

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)



2012 Interim Report

* For identification purpose only

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CORPORATE INFORMATION

Executive Directors

Nagai Michio
Liao Kuo-Ming

Non-Executive Directors

Lai I-Jen
Wu Shu-Ping

Independent Non-Executive Directors

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

Company Secretary and Qualified Accountant

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

Registered Office

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

Place of Business in Hong Kong

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

Place of Business in the PRC

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

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

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 Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

2788

Deloitte.

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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, 2012 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
16th August, 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

	<i>Notes</i>	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)
Turnover	3	47,795	54,441
Cost of goods sold		(37,649)	(42,482)
Gross profit		10,146	11,959
Other income and gains		910	1,090
Gain on available-for-sale investments		–	20
Distribution costs		(531)	(1,013)
Administrative expenses		(7,754)	(7,987)
Research and development expenses		(914)	(647)
Share of results of an associate		(786)	–
Profit before taxation		1,071	3,422
Taxation credit (charge)	5	181	(122)
Profit for the period		1,252	3,300
Other comprehensive income (expense)			
– exchange differences arising from translation of financial statements of foreign operations		(1,854)	736
– reclassification adjustment relating to disposal of available-for-sale investments		–	(20)
– fair value gain (loss) on available-for-sale investments		25	(7)
Other comprehensive (expense) income for the period		(1,829)	709
Total comprehensive (expense) income for the period		(577)	4,009
Earnings per share			
– Basic	7	US0.15 cents	US0.40 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	<i>Notes</i>	30.6.2012 US\$'000 (unaudited)	31.12.2011 <i>US\$'000</i> (audited)
Non-current assets			
Investment properties		483	541
Property, plant and equipment	<i>8</i>	26,242	28,536
Prepaid lease payments		254	259
Interest in an associate	<i>9</i>	11,175	4,647
Deposits paid for acquisition of property, plant and equipment		43	165
		38,197	34,148
Current assets			
Inventories		7,008	10,239
Trade and other receivables	<i>10</i>	22,865	24,737
Amounts due from related companies		136	25
Available-for-sale investments	<i>11</i>	920	895
Bank balances and cash		111,729	121,467
		142,658	157,363
Current liabilities			
Trade and other payables	<i>12</i>	21,054	27,585
Dividend payable		3,190	–
Taxation payable		947	1,305
		25,191	28,890
Net current assets		117,467	128,473
Net assets		155,664	162,621
Capital and reserves			
Share capital		1,066	1,066
Reserves		154,598	161,555
Total equity		155,664	162,621

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2012

	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, 2011 (audited)	1,066	63,800	19,350	9,246	2,276	42	68,009	163,789
Exchange differences arising from 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)
Other comprehensive income for the period	-	-	-	736	-	(27)	-	709
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
At 1st January, 2012 (audited)	1,066	63,800	19,350	10,590	2,425	(105)	65,495	162,621
Exchange differences arising from translation of financial statements of foreign operations	-	-	-	(1,854)	-	-	-	(1,854)
Fair value gain on available-for-sale investments	-	-	-	-	-	25	-	25
Other comprehensive expense for the period	-	-	-	(1,854)	-	25	-	(1,829)
Profit for the period	-	-	-	-	-	-	1,252	1,252
Total comprehensive expense for the period	-	-	-	(1,854)	-	25	1,252	(577)
Dividend recognised as distribution (note 6)	-	-	-	-	-	-	(6,380)	(6,380)
At 30th June, 2012 (unaudited)	1,066	63,800	19,350	8,736	2,425	(80)	60,367	155,664

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 allocated based on 10% of profit after taxation of the statutory financial statements of the PRC subsidiary. 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, 2012

	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)
Net cash from operating activities	2,389	1,786
Investing activities		
Capital contribution to an associate	(8,869)	–
Purchase of property, plant and equipment	(531)	(1,416)
Decrease in bank deposits with original maturity of more than three months	–	15,220
Proceeds from disposal of available-for-sale investments	–	1,020
Proceeds from disposal of property, plant and equipment	–	1,401
Other investing activities	687	478
Net cash (used in) from investing activities	(8,713)	16,703
Cash used in financing activities		
Dividends paid	(3,190)	(3,195)
Net (decrease) increase in cash and cash equivalents	(9,514)	15,294
Cash and cash equivalents at 1st January	121,467	102,647
Effect of foreign exchange rate changes	(224)	63
Cash and cash equivalents at 30th June	111,729	118,004

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

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 dollars ("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, 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2012.

The application of the amendments to 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.

3. OPERATING SEGMENT

Operating segment

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

The chief executive officer reviews the profit for the period of the Group as a whole to make decisions about performance assessment and resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the chief operating decision maker.

Other segment information

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)	30.6.2012 US\$'000 (unaudited)	31.12.2011 US\$'000 (audited)
Japan	31,088	36,093	–	–
PRC	16,489	17,078	27,022	29,501
Others	218	1,270	–	–
	47,795	54,441	27,022	29,501

Information about major customers

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

	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)
Customer A	9,407	12,118
Customer B	7,023	5,495
Customer C	5,294	*

* 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 by major products:

	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)
Components of optical and opto-electronic products		
– cameras and copiers	43,563	46,435
– others	4,232	8,006
	47,795	54,441

4. DEPRECIATION

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

	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)
Depreciation on investment properties	55	55
Depreciation on property, plant and equipment	2,743	2,883

5. TAXATION (CREDIT) CHARGE

	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)
The taxation (credit) charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	184	122
Overprovision in prior years	(365)	-
	(181)	122

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

6. DIVIDENDS

	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)
Dividends recognised as distribution during the period:		
Final dividend for 2011 of HK3.0 cents (equivalent to US0.386 cents) (2011: final dividend for 2010 of HK3.0 cents; equivalent to US0.386 cents) per share paid	3,190	3,195
Special dividend declared for 2011 of HK3.0 cents (equivalent to US0.386 cents) (2011: special dividend for 2010 of HK2.5 cents; equivalent to US0.322 cents) per share	3,190	2,665
	6,380	5,860
Dividend proposed:		
Interim dividend for 2012 of HK2.5 cents (equivalent to US0.322 cents) (2011: HK3.0 cents; equivalent to US0.385 cents) per share proposed	2,669	3,190

On 16th August, 2012, the directors declared an interim dividend for the six months ended 30th June, 2012 of HK2.5 cents (equivalent to US0.322 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, 2012 is based on the consolidated profit for the period attributable to owners of the Company of US\$1,252,000 (US\$3,300,000 for the six months ended 30th June, 2011) and on the 827,778,000 shares (827,778,000 shares for the six months ended 30th June, 2011) 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 acquired property, plant and equipment amounting to US\$670,000 for the six months ended 30th June, 2012 (US\$1,694,000 for the six months ended 30th June, 2011) in order to upgrade its manufacturing capacities.

9. INTEREST IN AN ASSOCIATE

The Group contributed 49% of the registered capital of Pioneer Yorkey do Brasil Ltda. ("PYBL"), which is established in Brazil on 19th September, 2011, amounting to Brazilian Real ("BRL") 24,500,000 (equivalent to US\$13,893,000). PYBL has a registered capital of BRL 50,000,000 and will be engaged in the manufacturing and sale of digital cameras and component products for electronic devices or others.

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

10. TRADE AND OTHER RECEIVABLES

	30.6.2012 <i>US\$'000</i> (unaudited)	31.12.2011 <i>US\$'000</i> (audited)
Trade receivables		
– companies controlled by shareholders of the Company which have significant influence over the Group	32	78
– others	21,501	24,465
	21,533	24,543
Less: Allowance for doubtful debts	(377)	(379)
	21,156	24,164
Other receivables	1,709	573
	22,865	24,737

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.

	30.6.2012 <i>US\$'000</i> (unaudited)	31.12.2011 <i>US\$'000</i> (audited)
Age		
0 to 60 days	13,851	15,067
61 to 90 days	3,910	4,294
91 to 120 days	1,355	2,479
121 to 180 days	1,625	1,672
181 to 365 days	235	430
Over 365 days	180	222
	21,156	24,164

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2012 <i>US\$'000</i> (unaudited)	31.12.2011 <i>US\$'000</i> (audited)
Unlisted securities:		
– unlisted fund	920	895

The investments represent a number of units of an unlisted fund which mainly invests in debt securities and has no fixed obligation to pay dividends. Fair value of the investment was quoted from a bank based on market prices in an over-the-counter market.

12. TRADE AND OTHER PAYABLES

	30.6.2012 <i>US\$'000</i> (unaudited)	31.12.2011 <i>US\$'000</i> (audited)
Trade payables		
– a company controlled by a then shareholder of the Company which had significant influence over the Group	–	177
– others	16,654	22,406
	16,654	22,583
Payables for purchase of property, plant and equipment	4	16
Payroll and welfare payables	2,018	2,268
Other payables and accruals	2,378	2,718
	21,054	27,585

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

	30.6.2012 <i>US\$'000</i> (unaudited)	31.12.2011 <i>US\$'000</i> (audited)
Age		
0 to 60 days	9,015	12,331
61 to 90 days	3,391	4,522
91 to 180 days	4,156	5,330
181 to 365 days	92	400
	16,654	22,583

13. RELATED PARTY TRANSACTIONS

Other than the amounts due from/to related companies as disclosed in notes 10 and 12, the Group has the following transactions with related parties during the period:

Nature of transactions	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	1.1.2011 to 30.6.2011 US\$'000 (unaudited)
Sales of goods	70	104
Purchases of raw materials	134	180
Property rental income	148	143
Management fee paid	472	708

No emoluments were paid to the Group's key management, i.e. directors of the Company, during both periods.

14. CAPITAL COMMITMENTS

	30.6.2012 US\$'000 (unaudited)	31.12.2011 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	88	120

At 31st December 2011, the Group has committed to contribute an additional amount of BRL 15,680,000 (equivalent to approximately US\$8.9 million) ("Capital Contribution") to PYBL in proportion to its shareholding interest. The Group has completed the Capital Contribution during the current interim period.

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, 2012 was approximately US\$47,795,000, representing a decrease of 12% as compared with US\$54,441,000 in the corresponding period of last year, with gross profit margin maintained at a high level of 21%, demonstrating the competitive strength of the Group. The net profit after taxation was approximately US\$1,252,000, representing a decrease of 62% as compared with US\$3,300,000 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. As consumer electronic products entered the peak period in the second six months of 2012, 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, 2012, the Group had current assets of approximately US\$142,658,000 (as at 31st December, 2011: US\$157,363,000) and current liabilities of approximately US\$25,191,000 (as at 31st December, 2011: US\$28,890,000). The current ratio of the Group was approximately 566%.

The Group finances its operation with internally generated resources. As at 30th June, 2012, the Group had cash at bank and on hand of approximately US\$111,729,000 (as at 31st December, 2011: US\$121,467,000), and zero bank borrowings.

Net cash generated from operating activities in the six months ended 30th June, 2012 was approximately US\$2,389,000.

Net cash outflow from investing activities in the six months ended 30th June, 2012 was approximately US\$8,713,000, which comprised capital expenditure arising from enhancement of production facilities in various divisions of the Group of approximately US\$531,000, capital contribution to an associate of US\$8,869,000 and cash inflow from other investment activities of approximately US\$687,000.

Net cash outflow from financing activities was US\$3,190,000 for the six months ended 30th June, 2012, representing a payment of final dividend of approximately US0.386 cent per share in respect of the year ended 31st December, 2011.

As at 30th June, 2012, the Group's aggregate bank balances and cash amounted to approximately US\$111,729,000. The liability ratio (total liability divided by total assets) was approximately 14% 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 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, 2012, the Group had no significant contingent liabilities.

Employment, Training and Development

As at 30th June, 2012, the Group had a total of 3,767 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

In face of the slowing global economy due to the European debt crisis, digital camera brand players adopted a conservative approach and focused on inventory control for the first half of the year. However, as a number of stimulus policies have been promulgated in the second half of the year, the economy gradually stabilises. Individual brand players are actively rolling out new models to stimulate market demand. The Group expects that its results for the second half of the year will see significant growth over that in the first half of the year, alongside with increasing profitability.

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, 2012, 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*

As at 30th June 2012, 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, 2012, 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, 2012, 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
Asia Promotion Optical International Ltd.	Beneficial owner	186,833,000	22.57%
Mr. Cheng Wen-Tao	Interest of a controlled corporation	186,833,000 (Note 1)	22.57%
Ms. Huang Ching-Hui	Interest of a spouse	186,833,000 (Note 2)	22.57%
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 3)	17.45%
Fortune Lands International Ltd.	Founder of discretionary trust	113,000,000 (Note 4)	13.65%
Mr. Chen Yao-Tang	Interest of a controlled corporation	113,000,000 (Note 5)	13.65%
Ms. Ho Shu-Chun	Interest of a spouse	113,000,000 (Note 6)	13.65%
Templeton Asset Management Ltd.	Investment manager	58,518,000	7.07%

Note 1: 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.

Note 2: 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.

Note 3: 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 4: 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 5: 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 6: 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.

Save as disclosed above, as at 30th June, 2012, 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, 2012, 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\$0.025 (2011: HK\$0.03) per share in respect of the six months ended 30th June, 2012, payable to shareholders whose names appear on the register of members of the Company on Friday, 19th October, 2012.

The interim dividend will be paid on or before Wednesday, 7 November 2012.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 15th to Friday, 19th October, 2012, 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 4:30 p.m. on Friday, 12th October, 2012.

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, 2012.

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, 2012.

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, 2012.

Further, the interim financial information for the six months ended 30th June, 2012 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.