

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)



2013 Interim Report

* For identification purpose only



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CORPORATE INFORMATION

Executive Directors

Lai I-Jen
Nagai Michio

Non-Executive Directors

Liao Kuo-Ming
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

Bank SinoPac
Industrial Bank of Taiwan
Ta Chong Bank Ltd.
China Construction Bank
China Merchant Bank

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
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



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Yorkey Optical International (Cayman) Ltd. and its subsidiaries set out on pages 5 to 19, which comprise the condensed consolidated statement of financial position as of 30th June, 2013 and the related condensed consolidated statement of profit or loss and other 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 these condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

7th August, 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2013

	Notes	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	1.1.2012 to 30.6.2012 US\$'000 (unaudited)
Turnover	3	35,611	47,795
Cost of goods sold		(28,642)	(37,649)
Gross profit		6,969	10,146
Other income and gains		820	910
Distribution costs		(529)	(531)
Administrative expenses		(6,649)	(7,754)
Research and development expenses		(888)	(914)
Gain on disposal of available-for-sale investments		41	–
Share of results of an associate		(1,046)	(786)
(Loss) profit before taxation		(1,282)	1,071
Taxation (charge) credit	5	(225)	181
(Loss) profit for the period		(1,507)	1,252
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
– exchange differences arising from translation of financial statements of foreign operations		(473)	(1,854)
– fair value gain on available-for-sale investments		43	25
– reclassification adjustment relating to disposal of available-for-sale investments		(41)	–
Other comprehensive expense for the period		(471)	(1,829)
Total comprehensive expense for the period		(1,978)	(577)
(Loss) earnings per share			
– Basic	7	US(0.18) cents	US0.15 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2013

	<i>Notes</i>	30.6.2013 US\$'000 (unaudited)	31.12.2012 <i>US\$'000</i> (audited)
Non-current assets			
Investment properties		403	454
Property, plant and equipment	8	22,601	24,241
Prepaid lease payments		255	256
Interest in an associate	9	8,481	10,272
Deposits paid for acquisition of property, plant and equipment		58	461
		31,798	35,684
Current assets			
Inventories		6,546	4,739
Trade and other receivables	10	15,440	17,693
Amount due from an associate		–	2,278
Amount due from a related company		25	126
Available-for-sale investments	11	1,000	1,498
Bank balances and cash		114,329	113,146
		137,340	139,480
Current liabilities			
Trade and other payables	12	17,675	21,747
Dividend payable		2,134	–
Taxation payable		834	810
		20,643	22,557
Net current assets		116,697	116,923
Total assets less current liabilities		148,495	152,607
Capital and reserves			
Share capital		1,066	1,066
Reserves		147,429	151,541
Total equity		148,495	152,607

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2013

	Attributable to owners of the Company							
	Share capital	Share premium	Special reserve	Translation reserve	Statutory surplus reserve fund	Investment revaluation reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1st January, 2012 (audited)	1,066	63,800	19,350	10,590	2,425	(105)	65,495	162,621
Other comprehensive (expense) income for the period	-	-	-	(1,854)	-	25	-	(1,829)
Profit for the period	-	-	-	-	-	-	1,252	1,252
Total comprehensive (expense) income 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
At 1st January, 2013 (audited)	1,066	63,800	19,350	9,462	2,425	(2)	56,506	152,607
Other comprehensive (expense) income for the period	-	-	-	(473)	-	2	-	(471)
Loss for the period	-	-	-	-	-	-	(1,507)	(1,507)
Total comprehensive (expense) income for the period	-	-	-	(473)	-	2	(1,507)	(1,978)
Dividend recognised as distribution (note 6)	-	-	-	-	-	-	(2,134)	(2,134)
At 30th June, 2013 (unaudited)	1,066	63,800	19,350	8,989	2,425	-	52,865	148,495

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, 2013

	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	1.1.2012 to 30.6.2012 US\$'000 (unaudited)
Net cash from operating activities	95	2,389
Investing activities		
Proceeds from disposal of available-for-sale investments	1,041	–
Proceeds from disposal of property, plant and equipment	54	–
Purchase of available-for-sale investments	(500)	–
Purchase of property, plant and equipment	(303)	(531)
Capital contribution to an associate	–	(8,869)
Other investing activities	622	687
Net cash from (used in) investing activities	914	(8,713)
Cash used in financing activities		
Dividends paid	–	(3,190)
Net increase (decrease) in cash and cash equivalents	1,009	(9,514)
Cash and cash equivalents at 1st January	113,146	121,467
Effect of foreign exchange rate changes	174	(224)
Cash and cash equivalents at 30th June	114,329	111,729

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

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, 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated financial statements;
HKFRS 11	Joint arrangements;
HKFRS 12	Disclosure of interests in other entities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interest in other entities: Transition guidance;
HKFRS 13	Fair value measurement;
HKAS 19 (as revised in 2011)	Employee benefits;
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures;
Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities;
Amendments to HKAS 1	Presentation of items of other comprehensive income;
Amendments to HKFRSs HK(IFRIC) – INT 20	Annual improvements to HKFRSs 2009 – 2011 cycle; and Stripping costs in the production phase of a surface mine.

Except as described below, the application of the above new or 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.

Amendments to HKAS 1 “Presentation of items of other comprehensive income”

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 “Fair value measurement”

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 13.

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. 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 results for the period of the Group as a whole to make decisions about performance assessment and resource allocation. 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 based and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	1.1.2012 to 30.6.2012 US\$'000 (unaudited)	30.6.2013 US\$'000 (unaudited)	31.12.2012 US\$'000 (audited)
Japan	21,898	31,088	–	–
PRC	13,226	16,489	23,317	25,412
Others	487	218	–	–
	35,611	47,795	23,317	25,412

Information about major customers

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

	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	1.1.2012 to 30.6.2012 US\$'000 (unaudited)
Customer A	9,610	9,407
Customer B	4,448	7,023
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:

	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	1.1.2012 to 30.6.2012 US\$'000 (unaudited)
Components of optical and opto-electronic products		
– cameras and copiers	32,477	43,563
– others	3,134	4,232
	35,611	47,795

4. DEPRECIATION

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

	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	1.1.2012 to 30.6.2012 US\$'000 (unaudited)
Depreciation on investment properties	55	55
Depreciation on property, plant and equipment	2,492	2,743

5. TAXATION (CHARGE) CREDIT

	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	1.1.2012 to 30.6.2012 US\$'000 (unaudited)
The taxation (charge) credit comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	(23)	(184)
(Under) overprovision in prior years	(202)	365
	(225)	181

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

	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	1.1.2012 to 30.6.2012 US\$'000 (unaudited)
Dividends recognised as distribution during the period:		
Final dividend for 2012 of nil (2012: final dividend for 2011 of HK3.0 cents; equivalent to US0.386 cents) per share paid	–	3,190
Special dividend declared for 2012 of HK2.0 cents (equivalent to US0.258 cents) (2012: special dividend for 2011 of HK3.0 cents; equivalent to US0.386 cents) per share	2,134	3,190
	2,134	6,380
Dividend proposed:		
Interim dividend for 2013 of HK2.5 cents (equivalent to US0.322 cents) (2012: HK2.5 cents; equivalent to US0.322 cents) per share proposed	2,669	2,669

On 7th August, 2013, the directors declared an interim dividend for the six months ended 30th June, 2013 of HK2.5 cents (equivalent to US0.322 cents) per share based on 827,778,000 shares in issue as at the date of issuance of these condensed consolidated financial statements.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 30th June, 2013 is based on the consolidated loss for the period attributable to owners of the Company of US\$1,507,000 (profit of US\$1,252,000 for the six months ended 30th June, 2012) and on the 827,778,000 shares (827,778,000 shares for the six months ended 30th June, 2012) in issue during the period.

No diluted (loss) earnings per share is presented as there were no potential ordinary shares during both periods.

8. PROPERTY, PLANT AND EQUIPMENT

The Group acquired plant and equipment with an estimated useful life of 10 years amounting to US\$752,000 for the six months ended 30th June, 2013 (US\$670,000 for the six months ended 30th June, 2012).

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 and is engaged in the manufacturing and sales 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

	30.6.2013 <i>US\$'000</i> (unaudited)	31.12.2012 <i>US\$'000</i> (audited)
Trade receivables		
– companies controlled by direct or indirect shareholders of the Company which have significant influence over the Company	1,417	34
– a direct shareholder of the Company which has significant influence over the Company	1,267	–
– others	11,664	16,568
	14,348	16,602
Less: Allowance for doubtful debts	(63)	(56)
	14,285	16,546
Other receivables	1,155	1,147
	15,440	17,693

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, which approximated the respective revenue recognition dates.

	30.6.2013 <i>US\$'000</i> (unaudited)	31.12.2012 <i>US\$'000</i> (audited)
Age		
0 to 60 days	12,623	11,970
61 to 90 days	1,479	2,588
91 to 120 days	132	1,011
121 to 180 days	1	746
181 to 365 days	2	71
Over 365 days	48	160
	14,285	16,546

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2013 <i>US\$'000</i> (unaudited)	31.12.2012 <i>US\$'000</i> (audited)
Unlisted securities:		
– unlisted funds	1,000	1,498

The investments represent a number of units of unlisted funds which mainly invest in debt securities and have no fixed obligation to pay interest.

12. TRADE AND OTHER PAYABLES

	30.6.2013 <i>US\$'000</i> (unaudited)	31.12.2012 <i>US\$'000</i> (audited)
Trade payables		
– a company controlled by a direct shareholder of the Company which has significant influence over the Company	403	–
– others	12,547	14,764
	12,950	14,764
Payables for purchase of property, plant and equipment	8	10
Payroll and welfare payables	2,073	2,112
Other payables and accruals (including payables of US\$2,179,000 for purchase on behalf of an associate at 31st December, 2012; 30th June, 2013: nil)	2,644	4,861
	17,675	21,747

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

	30.6.2013 <i>US\$'000</i> (unaudited)	31.12.2012 <i>US\$'000</i> (audited)
Age		
0 to 60 days	10,158	10,954
61 to 90 days	1,804	2,143
91 to 180 days	955	1,592
Over 180 days	33	75
	12,950	14,764

13. FAIR VALUE MEASUREMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30th June, 2013 <i>US\$'000</i>	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale investments	1,000	Level 2	The fair value is determined based on the price that the counterparty financial institution would pay to redeem the unit.

There were no transfers between Level 1 and 2 in the current period.

14. 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	1.1.2013 to 30.6.2013 <i>US\$'000</i> (unaudited)	1.1.2012 to 30.6.2012 <i>US\$'000</i> (unaudited)
Sales of goods	3,514	70
Purchases of raw materials	525	134
Property rental income	150	148
Management fee paid	–	472

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

15. CAPITAL COMMITMENTS

	30.6.2013 <i>US\$'000</i> (unaudited)	31.12.2012 <i>US\$'000</i> (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	114	309

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, 2013 was approximately US\$35,611,000, representing a decrease of 25% as compared with US\$47,795,000 in the corresponding period of last year, with gross profit margin maintained at a level of 20%. The net loss after taxation was approximately US\$1,507,000 compared to a profit of US\$1,252,000 for the same period last year.

The Group's turnover for the first six months was mainly derived from the sales of components for DSCs. However, due to the uncertainties over global economic recovery and the impacts of competition on mobile devices, coupled with other factors such as the economic slowdown and changing economic conditions in China and the effect of Japanese Government's announcement on the "nationalisation" of Diaoyu Islands on 11 September 2012 (the "Diaoyu Islands Incident"), the operating environment remained challenging.

Liquidity and Financial Resources

As at 30th June, 2013, the Group had current assets of approximately US\$137,340,000 (as at 31st December, 2012: US\$139,480,000) and current liabilities of approximately US\$20,643,000 (as at 31st December, 2012: US\$22,557,000). The current ratio of the Group was approximately 665%.

The Group finances its operation with internally generated resources. As at 30th June, 2013, the Group had cash at bank and on hand of approximately US\$114,329,000 (as at 31st December, 2012: US\$113,146,000), and zero bank borrowings.

Net cash generated from operating activities in the six months ended 30th June, 2013 was approximately US\$95,000.

Net cash inflow from investing activities in the six months ended 30th June, 2013 was approximately US\$914,000, which comprised proceeds from disposal of available-for-sale investments of US\$1,041,000, purchase available-for-sale investments of US\$500,000, capital expenditure in various divisions of the Group of approximately US\$303,000 and cash inflow from other investment activities of approximately US\$676,000.

No cash outflow from financing activities for the six months ended 30th June, 2013.

As at 30th June, 2013, the Group's aggregate bank balances and cash amounted to approximately US\$114,329,000. The liability ratio (total liability divided by total assets) was approximately 12% 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, 2013, the Group had no significant contingent liabilities.

Employment, Training and Development

As at 30th June, 2013, the Group had a total of 3,017 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

Due to the slowing growth of emerging markets, the uncertainties over economic recovery in Europe, the possible scaling down of US quantitative easing policies, and other factors such as the economic slowdown and changing economic conditions in China and the effect of the Diaoyu Islands Incident, the uncertainties over global economic recovery, coupled with the competition on mobile devices, the operating environment will remain challenging. Nevertheless, leverage on a solid foundation, the Group will endeavour to provide "one-stop" production and services to customers, continue to focus on enhancing the core competence to secure orders so as to generate attractive returns to the shareholders of the Company.

OTHER INFORMATION

Disclosure of Interests

Directors and Chief Executive's Interests in Shares

As at 30th June, 2013, 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 2013, 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, 2013, 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, 2013, 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 Optical International Ltd.	Beneficial owner	186,833,000	22.57%
Asia Optical Co., Inc.	Interest of a controlled corporation	226,833,000 (Note 1)	27.40%
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 2)	17.45%
Fortune Lands International Ltd.	Founder of discretionary trust	113,000,000 (Note 3)	13.65%
Mr. Chen Yao-Tang	Interest of a controlled corporation	113,000,000 (Note 4)	13.65%
Ms. Ho Shu-Chun	Interest of a spouse	113,000,000 (Note 5)	13.65%
Templeton Asset Management Ltd.	Investment manager	57,860,000	6.99%

Note 1: Asia Optical Co., Inc. holds 100% direct interest in the issued capital of Asia Optical International Ltd. ("AOIL") and therefore is taken to be interested in an aggregate of 186,833,000 Shares held by AOIL.

Note 2: Ability Enterprise Co., Ltd. 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 3: 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 4: As recorded in the register required to be kept under section 336 of the SFO, Mr. Chen Yao-Tang, 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 5: As recorded in the register required to be kept under section 336 of the SFO, Ms. Ho Shu-Chun, the spouse of Mr. Chen Yao-Tang, is taken to be interested in an aggregate of 113,000,000 Shares in which Mr. Chen Yao Tang is interested.

Save as disclosed above, as at 30th June, 2013, 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 to be kept under section 336 of the SFO.

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

As at 30th June, 2013, 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 (2012: HK\$0.025) per share in respect of the six months ended 30th June, 2013, payable to shareholders whose names appear on the register of members of the Company on Friday, 18 October, 2013.

The interim dividend will be paid on or before Thursday, 7 November, 2013.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 16 October, 2013 to Friday, 18 October, 2013, 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 Tuesday, 15 October, 2013.

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, 2013.

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, 2013.

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, 2013.

Further, the interim financial information for the six months ended 30th June, 2013 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.