: 222 days).

Aging of trade receivables based on the invoice date which are past due but not impaired is as follows:

	2015 US\$'000	2014 US\$'000
Overdue by 1 to 60 days	127	40
Overdue by 61 to 245 days	121	57
	248	97

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For the year ended 31 December 2015

18. TRADE AND OTHER RECEIVABLES (continued)

No interest is charged on trade receivables. The Group has made full allowances on all the receivables overdue for 365 days based on historical experience as such receivables are generally not recoverable. Allowances on trade receivables between 121 days and 365 days are made based on estimated irrecoverable amounts from the sales of goods with reference to past default experience.

Movement in the allowance for doubtful debts is as follows:

	2015 US\$'000	2014 US\$'000
At 1 January	371	88
Currency realignment	–	(1)
Impairment losses recognised on receivables	–	307
Impairment losses reversed	(133)	(23)
At 31 December	238	371

Included in trade and other receivables are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2015 US\$'000	2014 US\$'000
Japanese Yen	66	286
Hong Kong dollars	682	1,117

19. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate was unsecured, interest-free and repayable on demand.

20. AMOUNTS DUE FROM RELATED COMPANIES

The amounts are due from companies controlled by shareholders of the Company which have significant influence over the Company. The amounts are unsecured and interest-free. The age of these receivables are within 60 days (2014: within 60 days).

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For the year ended 31 December 2015

21. AVAILABLE-FOR-SALE INVESTMENTS

	2015 US\$'000	2014 US\$'000
Unlisted securities: – unlisted funds	–	955

The investments as at 31 December 2014 represented a number of units of unlisted funds which mainly invested in debt securities and had no obligation to pay interest. They were measured at fair value as at 31 December 2014.

22. BANK BALANCES AND CASH AND ANALYSIS OF CASH AND CASH EQUIVALENTS

The bank deposits carry interest at prevailing market rates ranging from 0.25% to 0.84% (2014: 0.25% to 3.24%) per annum. The bank deposits are with original maturity of not more than three months.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2015 US\$'000	2014 US\$'000
Japanese Yen	397	907
Hong Kong dollars	4,035	4,147

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23. TRADE AND OTHER PAYABLES

	2015 US\$'000	2014 US\$'000
Trade payables		
– companies controlled by shareholders of the Company which have significant influence over the Company	1,334	884
– others	10,920	13,526
	12,254	14,410
Payables for purchase of property, plant and equipment	–	42
Payroll and welfare payables	2,023	2,350
Other payables and accruals (including accruals for rental expense payable to a related company amounting to US\$199,000 (2014: US\$106,000) and payables for purchase on behalf of an associate amounting to nil (2014: US\$1,053,000))	4,021	3,118
	18,298	19,920

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2015 US\$'000	2014 US\$'000
Age		
0 to 60 days	8,411	9,874
61 to 90 days	2,033	2,665
91 to 180 days	1,637	1,844
181 to 365 days	173	27
	12,254	14,410

The average credit period on purchases of goods is 60 days.

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23. TRADE AND OTHER PAYABLES (continued)

Included in trade and other payables are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2015 US\$'000	2014 US\$'000
Japanese Yen	38	21
Hong Kong dollars	106	947

24. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each At 1 January 2014 and 31 December 2014	1,000,000	10,000	827,778	8,278
Share repurchased and cancelled during the year	–	–	(6,676)	(67)
At 31 December 2015	1,000,000	10,000	821,102	8,211

	US\$'000
Shown in the consolidated statement of financial position At 31 December 2015	1,058
At 31 December 2014	1,066

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24. SHARE CAPITAL (continued)

During the year ended 31 December 2015, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
June	3,388	1.07	1.01	3,568
August	1,236	0.87	0.80	1,039
September	1,840	0.89	0.85	1,601
October	212	0.95	0.92	200
	6,676			6,408
				US\$'000
Equivalent to				826

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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25. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 18 January 2006 for the primary purpose of providing incentives to and recognising significant contributions from directors and eligible employees, and shall expire on 17 January 2016. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services to the Company and for the purpose of rewarding their contribution to the long-term success of the Group by providing the opportunity to obtain ownership interest in the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the date of listing of shares on the Stock Exchange which represents 80,000,000 shares (excluding the over-allotment portion), without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not in aggregate exceed 30% of the shares in issue from time to time. No option may be granted under the Scheme and any other share option scheme of the Company if such limit is exceeded. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue or with an aggregate value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 14 days of the date of grant, upon payment in total of HK\$1. Options may be exercised at any time immediately from the date of grant of the share option and during the period in which notified by the board of directors at the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Up to 31 December 2015, no options were granted to directors, eligible employees or other outside third parties under the Scheme.

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26. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Motor vehicles		Rented premises	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Within one year	118	145	1,075	1,314
In the second to fifth year inclusive	15	28	2,150	–
	133	173	3,225	1,314

The leases are negotiated for an average term of 3 years (2014: 2 years) and rentals are fixed over the contracted lease terms.

The Group as lessor

At the end of the reporting period, the Group has contracted with tenants for future minimum lease payments in respect of investment properties which fall due as follows:

	2015 US\$'000	2014 US\$'000
Within one year	185	301
In the second to fifth year inclusive	369	–
	554	301

The investment properties held have committed tenants for periods of an average lease term of 3 years (2014: 1 year).

27. CAPITAL COMMITMENTS

	2015 US\$'000	2014 US\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	9	194

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28. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each of the employees make monthly mandatory contributions to the scheme.

The employees employed in the PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

No forfeited contributions are available to reduce the contribution payable in future years.

29. RELATED PARTY TRANSACTIONS

Other than the amounts due from/to related companies as disclosed in notes 18, 20 and 23, the Group has the following significant transactions with related parties during the year:

Nature of transactions	2015 US\$'000	2014 US\$'000
Sales of goods	8,699	11,657
Purchases of raw materials	222	438
Property rental income	244	305
Processing charges paid	4,310	2,340
Rental paid	1,247	1,242

The Company's directors represent the Group's key management and their emoluments for the year are set out in note 9.

Notes to the Consolidated Financial Statements

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30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries, all of which are wholly-owned by the Company, at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Country of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Principal activities
<i>Directly held:</i>			
Yorkey Optical Technology Limited	Samoa/PRC	US\$550,001	Investment and property holding and trading of plastic and metallic parts and components of optical and opto-electronic products
<i>Indirectly held:</i>			
Click Away Services Limited	British Virgin Islands/ PRC	US\$1	Provision of technical training and after-sales services
東莞精熙光機有限公司 (Dongguan Yorkey Optical Machinery Components Ltd.)	PRC, wholly foreign owned enterprise established for a term of 30 years commencing 11 December 1995	US\$20,680,000	Manufacture and sales of plastic and metallic parts and components of optical and opto-electronic products

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

Financial Summary

	Year ended 31 December				
	2011 US\$'000	2012 US\$'000	2013 US\$'000	2014 US\$'000	2015 US\$'000
RESULTS					
Revenue	122,092	92,766	84,288	84,454	77,553
Profit (loss) before taxation	7,531	(136)	3,257	5,558	5,026
Taxation	(846)	196	(691)	(462)	(993)
Profit for the year	6,685	60	2,566	5,096	4,033
	At 31 December				
	2011 US\$'000	2012 US\$'000	2013 US\$'000	2014 US\$'000	2015 US\$'000
ASSETS AND LIABILITIES					
Total assets	191,511	175,164	172,112	166,813	155,308
Total liabilities	(28,890)	(22,557)	(21,907)	(21,404)	(20,670)
Net assets	162,621	152,607	150,205	145,409	134,638