

# 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)



# YORKEY OPTICAL

## Interim Report 2008

\* 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, 2008 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 inquiries, 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  
19th August, 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2008

	<i>Notes</i>	<b>1.1.2008 to 30.6.2008 US\$'000 (unaudited)</b>	1.1.2007 to 30.6.2007 US\$'000 (unaudited)
Turnover		<b>54,449</b>	54,197
Cost of goods sold		<b>(37,997)</b>	(35,495)
Gross profit		<b>16,452</b>	18,702
Other income		<b>2,706</b>	2,821
Distribution costs		<b>(1,005)</b>	(600)
Administrative expenses		<b>(8,687)</b>	(7,468)
Profit before taxation		<b>9,466</b>	13,455
Taxation	6	<b>(171)</b>	(746)
Profit for the period		<b>9,295</b>	12,709
Dividends recognised as distribution during the period:			
Final dividend for 2007 of US2.24 cents per share (2007: final dividend for 2006 of US1.58 cents per share) paid		<b>18,572</b>	13,088
Dividend proposed:			
Interim dividend for 2008 of US0.6 cents per share (2007: US0.6 cents per share) proposed	7	<b>4,988</b>	5,001
Earnings per share			
– Basic	8	<b>US1.12 cents</b>	US1.53 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2008

	Notes	30.6.2008 US\$'000 (unaudited)	31.12.2007 US\$'000 (audited)
<b>Non-current assets</b>			
Investment properties		792	776
Property, plant and equipment	9	33,095	30,623
Land use rights		258	244
Deposits made on acquisition of property, plant and equipment		869	294
Deferred taxation		1,300	1,173
		<b>36,314</b>	33,110
<b>Current assets</b>			
Inventories		11,051	9,067
Trade and other receivables	10	26,408	33,552
Amounts due from related companies		150	56
Amounts due from shareholders		95	95
Taxation recoverable		148	–
Bank balances and cash		122,732	128,590
		<b>160,584</b>	171,360
<b>Current liabilities</b>			
Trade and other payables	11	25,431	25,973
Taxation payable		1,255	1,109
		<b>26,686</b>	27,082
<b>Net current assets</b>		<b>133,898</b>	144,278
<b>Net assets</b>		<b>170,212</b>	177,388
<b>Capital and reserves</b>			
Share capital		1,066	1,066
Reserves		169,146	176,322
<b>Total equity</b>		<b>170,212</b>	177,388

The condensed consolidated financial statements on pages 5 to 15 were approved and authorised for issue by the Board of Directors on 19th August, 2008 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, 2008

	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, 2007	1,069	64,401	19,350	2,462	2,276	75,761	165,319
Exchange differences arising from the 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
At 1st January, 2008	1,066	63,800	19,350	5,546	2,276	85,350	177,388
Exchange differences arising from the translation of financial statements of foreign operations recognised directly in equity	-	-	-	2,101	-	-	2,101
Profit for the period	-	-	-	-	-	9,295	9,295
Total recognised income for the period	-	-	-	2,101	-	9,295	11,396
Dividend recognised as distribution	-	-	-	-	-	(18,572)	(18,572)
At 30th June, 2008	1,066	63,800	19,350	7,647	2,276	76,073	170,212



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, 2008

	<b>1.1.2008 to 30.6.2008 US\$'000 (unaudited)</b>	1.1.2007 to 30.6.2007 US\$'000 (unaudited)
Net cash from operating activities	<b>15,098</b>	9,291
Net cash used in investing activities	<b>(2,351)</b>	(305)
Financing activities		
Dividends paid	<b>(18,572)</b>	(13,088)
Net decrease in cash and cash equivalents	<b>(5,825)</b>	(4,102)
Cash and cash equivalents at 1st January	<b>128,590</b>	125,052
Effect of foreign exchange rate changes	<b>(33)</b>	(40)
Cash and cash equivalents at 30th June	<b>122,732</b>	120,910

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30th June, 2008

### 1. GENERAL

The Company is incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated financial information 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 the 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 information have been prepared under the historical cost convention. The principal accounting policies adopted in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2007.

### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied, for the first time, a new standard, amendments and interpretations (new "HKFRS"s) issued by the HKICPA, which are effective for accounting periods beginning 1st January, 2008. The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new standards, amendments and interpretation that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>3</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2008.

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other standards, amendments and interpretation will have no material impact on the results and financial position of the Group.

#### 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\$2,507,000 (US\$2,296,000 for the six months ended 30th June, 2007) was charged to the condensed consolidated income statement in respect of the Group's property, plant and equipment.

#### 6. TAXATION

	<b>1.1.2008</b>	1.1.2007
	<b>to</b>	to
	<b>30.6.2008</b>	30.6.2007
	<b>US\$'000</b>	US\$'000
	<b>(unaudited)</b>	(unaudited)
The charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	<b>(171)</b>	(652)
Deferred taxation	-	(94)
	<b>(171)</b>	(746)

## **7. DIVIDEND**

On 19th August, 2008, the directors declared an interim dividend for the six months ended 30th June, 2008 of HK\$0.047 (approximately US\$0.6 cents) per share based on 827,778,000 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, 2008 is based on the consolidated profit for the period attributable to equity holders of the Company of US\$9,295,000 (US\$12,709,000 for the six months ended 30th June, 2007) and on the weighted average number of 827,778,000 (830,000,000 for the six months ended 30th June, 2007) 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**

The Group spent approximately US\$2,918,000 (US\$3,255,000 for the six months ended 30th June, 2007) on property, plant and equipment to expand its existing manufacturing capacity.

**10. TRADE AND OTHER RECEIVABLES**

	<b>30.6.2008</b> <i>US\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>US\$'000</i> (audited)
Trade receivables		
– related companies in which certain directors of the Company have beneficial interests	<b>369</b>	844
– others	<b>25,437</b>	31,184
	<b>25,806</b>	32,028
Less: Allowance for doubtful debts	<b>(1,028)</b>	(1,028)
	<b>24,778</b>	31,000
Value-added tax recoverable	<b>1,401</b>	2,406
Other receivables	<b>229</b>	146
	<b>26,408</b>	33,552

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 net of allowance for doubtful debts at the balance sheet date:

	<b>30.6.2008</b> <i>US\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>US\$'000</i> (audited)
<b>Age</b>		
0 to 60 days	<b>17,588</b>	19,193
61 to 90 days	<b>4,127</b>	5,787
91 to 180 days	<b>2,807</b>	5,794
Over 181 days	<b>256</b>	226
	<b>24,778</b>	31,000

**11. TRADE AND OTHER PAYABLES**

	<b>30.6.2008</b> <i>US\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>US\$'000</i> (audited)
Trade payables		
– related companies in which certain directors of the Company have beneficial interests	<b>119</b>	159
– others	<b>18,872</b>	19,118
	<b>18,991</b>	19,277
Balance of consideration payable for purchase of property, plant and equipment	<b>2,093</b>	3,107
Payroll and welfare payables	<b>1,255</b>	1,275
Other payables	<b>3,092</b>	2,314
	<b>25,431</b>	25,973

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

	<b>30.6.2008</b> <i>US\$'000</i> <b>(unaudited)</b>	31.12.2007 <i>US\$'000</i> (audited)
<b>Age</b>		
0 to 60 days	<b>10,899</b>	11,963
61 to 90 days	<b>4,264</b>	4,648
91 to 180 days	<b>3,706</b>	2,660
181 to 360 days	<b>122</b>	6
	<b>18,991</b>	19,277

## 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:

<b>Nature of transactions</b>	<b>1.1.2008 to 30.6.2008 US\$'000 (unaudited)</b>	<b>1.1.2007 to 30.6.2007 US\$'000 (unaudited)</b>
Sales of goods	<b>550</b>	5,284
Purchases of raw materials	<b>432</b>	465
Property rental income	<b>175</b>	160
Management fees paid	<b>708</b>	651

The Company's directors represented the Group's key management where no emoluments were paid during the period (2007: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Operational and Financial Review

The Group 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 ("DSC"), copiers (including copier-based multifunction peripherals ("MFP")), computer peripherals, handsets, traditional film cameras, and others, and subsequently related accessories as well as the manufacture, painting and sale of molds and cases.

Despite the global economy downturn, surging oil price, increase in labour cost and depreciation of the US dollars, the Group was able to maintain its competitiveness in generating the turnover for the six months ended 30th June, 2008 of approximately US\$54,449,000 (2007: US\$54,197,000). The profit after taxation was approximately US\$9,295,000, representing an decrease of 27% compared with that in the corresponding period last year.

The turnover for the first six months was mainly derived from the sales of components for DSCs of approximately US\$39,683,000, representing an increase of 22% compared with that in the corresponding period last year due to the sustainable sales revenue from the major customers coupling with the increasing sales orders from the new customers. Besides, the turnover from the niche development, namely, the parts and components for medical equipment, without being affected by the economy downturn, increased by 129% to approximately US\$3,277,000 compared with that in the corresponding period last year, representing 6.0% (2007: 2.6%) of the total turnover for this six months period.

## Liquidity and Financial Resources

As at 30th June, 2008, the Group had current assets of approximately US\$160,584,000 (as at 31st December, 2007: US\$171,360,000) while current liabilities of approximately US\$26,686,000 (as at 31st December, 2007: US\$27,082,000). The current ratio of the Group was approximately 602%.

The Group finances its operation with internally generated resources. As at 30th June, 2008, the Group had cash at bank and on hand of approximately US\$122,732,000 (as at 31st December, 2007: US\$128,590,000), and zero bank borrowings.

Net cash generated from operating activities in six months ended 30th June, 2008 was US\$15,098,000.

Net cash outflow from investing activities in six months ended 30th June, 2008 was US\$2,351,000 after the offset between the capital expenditure of approximately US\$3,956,000 and the bank interest income of approximately US\$2,151,000.

Net cash outflow from financing activities was US\$18,572,000 for the six months ended 30th June, 2008, representing a payment of final dividend of approximately US\$2.24 cents per share in respect of the year ended 31st December, 2007.

For the six months period ended 30th June, 2008, the Group's aggregate bank balances and cash amounted approximately US\$122,732,000. The liability ratio (total liability divided by total assets) was approximately 13.6% 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, 2008, the Group had no significant contingent liabilities.

## **Employment, Training and Development**

As at 30th June, 2008, the Group had a total of 4,367 employees. A long term and stable human capital policy accommodated with fringe benefits, including medical insurance and provident fund, and competitive remuneration packages are adopted to attract, retain and motivate employees.

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, and with the expectation of the recovery from the subprime mortgage crisis in the United States and of the continuous decrease in oil price and production cost, it is expected that the Group's performance will outweigh that in the past six months.

Looking ahead, with the diversified customers base including a several well-known optical manufacturers in Japan and Taiwan, the Group has maintained its worldwide leading position in manufacture and supply of parts and components for the DSCs. Besides, it is expected that the sales of the parts and components for medical equipment keep growing in the future and become one of the Group's core business activities. 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, 2008, 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)	29.23%
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	113,000,000 (Note 2)	13.65%

*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 113,000,000 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 2008, 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, 2008, 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, 2008, 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

<b>Name of shareholder of the Company</b>	<b>Type of interest</b>	<b>Number of shares/ underlying shares in the Company</b>	<b>Percentage of issued share capital in the Company</b>
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	174,252,000	21.05%
Ability Enterprise Co., Ltd.	Interest of a controlled corporation	174,252,000 (Note 1)	21.05%
Asia Promotion Optical International Ltd.	Beneficial owner	242,000,000	29.23%
Fortune Lands International Ltd.	Founder of discretionary trust	114,800,000 (Note 2)	13.87%
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)	29.23%

<b>Name of shareholder of the Company</b>	<b>Type of interest</b>	<b>Number of shares/ underlying shares in the Company</b>	<b>Percentage of issued share capital in the Company</b>
Mr. Tawara Seiichi	Interest of a controlled corporation	356,800,000 (Note 3)	43.10%
Ms. Huang Ching-Hui	Interest of a spouse	355,000,000 (Note 4)	42.89%
Ms. Arai Keiko	Interest of a spouse	356,800,000 (Note 5)	43.10%

*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 174,252,000 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 114,800,000 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 114,800,000 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:* Ms. Huang Ching-Hui, the spouse of Mr. Cheng, is taken to be interested in an aggregate of 355,000,000 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 356,800,000 shares in which Mr. Tawara is interested.

Save as disclosed above, as at 30th June, 2008, 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, 2008, 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 (2007: HK\$0.047) per share in respect of the six months ended 30th June, 2008, payable to shareholders whose names appear on the register of members of the Company on 24th October, 2008.

The interim dividend will be paid around 14th November, 2008.

## **Closure of Register of Members**

The register of members of the Company will be closed from 22nd to 24th October, 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all valid documents in respect of transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 21st October, 2008.



## **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, 2008.

## **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 of the Company has reviewed the interim results for the six months ended 30th June, 2008.

Further, the interim results for the six months ended 30th June, 2008 are unaudited, but have been reviewed by the Company's auditors, 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 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 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.