

YORKEY

YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
精熙國際(開曼)有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2788

Interim Report 2007



Yorkey Optical

* For identification purpose only

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CORPORATE INFORMATION

Executive Directors

Cheng Wen-Tao
Liao Kuo-Ming

Non-Executive Directors

Lai I-Jen
Wu Shu-Ping

Independent Non-Executive Directors

Chiang Hsiang-Tsai
Chou Chih-Ming
Lai Chung-Hsiung

Company Secretary and Qualified Accountant

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

Registered Office

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

Compliance Advisor

SinoPac Securities (Asia) Limited

Principal Bankers

The Hong Kong and Shanghai Banking Corporation Ltd.
Bank SinoPac
Ta Chong Bank Ltd.
China Construction Bank
Industrial and Commercial Bank of China
Guangdong Development Bank

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Ltd.
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

2788



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 15 which comprises the condensed consolidated balance sheet of Yorkey Optical International (Cayman) Ltd. as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
21st August, 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

	<i>Notes</i>	1.1.2007 to 30.6.2007 US\$'000 (unaudited)	1.1.2006 to 30.6.2006 US\$'000 (unaudited)
Turnover		54,197	34,530
Cost of goods sold		(35,495)	(21,227)
Gross profit		18,702	13,303
Other income		2,821	2,826
Distribution costs		(600)	(461)
Administrative expenses		(7,468)	(5,057)
Profit before taxation		13,455	10,611
Taxation	6	(746)	(240)
Profit for the period		12,709	10,371
Dividends recognised as distribution during the period:			
Final dividend for 2006 of US1.58 cents per share		13,088	–
Special interim dividend for 2006 of US0.60 cents per share		–	5,001
		13,088	5,001
Dividend proposed:			
Proposed interim dividend for 2007 of US0.6 cents per share	7	5,001	–
Earnings per share			
– Basic	8	US1.53 cents	US1.32 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	<i>Notes</i>	30.6.2007 US\$'000 (unaudited)	31.12.2006 <i>US\$'000</i> (audited)
Non-current assets			
Investment properties		776	798
Property, plant and equipment	9	29,642	27,918
Land use rights		245	241
Deposits made on acquisition of property, plant and equipment		257	203
Deferred taxation		1,172	1,232
		32,092	30,392
Current assets			
Inventories		6,659	4,502
Trade and other receivables	10	29,965	21,192
Amounts due from related companies		129	474
Amounts due from shareholders		95	95
Taxation recoverable		–	93
Bank balances and cash		120,910	125,052
		157,758	151,408
Current liabilities			
Trade and other payables	11	22,821	15,622
Taxation payable		1,278	859
		24,099	16,481
Net current assets		133,659	134,927
Net assets		165,751	165,319
Capital and reserves			
Share capital		1,069	1,069
Reserves		164,682	164,250
Total equity		165,751	165,319

The condensed consolidated financial statements on pages 5 to 15 were approved and authorised for issue by the Board of Directors on 21st August, 2007 and are signed on its behalf by:

LIAO KUO-MING
CHAIRMAN

CHENG WEN-TAO
CHIEF EXECUTIVE OFFICER

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	Attributable to equity holders of the Company						
	Share capital US\$'000	Share premium US\$'000	Special reserve US\$'000	Translation reserve US\$'000	Statutory surplus reserve fund US\$'000	Retained profits US\$'000	Total US\$'000
At 1st January, 2006	67	-	19,350	1,264	1,315	59,067	81,063
Exchange differences arising on translation of financial statements of foreign operations recognised directly in equity	-	-	-	502	-	-	502
Profit for the period	-	-	-	-	-	10,371	10,371
Total recognised income for the period	-	-	-	502	-	10,371	10,873
Issue of shares	1,002	66,909	-	-	-	-	67,911
Expenses incurred in connection with the issue of shares	-	(2,508)	-	-	-	-	(2,508)
Special dividend recognised as distribution	-	-	-	-	-	(5,001)	(5,001)
	1,002	64,401	-	-	-	(5,001)	60,402
At 30th June, 2006	1,069	64,401	19,350	1,766	1,315	64,437	152,338
At 1st January, 2007	1,069	64,401	19,350	2,462	2,276	75,761	165,319
Exchange differences arising on translation of financial statements of foreign operations recognised directly in equity	-	-	-	811	-	-	811
Profit for the period	-	-	-	-	-	12,709	12,709
Total recognised income for the period	-	-	-	811	-	12,709	13,520
Dividend recognised as distribution	-	-	-	-	-	(13,088)	(13,088)
At 30th June, 2007	1,069	64,401	19,350	3,273	2,276	75,382	165,751

The special reserve represents the differences 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. Appropriation to such reserve is made out of profit after taxation of the statutory financial statements of the PRC subsidiary while the amount and allocation basis are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	1.1.2007 to 30.6.2007 US\$'000 (unaudited)	1.1.2006 to 30.6.2006 <i>US\$'000</i> (unaudited)
Net cash from operating activities	9,291	10,329
Net cash (used in) from investing activities	(305)	753
Financing activities		
– dividend paid	(13,088)	–
– issue of shares by way of placing and public offer	–	65,403
Net cash (used in) from financing activities	(13,088)	65,403
Net (decrease) increase in cash and cash equivalents	(4,102)	76,485
Cash and cash equivalents at 1st January	125,052	43,610
Effect of foreign exchange rate changes	(40)	248
Cash and cash equivalents at 30th June	120,910	120,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10th February, 2006.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied, for the first time, a new Standard, Amendment and Interpretations ("INT"s) (new "HKFRS"s) issued by the HKICPA, which are effective for accounting periods beginning 1st January, 2007. The adoption of these new HKFRSs has had no material effect on the results or financial position for the current and prior accounting periods. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new Standards and INTs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or INTs will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions ²
HK(IFRIC) – INT 12	Service concession arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st March, 2007.

³ Effective for annual periods beginning on or after 1st January, 2008.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segment

The Group's operation is regarded as a single segment, being an enterprise engaged in the manufacture and sales of plastic and metallic parts and components of optical and opto-electronic products.

Geographical segment

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 90% of which are generated from or situated in Mainland China (the "PRC").

5. DEPRECIATION

During the period, depreciation of US\$2,296,000 (US\$1,827,000 for the six months ended 30th June, 2006) was charged to the condensed consolidated income statement in respect of the Group's property, plant and equipment.

6. TAXATION

	1.1.2007 to 30.6.2007 US\$'000 (unaudited)	1.1.2006 to 30.6.2006 US\$'000 (unaudited)
The charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	(652)	(280)
Deferred taxation (charge) credit	(94)	40
	(746)	(240)

The PRC subsidiary is entitled to 50% relief from PRC income tax pursuant to relevant PRC laws and regulations as it is classified as an export enterprise.

No provision for Hong Kong Profits Tax has been made in the interim financial statements as the Group's profits neither arises in nor derived from Hong Kong during the period.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for the PRC subsidiary of the Group commencing 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised.

7. DIVIDEND

On 21st August, 2007, the Directors declared an interim dividend for the six months ended 30th June, 2007 of HK\$0.047 (approximately US0.6 cents) per share based on 830,000,000 shares in issue as at the date of this report.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30th June, 2007 is based on the consolidated profit for the period attributable to equity holders of the Company of US\$12,709,000 (US\$10,371,000 for the six months ended 30th June, 2006) and on the weighted average number of 830,000,000 (784,696,133 for the six months ended 30th June, 2006) shares in issue during the period.

No diluted earnings per share is presented as there were no potential dilutive shares during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately US\$3,255,000 (US\$1,782,000 for the six months ended 30th June, 2006) on property, plant and equipment to expand its existing manufacturing capacity.

10. TRADE AND OTHER RECEIVABLES

	30.6.2007 <i>US\$'000</i> (unaudited)	31.12.2006 <i>US\$'000</i> (audited)
Trade receivables		
– related companies in which certain directors of the Company have beneficial interests	2,283	1,913
– others	25,506	19,101
	27,789	21,014
Other receivables	2,176	178
	29,965	21,192

Payment terms with customers are mainly on credit together with deposits. Invoices to outside customers are normally payable within 60 to 120 days of issuance, while invoices to long-established customers are normally payable within one year. The following is an aged analysis of trade receivables at the balance sheet date:

	30.6.2007 <i>US\$'000</i> (unaudited)	31.12.2006 <i>US\$'000</i> (audited)
Age		
0 to 60 days	18,902	15,051
61 to 90 days	5,457	4,157
91 to 180 days	1,990	1,561
Over 181 days	1,440	245
	27,789	21,014

11. TRADE AND OTHER PAYABLES

	30.6.2007 <i>US\$'000</i> (unaudited)	31.12.2006 <i>US\$'000</i> (audited)
Trade payables		
– related companies in which certain directors of the Company have beneficial interests	176	30
– others	17,010	10,797
	17,186	10,827
Balance of consideration payable for purchase of property, plant and equipment	2,145	1,824
Payroll and welfare payables	1,058	1,060
Other payables	2,432	1,911
	22,821	15,622

The following is an aged analysis of trade payables at the balance sheet date:

	30.6.2007 <i>US\$'000</i> (unaudited)	31.12.2006 <i>US\$'000</i> (audited)
Age		
0 to 60 days	13,567	9,002
61 to 90 days	2,755	1,477
91 to 180 days	648	239
181 to 360 days	216	109
	17,186	10,827

12. RELATED PARTY TRANSACTIONS

During the period, the Group has the following significant transactions with related companies in which a director of the Company Mr. Cheng Wen Tao has beneficial interests:

Nature of transactions	1.1.2007 to 30.6.2007 US\$'000 (unaudited)	1.1.2006 to 30.6.2006 US\$'000 (unaudited)
Sales of goods	5,284	1,578
Purchase of raw materials	465	462
Property rental income	160	163
Management fees paid	651	599

The Company's directors represented the Group's key management where no emoluments were paid during the period (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Review

The Group was established in 1995 and is principally engaged in the manufacture and sale of plastic and metallic parts and components of optical and opto-electronic products including digital still cameras ("DSCs"), copiers (including copier-based multifunction peripherals), computer peripherals, handsets, traditional film cameras, and others, and subsequently related accessories as well as manufacture, painting and sale of molds and cases. The Group was successfully listed on the Main Board of the Stock Exchange on 10th February, 2006.

The turnover of the Group for the six months ended 30th June, 2007 was approximately US\$54,197,000, representing a strong increase of approximately 57% compared with approximately US\$34,530,000 for the previous period. Due to the substantial increase in turnover, the profit before taxation was approximately US\$13,455,000, representing an increase of 27% compared with that in the corresponding period last year. Net profit reached a record high of US\$12,709,000.

The Group had accomplished satisfactory performance for the six months ended 30th June, 2007 due to the increase in sales of parts and components for DSCs and handsets, representing an increase of 49% to US\$32,500,000 for the DSCs sales and of 90% to US\$5,500,000 for the handsets sales, compared with that in the corresponding period last year. For the first time, the handsets sales accounted for more than 10% of the total turnover. Besides, sales of computer peripherals such as scanners, compact disc rom and related parts and components had shown a remarkable growth. The production of parts and components for medical equipment commenced in the first-half year and started to bring revenue to the Group. Even though the first-half year was regarded as low season in sales activities, the sales of all the products were strong, bringing a robust performance in sales during the period. The Group expected that the sales continue to grow during the high season period in the second-half year.

Liquidity and Financial Resources

As at 30th June, 2007, the Group had current assets of approximately US\$157,758,000 (2006: US\$151,408,000) while current liabilities of approximately US\$24,099,000 (2006: US\$16,481,000). The current ratio of the Group was approximately 655%.

The Group finances its operation with internally generated resources. As at 30th June, 2007, the Group had cash at bank and on hand of approximately US\$120,910,000 (2006: US\$125,052,000), and zero bank borrowings.

Net cash generated from operating activities in six months ended 30th June, 2007 was US\$9,291,000.

Net cash outflow from investing activities in six months ended 30th June, 2007 was US\$305,000 after the offset between the capital expenditure of approximately US\$2,731,000 and the bank interest income of approximately US\$2,647,000.

Net cash outflow from financing activities was US\$13,088,000 for the six months ended 30th June, 2007, representing a payment of final dividend of approximately US1.58 cents per share in respect of the year ended 31st December, 2006.

For the six months period ended 30th June, 2007, the Group's aggregate bank balances and cash amounted approximately US\$120,910,000. The liability ratio (total liability divided by total assets) was approximately 12.7% with zero bank borrowing. Therefore, the Board is in the opinion that the Group continues to be in a strong and healthy financial position and has sufficient resources to support its operation and meet its foreseeable capital expenditure.

Exchange Risk Exposure and Contingent Liabilities

The Group's sales were principally denominated in US dollars or Hong Kong dollars while purchases were also transacted mainly in US dollars, Renminbi, and Hong Kong dollars. The Group does not foresee significant risk in exchange rate fluctuation and no financial instruments have been used for hedging purposes. The group will use forward exchange contract for hedging purposes appropriately.

As at 30th June, 2007, the Group had no significant contingent liabilities.

Employment, Training and Development

As at 30th June, 2007, the Group had a total of 4,314 employees. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motivate employees and are reviewed on a periodical basis.

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

Outlook

As the second-half year is regarded as high season in sales activities for the electronics industry when new products will be launched to the market, the Group will maintain a steady growth in sales accommodated by its continuous expansion of production capacity.

Looking ahead, with the diversified customers base including a several well-known optical manufacturers in Japan and two reputable DSCs manufacturers, both listed on the Taiwan Stock Exchange in Taiwan, namely, Asia Optical Co., Inc. (stock code : 3019) and Ability Enterprise Co., Ltd. (stock code : 2374) being the Group's strategic partners and shareholders, the Group has maintained its worldwide leading position in manufacture and supply of parts and components for the DSCs. Besides, the worldwide trend in demanding for handsets will enlarge the market size and bring more revenue to the Group. The production of parts and components for medical equipment commenced in the first-half year and has made contribution to the sales revenue. It is expected that the sales of this category boom in the second-half year and the following year and become one of the Group's core business activities apart from the DSCs and handsets. The Group's management is confident that the business will continue to grow in the future and generate good returns to the Company's shareholders.

OTHER INFORMATION

Disclosure of Interests

Directors and chief executives of the Company

As at 30th June, 2007, the interest or short positions of the directors or chief executives 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") as set out in Appendix 10 of the Listing Rules, are set out below:

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

Name of director/ chief executive of the Company	Nature of interest	Number of shares/ underlying shares in the Company	Percentage of issued share capital in the Company
Mr. Cheng Wen-Tao	Interest of a controlled corporation	242,000,000 (Note 1)	29.16%
Mr. Cheng Wen-Tao	Interest of a party to an agreement to acquire interests in the Company required to be disclosed under section 317(1)(b) and s 318 of the SFO	115,000,000 (Note 2)	13.85%

Note 1: Mr. Cheng Wen-Tao ("Mr. Cheng") is taken to be interested in an aggregate of 242,000,000 shares in the Company held by Asia Promotion Optical International Ltd. ("Asia Promotion"). Asia Promotion is owned as to 49.3% by Mr. Cheng, as to 26.2% by the spouse of Mr. Cheng, Ms. Huang Ching-Hui ("Mrs. Cheng"), and as to 24.5% by Mr. Liao Kuo-Ming. Mr. Cheng is also the sole director of Asia Promotion.

Note 2: Mr. Cheng is also deemed to be interested in the 115,000,000 shares in the Company directly held by Fortune Lands International Ltd. ("Fortune Lands") by virtue of section 317 of the SFO because he, being a controlling person (within the meaning of section 317(7) of the SFO) and a director of the Company, advanced a loan in the sum of HK\$38,400,000 to Fortune Lands with the knowledge that it would be applied for the subscription of shares in the Company.

Save as disclosed above, as at 30th June 2007, 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 30th June, 2007, 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 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.

Substantial shareholders of the Company

As at 30th June, 2007, the interests or short positions of persons, 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 positions 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 issued share capital in the Company
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	180,900,000	21.80%
Ability Enterprise Co., Ltd.	Interest of a controlled corporation	180,900,000 (Note 1)	21.80%
Asia Promotion Optical International Ltd.	Beneficial owner	242,000,000	29.16%
Fortune Lands International Ltd.	Founder of discretionary trust	115,000,000 (Note 2)	13.85%
Fortune Lands International Ltd.	Interest of a party to an agreement to acquire interests in the Company required to be disclosed under section 317(1)(b) and s 318 of the SFO	242,000,000 (Note 2)	29.16%

Name of shareholder of the Company	Type of interest	Number of shares/ underlying shares in the Company	Percentage of issued share capital in the Company
Mr. Tawara Seiichi	Interest of a controlled corporation	357,000,000 (Note 3)	43.01%
Ms. Huang Ching-Hui	Interest of a spouse	357,000,000 (Note 4)	43.01%
Ms. Arai Keiko	Interest of a spouse	357,000,000 (Note 5)	43.01%

Note 1: 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 180,900,000 shares in the Company held by Ability Enterprise BVI.

Note 2: Fortune Lands is the founder of The Yorkey Employee's Trust and is the registered owner of 115,000,000 shares in the Company which it will hold as trustee of The Yorkey Employees' Trust.

Fortune Lands is also deemed to be interested in the 242,000,000 shares in the Company in which Mr. Cheng is interested by virtue of application of section 317 of the SFO because Mr. Cheng, being a controlling person (within the meaning of section 317(7) of the SFO) and a director of the Company, advanced a loan in the sum of HK\$38,400,000 to Fortune Lands with the knowledge that it would be applied for the subscription of shares in the Company.

Note 3: Mr. Tawara Seiichi, being the sole shareholder of Fortune Lands, is taken to be interested in an aggregate of 115,000,000 shares in the Company held by Fortune Lands.

Mr. Tawara is also deemed to be interested in the 242,000,000 shares in the Company in which Fortune Lands is deemed to be interested by virtue of application of section 317 of the SFO because Mr. Cheng, being a controlling person (within the meaning of section 317(7) of the SFO) and a director of the Company, advanced a loan in the sum of HK\$38,400,000 to Fortune Lands with the knowledge that it would be applied for the subscription of shares in the Company.

Note 4: Mrs. Cheng, the spouse of Mr. Cheng, is taken to be interested in an aggregate of 357,000,000 shares in which Mr. Cheng is interested.

Note 5: Ms. Arai Keiko, the spouse of Mr. Tawara, is taken to be interested in an aggregate of 357,000,000 shares in which Mr. Tawara is interested.

Save as disclosed above, as at 30th June, 2007, 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 be kept under section 336 of the SFO.

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

As at 30th June, 2007, the Company had not been notified of any short 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 be kept under section 336 of the SFO.

Interim Dividend

The Board resolved to declare an interim dividend of HK\$0.047 (2006: Nil) per share in respect of the six months ended 30th June, 2007, payable to shareholders whose names appear on the register of members of the Company ("Register of Members") on 24th October, 2007.

The interim dividend will be paid around 14th November, 2007.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June, 2007.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the code provisions under the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The audit committee ensures adequate supervision of the Company's financial reporting processes, reviews the internal audit program and reports, ensures co-ordination between the 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 comprises three members, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Lai Chung-Hsiung, all being independent non-executive directors. The chairman of the audit committee is Mr. Chiang Hsiang-Tsai.

The Group's interim results for the six months ended 30th June, 2007 have been reviewed by the audit committee.

Further, the interim results for the six months ended 30th June, 2007 are unaudited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

Directors' Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all 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.

Corporate Governance Practices

The Group is committed to ensuring high standards of corporate governance in the interest of its shareholders.

The Group has adopted the code provisions set out in the Code of Corporate Governance Practices as stated in Appendix 14 to the Listing Rules in the period cover by the interim report.