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 2011

* For identification purpose only

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YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
Interim Report 2011

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

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

Place of Business in Hong Kong

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

Place of Business in the PRC

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

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

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 609
Grand Cayman KY1-1107
Cayman Islands

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 as of 30th June, 2011 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 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.

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
25th August, 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2011

	Notes	**1.1.2011 to 30.6.2011 *US$'000* (unaudited)**	1.1.2010 to 30.6.2010 *US$'000* (unaudited)
Turnover		**54,441**	36,648
Cost of goods sold		**(42,482)**	(27,137)
Gross profit		**11,959**	9,511
Other income		**1,110**	852
Distribution costs		**(1,013)**	(552)
Administrative expenses		**(8,634)**	(7,453)
Profit before taxation		**3,422**	2,358
Taxation	*5*	**(122)**	(104)
Profit for the period		**3,300**	2,254
Other comprehensive income			
– exchange differences arising from translation of financial statements of foreign operations		**736**	284
– reclassification adjustment relating to disposal of available-for-sale investments		**(20)**	–
– fair value loss on available-for-sale investments		**(7)**	–
Other comprehensive income for the period		**709**	284
Total comprehensive income for the period		**4,009**	2,538
Earnings per share			
– Basic	*7*	**US0.40 cents**	US0.27 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2011

	Notes	30.6.2011 US$'000 (unaudited)	31.12.2010 US$'000 (audited)
Non-current assets			
Investment properties		**579**	614
Property, plant and equipment	*8*	**30,173**	30,767
Land use rights		**256**	253
Deposits paid for acquisition of property, plant and equipment		**249**	411
		31,257	32,045
Current assets			
Inventories		**12,731**	9,929
Trade and other receivables	*9*	**26,109**	21,614
Amounts due from related companies		**144**	179
Available-for-sale investments	*10*	**2,015**	3,042
Bank deposit with original maturity of more than three months		**–**	15,171
Bank balances and cash		**118,004**	102,647
		159,003	152,582
Current liabilities			
Trade and other payables	*11*	**25,003**	20,312
Dividend payable		**2,665**	–
Taxation		**654**	526
		28,322	20,838
Net current assets		**130,681**	131,744
Net assets		**161,938**	163,789
Capital and reserves			
Share capital		**1,066**	1,066
Reserves		**160,872**	162,723
Total equity		**161,938**	163,789

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2011

	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$'000	Investment revaluation reserve US$'000	Retained profits US$'000	Total US$'000
At 1st January, 2010 (audited)	1,066	63,800	19,350	8,097	2,276	–	73,656	168,245
Exchange differences arising from 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 *(note 6)*	–	–	–	–	–	–	(8,314)	(8,314)
At 30th June, 2010 (unaudited)	1,066	63,800	19,350	8,381	2,276	–	67,596	162,469
At 1st January, 2011 (audited)	1,066	63,800	19,350	9,246	2,276	42	68,009	163,789
Exchange differences arising from the translation of financial statements of foreign operations	–	–	–	736	–	–	–	736
Reclassified to profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	(20)	–	(20)
Fair value loss on available-for-sale investments	–	–	–	–	–	(7)	–	(7)
Profit for the period	–	–	–	–	–	–	3,300	3,300
Total comprehensive income for the period	–	–	–	736	–	(27)	3,300	4,009
Dividend recognised as distribution *(note 6)*	–	–	–	–	–	–	(5,860)	(5,860)
At 30th June, 2011 (unaudited)	1,066	63,800	19,350	9,982	2,276	15	65,449	161,938

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, 2011

	1.1.2011 to 30.6.2011 ***US$'000*** **(unaudited)**	1.1.2010 to 30.6.2010 *US$'000* (unaudited)
Net cash from operating activities	**1,786**	5,371
Investing activities		
Decrease (increase) in bank deposits with original maturity of more than three months	**15,220**	(14,703)
Proceeds from disposal of property, plant and equipment	**1,401**	–
Proceeds from disposal of available-for-sale investments	**1,020**	–
Purchase of property, plant and equipment	**(1,416)**	(5,684)
Other investing activities	**478**	(406)
Net cash from (used in) investing activities	**16,703**	(20,793)
Cash used in financing activities		
Dividends paid	**(3,195)**	(4,050)
Net increase (decrease) in cash and cash equivalents	**15,294**	(19,472)
Cash and cash equivalents at 1st January	**102,647**	130,963
Effect of foreign exchange rate changes	**63**	(177)
Cash and cash equivalents at 30th June	**118,004**	111,314

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

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 with 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. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2011 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2011.

The application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[4]
HKFRS 11	Joint arrangements[4]
HKFRS 12	Disclosure of interests in other entities[4]
HKFRS 13	Fair value measurement[4]
HKAS 1 (Revised in 2011)	Presentation of financial statements – Presentation of items of other comprehensive income[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[2]
HKAS 19 (Revised in 2011)	Employee benefits[4]
HKAS 27 (Revised in 2011)	Separate financial statements[4]
HKAS 28 (Revised in 2011)	Investments in associates and joint ventures[4]

[1] Effective for annual periods beginning on or after 1st July, 2011.
[2] Effective for annual periods beginning on or after 1st January, 2012.
[3] Effective for annual periods beginning on or after 1st July, 2012.
[4] 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. This 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. The application of HKFRS 9 might affect the classification and measurement of the Group's available-for-sale financial assets.

The directors are still in the process of assessing the future impact of application of HKFRS 10 to 13.

The directors of the Company anticipate that the application of the above new or revised standards will have no material impact on the results and the financial position 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 considers them as one single operating segment on an aggregate basis. However, other than revenue analysis, no operating results and other discrete financial information are 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 chief executive officer. 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 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**	
	1.1.2011 to 30.6.2011	1.1.2010 to 30.6.2010	**30.6.2011**	31.12.2010
	US$'000	*US$'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Japan	**36,093**	18,095	**–**	–
PRC	**17,078**	16,979	**31,257**	32,045
Others	**1,270**	1,574	**–**	–
	54,441	36,648	**31,257**	32,045

Information about major customers

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

	1.1.2011 to 30.6.2011 *US$'000* **(unaudited)**	1.1.2010 to 30.6.2010 *US$'000* (unaudited)
Customer A	**12,118**	*
Customer B	**5,495**	5,091
Customer C	*****	4,654
Customer D	*****	6,116

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

Revenue from major products

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

	1.1.2011 to 30.6.2011 *US$'000* **(unaudited)**	1.1.2010 to 30.6.2010 *US$'000* (unaudited)
Components of optical and opto-electronic products		
– cameras and copiers	**46,435**	28,532
– others	**8,006**	8,116
	54,441	36,648

4. DEPRECIATION

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

	1.1.2011 to 30.6.2011 ***US$'000*** **(unaudited)**	1.1.2010 to 30.6.2010 *US$'000* (unaudited)
Depreciation on investment properties	**55**	40
Depreciation on property, plant and equipment	**2,883**	2,896

5. TAXATION

	1.1.2011 to 30.6.2011 ***US$'000*** **(unaudited)**	1.1.2010 to 30.6.2010 *US$'000* (unaudited)
The taxation charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	**122**	104

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group's profits neither arise in, nor are derived from, Hong Kong during both periods.

6. DIVIDENDS

	1.1.2011 to 30.6.2011 **_US$'000_** **(unaudited)**	1.1.2010 to 30.6.2010 _US$'000_ (unaudited)
Dividends recognised as distribution during the period:		
Final dividend for 2010 of HK3.0 cents (equivalent to US0.386 cents) (2010: final dividend for 2009 of HK3.8 cents; equivalent to US0.489 cents) per share	**3,195**	4,050
Special dividend for 2010 of HK2.5 cents (equivalent to US0.322 cents) (2010: special dividend for 2009 of HK4.0 cents; equivalent to US0.515 cents) per share	**2,665**	4,264
	5,860	8,314
Dividend proposed:		
Interim dividend for 2011 of HK3.0 cents (equivalent to US0.385 cents) (2010: HK3.0 cents; equivalent to US0.385 cents) per share proposed	**3,190**	3,190

On 25th August, 2011, the directors declared an interim dividend for the six months ended 30th June, 2011 of HK3.0 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, 2011 is based on the consolidated profit for the period attributable to owners of the Company of US$3,300,000 (US$2,254,000 for the six months ended 30th June, 2010) and on the 827,778,000 shares (827,778,000 shares for the six months ended 30th June, 2010) 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$1,694,000 (US$2,364,000 for the six months ended 30th June, 2010) on additions to property, plant and equipment in order to upgrade its manufacturing capacities.

9. TRADE AND OTHER RECEIVABLES

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables		
– related companies in which certain directors of the Company have beneficial interests	**155**	131
– others	**25,105**	19,607
	25,260	19,738
Less: Allowance for doubtful debts	**(364)**	(251)
	24,896	19,487
Proceeds receivable from disposal of property, plant and equipment	**–**	1,396
Other receivables	**1,213**	731
	26,109	21,614

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 presented based on the invoice date at the end of the reporting period:

	30.6.2011	31.12.2010
	US$'000	*US$'000*
	(unaudited)	(audited)
Age		
0 to 60 days	**12,159**	12,665
61 to 90 days	**3,857**	3,316
91 to 120 days	**3,547**	1,108
121 to 180 days	**3,221**	1,611
181 to 365 days	**2,112**	787
	24,896	19,487

10. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2011 *US$'000* (unaudited)	31.12.2010 *US$'000* (audited)
Unlisted securities:		
– unlisted fund	**2,015**	3,042

The investments represent units of an unlisted fund which mainly invests in debt securities and has no fixed obligation to pay dividends. The fair value of the investments was ascertained from market prices in an over-the-counter market.

11. TRADE AND OTHER PAYABLES

	30.6.2011 *US$'000* (unaudited)	31.12.2010 *US$'000* (audited)
Trade payables		
– a related company in which certain directors of the Company have beneficial interests	**132**	117
– others	**19,809**	15,850
	19,941	15,967
Payables for purchase of property, plant and equipment	**–**	3
Payroll and welfare payables	**2,138**	1,744
Other payables	**2,924**	2,598
	25,003	20,312

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

	30.6.2011 *US$'000* (unaudited)	31.12.2010 *US$'000* (audited)
Age		
0 to 60 days	**12,157**	10,143
61 to 90 days	**3,975**	2,569
91 to 180 days	**3,462**	3,081
181 to 365 days	**347**	174
	19,941	15,967

12. 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	**1.1.2011 to 30.6.2011** *US$'000* **(unaudited)**	1.1.2010 to 30.6.2010 *US$'000* (unaudited)
Sales of goods	**104**	264
Purchases of raw materials	**180**	226
Property rental income	**143**	137
Management fee paid	**708**	708

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

13. CAPITAL COMMITMENTS

	30.6.2011 *US$'000* **(unaudited)**	31.12.2010 *US$'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**199**	172

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.

The Group's turnover for the six months ended 30th June, 2011 was approximately US$54,441,000, representing an increase of 49% as compared with US$36,648,000 in the corresponding period of last year, with gross profit margin maintained at a high level of 22%, demonstrating the competitive strength of the Group. The net profit after taxation was approximately US$3,300,000, representing an increase of 46% as compared with US$2,254,000 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, representing a remarkable increase as compared with that in the corresponding period of last year. As consumer electronic products entered the peak period in the second six months of 2011, the players in the digital still cameras industry actively expanded their sales channels of new models, it is expected that the results of the Company will benefit from it directly.

Liquidity and Financial Resources

As at 30th June, 2011, the Group had current assets of approximately US$159,003,000 (as at 31st December, 2010: US$152,582,000) and current liabilities of approximately US$28,322,000 (as at 31st December, 2010: US$20,838,000). The current ratio of the Group was approximately 561%.

The Group finances its operation with internally generated resources. As at 30th June, 2011, the Group had cash at bank and on hand of approximately US$118,004,000 (as at 31st December, 2010: US$102,647,000), and zero bank borrowings.

Net cash generated from operating activities in the six months ended 30th June, 2011 was approximately US$1,786,000.

Net cash inflow from investing activities in the six months ended 30th June, 2011 was approximately US$16,703,000, which comprised capital expenditure arising from enhancement of production facilities in various divisions of the Group of approximately US$1,416,000, bank deposits with original maturity of more than three months of approximately US$15,220,000 and other investment activities of approximately US$2,899,000.

Net cash outflow from financing activities was US$3,195,000 for the six months ended 30th June, 2011, representing a payment of final dividend of approximately US$0.386 cent per share in respect of the year ended 31st December, 2010.

As at 30th June, 2011, the Group's aggregate bank balances and cash amounted to approximately US$118,004,000. The liability ratio (total liability divided by total assets) was approximately 15% 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, 2011, the Group had no significant contingent liabilities.

Employment, Training and Development

As at 30th June, 2011, the Group had a total of 4,350 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 a steady growth in 2011. Taking cost in consideration, those well-branded DSCs manufacturers will continue to look for competitive suppliers as well as expand their outsourced production scale. The Group provides competitive one-stop service, and will continue to improve automation level, human resources quality and supply chain management, thus providing complete service to strengthen its core competitiveness. As the second half of the year counts for a traditional high season for the launch of new consumer electronic products, it is expected that we will achieve better results.

Looking ahead, with a diversified customer base and an ability to provide "one-stop" production and services, as well as the Group's worldwide leading position in manufacture and supply of parts and components for the DSCs, the Group will pursue more orders to expand its sales operation. 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, 2011, 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)*	22.57%

Note: Mr. Cheng Wen-Tao ("Mr. Cheng") is taken to be interested in an aggregate of 186,833,000 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.

Save as disclosed above, as at 30th June 2011, 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, 2011, 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

As at 30th June, 2011, 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%
Mr. Chen Yao-Tang	Interest of a controlled corporation	113,000,000 *(Note 3)*	13.65%
Ms. Ho Shu-Chun	Interest of a spouse	113,000,000 *(Note 4)*	13.65%
Ms. Huang Ching-Hui	Interest of a spouse	186,833,000 *(Note 5)*	22.57%
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 held by Ability Enterprise BVI.

Note 2: As recorded in the register required to be kept under section 336 of the SFO, Fortune Lands is the founder of the Yorkey Employee's Trust and is the registered owner of 113,000,000 Shares which it will hold as trustee of The Yorkey Employees' Trust.

Note 3: As recorded in the register required to be kept under section 336 of the SFO, Mr. Chen Yao-Tang ("Mr. Chen"), being the sole shareholder of Fortune Lands, is taken to be interested in an aggregate of 113,000,000 Shares held by Fortune Lands.

Note 4: As recorded in the register required to be kept under section 336 of the SFO, Ms. Ho Shu-Chun, the spouse of Mr. Chen, is taken to be interested in an aggregate of 113,000,000 Shares in which Mr. Chen is interested in.

Note 5: As recorded in the register required to be kept under section 336 of the SFO, Ms. Huang Ching-Hui, the spouse of Mr. Cheng, is taken to be interested in an aggregate of 186,833,000 Shares in which Mr. Cheng is interested in.

Save as disclosed above, as at 30th June, 2011, 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, 2011, 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 to be kept under section 336 of the SFO.

Interim Dividend

The Board resolved to declare an interim dividend of HK$0.03 (2010: HK$0.03) per share in respect of the six months ended 30th June, 2011, payable to shareholders whose names appear on the register of members of the Company on 17th October, 2011.

The interim dividend will be paid before the end of November 2011.

Closure of Register of Members

The register of members of the Company will be closed from 13th to 17th October, 2011, 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 Wednesday, 12th October, 2011.

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, 2011.

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, 2011.

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, 2011.

Further, the interim financial information for the six months ended 30th June, 2011 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.