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)

Interim Report 2010

* For identification purpose only

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YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
Interim Report 2010

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

Principal Bankers

HSBC Bank (Taiwan) Limited
Bank SinoPac
Ta Chong Bank Ltd.
China Construction Bank
China Merchant Bank

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group
(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

Deloitte.
德勤

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 18 which comprises the condensed consolidated statement of financial position of Yorkey Optical International (Cayman) Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30th June, 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 34 "Interim financial reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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
26th August, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	Notes	**1.1.2010 to 30.6.2010 *US$'000* (unaudited)**	1.1.2009 to 30.6.2009 *US$'000* (unaudited)
Turnover		**36,648**	35,619
Cost of goods sold		**(27,137)**	(26,189)
Gross profit		**9,511**	9,430
Other income		**852**	1,253
Distribution costs		**(552)**	(627)
Administrative expenses		**(7,453)**	(6,112)
Profit before taxation		**2,358**	3,944
Taxation	*5*	**(104)**	374
Profit for the period		**2,254**	4,318
Other comprehensive income			
– exchange differences arising from the translation of financial statements of foreign operations		**284**	145
Total comprehensive income for the period		**2,538**	4,463
Earnings per share			
– Basic	*7*	**US0.27 cents**	US0.52 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

		30.6.2010 *US$'000* (unaudited)	31.12.2009 *US$'000* (audited)
Non-current assets			
Investment properties		**636**	671
Property, plant and equipment	*8*	**32,323**	32,604
Land use rights		**250**	251
Deposits paid on acquisition of property, plant and equipment		**946**	–
		34,155	33,526
Current assets			
Inventories		**8,306**	7,429
Trade and other receivables	*9*	**18,038**	21,855
Amounts due from related companies		**74**	23
Bank deposits with original maturity of more than three months		**14,703**	–
Bank balances and cash		**111,314**	130,963
		152,435	160,270
Current liabilities			
Trade and other payables	*10*	**19,474**	25,276
Amount due to a related company		**2**	–
Dividend payable		**4,264**	–
Taxation		**381**	275
		24,121	25,551
Net current assets		**128,314**	134,719
Net assets		**162,469**	168,245
Capital and reserves			
Share capital		**1,066**	1,066
Reserves		**161,403**	167,179
Total equity		**162,469**	168,245

The condensed consolidated financial statements on pages 5 to 18 were approved and authorised for issue by the Board of Directors on 26th August, 2010 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, 2010

	Attributable to owners 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, 2009	1,066	63,800	19,350	7,879	2,276	82,662	177,033
Exchange differences arising from the translation of financial statements of foreign operations	–	–	–	145	–	–	145
Profit for the period	–	–	–	–	–	4,318	4,318
Total comprehensive income for the period	–	–	–	145	–	4,318	4,463
Dividend recognised as distribution	–	–	–	–	–	(13,887)	(13,887)
At 30th June, 2009	1,066	63,800	19,350	8,024	2,276	73,093	167,609
At 1st January, 2010	1,066	63,800	19,350	8,097	2,276	73,656	168,245
Exchange differences arising from the translation of financial statements of foreign operations	–	–	–	284	–	–	284
Profit for the period	–	–	–	–	–	2,254	2,254
Total comprehensive income for the period	–	–	–	284	–	2,254	2,538
Dividend recognised as distribution	–	–	–	–	–	(8,314)	(8,314)
At 30th June, 2010	1,066	63,800	19,350	8,381	2,276	67,596	162,469

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. 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 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2010

	1.1.2010 to 30.6.2010 *US$'000* **(unaudited)**	1.1.2009 to 30.6.2009 *US$'000* (unaudited)
Net cash from operating activities	**5,371**	7,687
Investing activities		
Increase in bank deposits with original maturity of more than three months	**(14,703)**	–
Purchase of property, plant and equipment	**(5,684)**	(1,472)
Other investing activities	**(406)**	727
Net cash used in investing activities	**(20,793)**	(745)
Cash used in financing activities		
Dividends paid	**(4,050)**	(13,887)
Net decrease in cash and cash equivalents	**(19,472)**	(6,945)
Cash and cash equivalents at 1st January	**130,963**	132,157
Effect of foreign exchange rate changes	**(177)**	(20)
Cash and cash equivalents at 30th June	**111,314**	125,192

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

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 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 of Hong Kong Limited and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2009 except as described below.

In the current interim period, the Group has applied, for first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2010.

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combination for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of the Improvements to Hong Kong Financial Reporting Standards ("HKFRSs") issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present the prepayment as leasehold land in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement that leasehold land must be classified as operating leases. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. After reassessment, the directors of the Company concluded that no reclassification was necessary.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), Hong Kong Financial Reporting Standards ("HKFRS"s), amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 9	Financial instruments[5]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st February, 2010.
3 Effective for annual periods beginning on or after 1st July, 2010.
4 Effective for annual periods beginning on or after 1st January, 2011.
5 Effective for annual periods beginning on or after 1st January, 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. OPERATING SEGMENT

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 consider them as one single operating segment on an aggregate basis. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective business divisions.

The chief executive officer reviews the profit for the period of the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating Segments" and accordingly, no separate segment information is prepared.

Other segment information

Geographical information

The Group's operations are located in Mainland China (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**	
	1.1.2010 to 30.6.2010	1.1.2009 to 30.6.2009	**30.6.2010**	31.12.2009
	US$'000	*US$'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Japan	**18,095**	21,215	**–**	–
PRC	**16,979**	13,384	**34,155**	33,526
Others	**1,574**	1,020	**–**	–
	36,648	35,619	**34,155**	33,526

Information about major customers

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

	1.1.2010 to 30.6.2010 **US$'000** **(unaudited)**	1.1.2009 to 30.6.2009 *US$'000* (unaudited)
Customer A	**6,116**	–
Customer B	**5,091**	3,839
Customer C	**4,654**	7,687
Customer D	*****	8,567

* The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective period.

Revenue from major products

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

	1.1.2010 to 30.6.2010 **US$'000** **(unaudited)**	1.1.2009 to 30.6.2009 *US$'000* (unaudited)
Components of optical and opto-electronic products		
– cameras and copiers	**28,532**	29,196
– others	**8,116**	6,423
	36,648	35,619

4. DEPRECIATION

During the period, depreciation was charged to profit or loss as follows:

	1.1.2010 to 30.6.2010 **US$'000** **(unaudited)**	1.1.2009 to 30.6.2009 *US$'000* (unaudited)
Depreciation on investment properties	**40**	40
Depreciation on property, plant and equipment	**2,896**	2,588

5. TAXATION

	1.1.2010 to 30.6.2010 *US$'000* **(unaudited)**	1.1.2009 to 30.6.2009 *US$'000* (unaudited)
The (charge) credit comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	**(104)**	(217)
Overprovision in prior periods*	**–**	591
	(104)	374

* During the six months ended 30th June, 2009, the local PRC tax authority in charge of taxation of a foreign enterprise of the Group, after an in-depth review of the Group's business activities in the PRC for the years from 2002 to 2006, agreed that the presence of this foreign enterprise in the PRC during each of these years did not constitute a permanent establishment in the PRC. The PRC tax authority thus endorsed with an official circular that the relevant entity shall not be liable to Enterprises Income Tax ("EIT") for the years from 2002 to 2006. In prior periods, before this foreign enterprise could secure any official endorsement to rule out the exposure of permanent establishment, the management accrued EIT for those years. Included in the overprovision in prior periods above, an amount of US$862,000 representing the relevant EIT provision for the years 2002 to 2006, was considered unnecessary during the six months ended 30th June, 2009 and released to profit or loss.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the profit of the Company and its subsidiaries neither arises in, nor is derived from, Hong Kong during the period.

6. DIVIDENDS

	1.1.2010 to 30.6.2010 *US$'000* (unaudited)	1.1.2009 to 30.6.2009 *US$'000* (unaudited)
Dividends recognised as distribution during the period:		
Final dividend for 2009 of HK3.8 cents (equivalent to US0.489 cents) (2009: final dividend for 2008 of HK13 cents; equivalent to US1.678 cents) per share paid	**4,050**	13,887
Special dividend for 2009 of HK4.0 cents (equivalent to US0.515 cents) (2009: nil) per share	**4,264**	–
	8,314	13,887
Dividend proposed:		
Interim dividend for 2010 of HK3 cents (equivalent to US0.385 cents) (2009: HK3.7 cents; equivalent to US0.477 cents) per share proposed	**3,190**	3,949

On 26th August, 2010, the directors declared an interim dividend for the six months ended 30th June, 2010 of HK3 cents (equivalent to US0.385 cents) per share based on 827,778,000 shares in issue as at the date of this report.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30th June, 2010 is based on the consolidated profit for the period attributable to owners of the Company of US$2,254,000 (US$4,318,000 for the six months ended 30th June, 2009) and on the 827,778,000 shares (827,778,000 shares for the six months ended 30th June, 2009) in issue during the period.

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

8. PROPERTY, PLANT AND EQUIPMENT

The Group spent US$2,364,000 (US$1,590,000 for the six months ended 30th June, 2009) on additions to property, plant and equipment in order to upgrade its manufacturing capacities.

9. TRADE RECEIVABLES

	30.6.2010 ***US$'000*** **(unaudited)**	31.12.2009 *US$'000* (audited)
Trade receivables		
– related companies in which certain directors of the Company have beneficial interests	**168**	1,600
– others	**17,539**	20,222
	17,707	21,822
Less: Allowance for doubtful debts	**(145)**	(266)
	17,562	21,556
Other receivables	**476**	299
	18,038	21,855

Payment terms with customers are mainly on credit. 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 end of the reporting period:

	30.6.2010 ***US$'000*** **(unaudited)**	31.12.2009 *US$'000* (audited)
Age		
0 to 60 days	**11,038**	11,994
61 to 90 days	**4,573**	5,500
91 to 120 days	**1,039**	3,121
121 to 180 days	**545**	789
Over 180 days	**367**	152
	17,562	21,556

10. TRADE AND OTHER PAYABLES

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables		
– a related company in which certain directors of the Company have beneficial interests	**88**	36
– others	**14,909**	18,113
	14,997	18,149
Payables for purchase of property, plant and equipment	**–**	3,320
Payroll and welfare payables	**938**	1,085
Other payables	**3,539**	2,722
	19,474	25,276

The following is an aged analysis of trade payables at the end of the reporting period:

	30.6.2010	31.12.2009
	US$'000	*US$'000*
	(unaudited)	(audited)
Age		
0 to 60 days	**10,125**	9,682
61 to 90 days	**2,593**	4,032
91 to 180 days	**2,194**	4,337
Over 180 days	**85**	98
	14,997	18,149

11. RELATED PARTY TRANSACTIONS

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

Nature of transactions	**1.1.2010 to 30.6.2010** ***US$'000*** **(unaudited)**	1.1.2009 to 30.6.2009 *US$'000* (unaudited)
Sales of goods	**264**	1,155
Purchases of raw materials	**226**	251
Property rental income	**137**	144
Management fees paid	**708**	708

No emoluments were paid to the Group's key management during both periods.

12. CAPITAL COMMITMENTS

	30.6.2010 ***US$'000*** **(unaudited)**	31.12.2009 *US$'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**608**	171

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), computer peripherals, handsets, traditional film cameras, etc., and subsequently related accessories as well as the manufacture, painting and sale of molds and cases.

Following the global economic downturn, the economy in general is gradually picking up. The Group's turnover for the six months ended 30th June, 2010 was approximately US$36,648,000 (2009: US$35,619,000), with gross profit margin maintained at a high level of 26%, demonstrating the competitive strength of the Group. However, due to inflated wages in the PRC, net profit after taxation was approximately US$2,254,000, representing a decrease of 47.8% as compared with US$4,318,000 in the corresponding period of last year.

The Group's turnover for the first six months was mainly derived from the sales of components for DSCs. With improvement in global economic environment, sales of components for computer peripherals, copiers and printers etc. also increased significantly as compared with the corresponding period of last year. New products of parts and components for medical equipment received good customers' response, with sales substantially increased by 67%, accounting for nearly 10% of turnover.

Liquidity and Financial Resources

As at 30th June, 2010, the Group had current assets of approximately US$152,435,000 (as at 31st December, 2009: US$160,270,000) and current liabilities of approximately US$24,121,000 (as at 31st December, 2009: US$25,551,000). The current ratio of the Group was approximately 632%.

The Group finances its operation with internally generated resources. As at 30th June, 2010, the Group had cash at bank and on hand of approximately US$111,314,000 (as at 31st December, 2009: US$130,963,000), and zero bank borrowings.

Net cash generated from operating activities in the six months ended 30th June, 2010 was approximately US$5,371,000.

Net cash outflow from investing activities in the six months ended 30th June, 2010 was approximately US$20,793,000, which comprised capital expenditure arising from enhancement of production facilities in various divisions of the Group of approximately US$5,684,000, bank deposits with original maturity of more than three months of approximately US$14,703,000 and other investment activities of approximately US$406,000.

Net cash outflow from financing activities was US$4,050,000 for the six months ended 30th June, 2010, representing a payment of final dividend of approximately US$0.489 cent per share in respect of the year ended 31st December, 2009.

As at 30th June, 2010, the Group's aggregate bank balances and cash amounted to approximately US$111,314,000. The liability ratio (total liability divided by total assets) was approximately 12.9% 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 or Japanese Yen while purchases were also transacted mainly in US dollars, Japanese Yen, 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, 2010, the Group had no significant contingent liabilities.

Employment, Training and Development

As at 30th June, 2010, the Group had a total of 3,026 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

According to market research agency, sales of digital cameras around the world will resume in 2010 with production output back to the level before the outbreak of the financial crisis. Taking cost in consideration, those well-branded DSCs manufacturers will continue to look for competitive suppliers as well as expand their outsourced production scale. Being a competitive one-stop service provider, the Group is poised to benefit from this trend. Moreover, sales of the Group's medical equipment product is growing steadily, serving as the second biggest drive of growth for the Group. Looking ahead to the second half of the year, with the upcoming traditional high season of the industry and the growth of our medical equipment business, it is expected that we will achieve better results and gains in the second half of 2010.

Looking ahead, with a diversified customers base and an ability to provide "one-stop" production and services, the Group has maintained its worldwide leading position in manufacture and supply of parts and components for the DSCs. 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 Executive's Interests in Shares

As at 30th June, 2010, 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***

Name of director/chief executive of the Company	Nature of interest	Total 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	186,833,000 *(Note 1)*	22.57%
	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 186,833,000 shares 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 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 2010, 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, 2010, 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 of 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.

Substantial Shareholders

As at 30th June, 2010, 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 issued share capital in the Company
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	144,473,000	17.45%
Ability Enterprise Co., Ltd.	Interest of a controlled corporation	144,473,000 *(Note 1)*	17.45%
Asia Promotion Optical International Ltd.	Beneficial owner	186,833,000	22.57%
Fortune Lands International Ltd.	Founder of discretionary trust	113,000,000 *(Note 2)*	13.65%
Fortune Lands International Ltd.	Interest of a party to be disclosed under sections 317(1)(b) and 318 of the SFO	186,833,000 *(Note 2)*	22.57%

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. Chen Yao-Tang	Interest of a controlled corporation	299,833,000 *(Note 3)*	36.22%
Ms. Huang Ching-Hui	Interest of a spouse	299,833,000 *(Note 4)*	36.22%
Ms. Ho Shun-Chun	Interest of a spouse	299,833,000 *(Note 5)*	36.22%
Templeton Asset Management Ltd.	Investment manager	50,140,000	6.06%

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 144,473,000 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 113,000,000 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 186,833,000 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. Chen Yao-Tang, being the sole shareholder of Fortune Lands, is taken to be interested in an aggregate of 113,000,000 shares in the Company held by Fortune Lands.

Mr. Chen is also deemed to be interested in the 186,833,000 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 299,833,000 shares in which Mr. Cheng is interested in.

Note 5: Ms. Ho Shun-Chun, the spouse of Mr. Chen, is taken to be interested in an aggregate of 299,833,000 shares in which Mr. Chen is interested in.

Save as disclosed above, as at 30th June, 2010, 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, 2010, 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.

Interim Dividend

The Board resolved to declare an interim dividend of HK$0.03 (2009: HK$0.037) per share in respect of the six months ended 30th June, 2010, payable to shareholders whose names appear on the register of members of the Company on 15th October, 2010.

The interim dividend will be paid before the end of November 2010.

Closure of Register of Members

The register of members of the Company will be closed from 13th to 15th October, 2010, 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 and the completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, 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, 12th October, 2010.

Corporate Governance Practices

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

The Group has applied the principles and complied with all the applicable code provisions set out in the Code on Corporate Governance Practices as stated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the six months ended 30th June, 2010.

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, 2010.

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 Group has reviewed the interim results of the Group for the six months ended 30th June, 2010.

Further, the interim financial information for the six months ended 30th June, 2010 are unaudited, but have been reviewed by the Company's auditor 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.