

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)



2014 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

CTBC Bank Co., Ltd.
HSBC Bank (Taiwan) Limited
Bank SinoPac
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
Level 22, Hopewell Centre
183 Queen's Road East
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 18, which comprise the condensed consolidated statement of financial position as of 30th June, 2014 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

5th August, 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

	Notes	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)
Turnover	3	38,705	35,611
Cost of goods sold		(28,972)	(28,642)
Gross profit		9,733	6,969
Other income and gains		1,117	820
Distribution costs		(639)	(529)
Administrative expenses		(5,936)	(6,649)
Research and development expenses		(907)	(888)
Gain on disposal of available-for-sale investments		–	41
Share of results of an associate		384	(1,046)
Profit (loss) before taxation		3,752	(1,282)
Taxation	5	(206)	(225)
Profit (loss) for the period		3,546	(1,507)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising from translation of financial statements of foreign operations		(337)	(473)
– fair value gain on available-for-sale investments		14	43
– reclassification adjustment relating to disposal of available-for-sale investments		–	(41)
Other comprehensive expense for the period		(323)	(471)
Total comprehensive income (expense) for the period		3,223	(1,978)
Earnings (loss) per share			
– Basic	7	US0.43 cents	US(0.18) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2014

	<i>Notes</i>	30.6.2014 US\$'000 (unaudited)	31.12.2013 <i>US\$'000</i> (audited)
Non-current assets			
Investment properties		284	355
Property, plant and equipment	8	18,413	20,620
Prepaid lease payments		247	257
Interest in an associate	9	7,836	6,910
Deposits paid for acquisition of property, plant and equipment		129	176
		26,909	28,318
Current assets			
Inventories		5,495	5,512
Trade and other receivables	10	14,688	18,277
Amounts due from related companies		25	31
Available-for-sale investments	11	1,514	1,000
Bank balances and cash		123,513	118,974
		145,235	143,794
Current liabilities			
Trade and other payables	12	17,485	20,604
Dividend payable		5,338	–
Taxation payable		1,231	1,303
		24,054	21,907
Net current assets		121,181	121,887
Total assets less current liabilities		148,090	150,205
Capital and reserves			
Share capital		1,066	1,066
Reserves		147,024	149,139
Total equity		148,090	150,205

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2014

	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, 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
At 1st January, 2014 (audited)	1,066	63,800	19,350	9,295	2,525	-	54,169	150,205
Other comprehensive (expense) income for the period	-	-	-	(337)	-	14	-	(323)
Profit for the period	-	-	-	-	-	-	3,546	3,546
Total comprehensive (expense) income for the period	-	-	-	(337)	-	14	3,546	3,223
Dividend recognised as distribution (note 6)	-	-	-	-	-	-	(5,338)	(5,338)
At 30th June, 2014 (unaudited)	1,066	63,800	19,350	8,958	2,525	14	52,377	148,090

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, 2014

	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)
Net cash from operating activities	5,015	95
Investing activities		
Purchase of property, plant and equipment	(545)	(303)
Purchase of available-for-sale investments	(500)	(500)
Proceeds from disposal of property, plant and equipment	33	54
Proceeds from disposal of available-for-sale investments	–	1,041
Other investing activities	877	622
Net cash (used in) from investing activities	(135)	914
Net increase in cash and cash equivalents	4,880	1,009
Cash and cash equivalents at 1st January	118,974	113,146
Effect of foreign exchange rate changes	(341)	174
Cash and cash equivalents at 30th June	123,513	114,329

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

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, 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2013.

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, 2014.

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, 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 and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)	30.6.2014 US\$'000 (unaudited)	31.12.2013 US\$'000 (audited)
Japan	21,481	21,898	–	–
PRC	15,083	13,226	19,073	21,408
Others	2,141	487	–	–
	38,705	35,611	19,073	21,408

Information about major customers

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

	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)
Customer A	6,460	*
Customer B	5,573	9,610
Customer C	*	4,448

* 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:

	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)
Components of optical and opto-electronic products		
– cameras and copiers	34,741	32,477
– others	3,964	3,134
	38,705	35,611

4. DEPRECIATION

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

	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)
Depreciation on investment properties	54	55
Depreciation on property, plant and equipment	2,248	2,492

5. TAXATION

	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)
The tax charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	(206)	(23)
Underprovision in prior years	–	(202)
	(206)	(225)

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

	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)
Dividends recognised as distribution during the period:		
Final dividend declared for 2013 of HK2.5 cents (equivalent to US0.322 cents) per share (2013: final dividend for 2012 of nil)	2,669	–
Special dividend declared for 2013 of HK2.5 cents (equivalent to US0.322 cents) (2013: special dividend declared for 2012 of HK2.0 cents; equivalent to US0.258 cents) per share	2,669	2,134
	5,338	2,134
Dividend proposed:		
Interim dividend for 2014 of HK3.5 cents (equivalent to US0.451 cents) (2013: HK2.5 cents; equivalent to US0.322 cents) per share proposed	3,735	2,669

On 5th August, 2014, the directors declared an interim dividend for the six months ended 30th June, 2014 of HK3.5 cents (equivalent to US0.451 cents) per share based on 827,778,000 shares in issue as at the date of issuance of these condensed consolidated financial statements.

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the six months ended 30th June, 2014 is based on the consolidated profit for the period attributable to owners of the Company of US\$3,546,000 (loss of US\$1,507,000 for the six months ended 30th June, 2013) and on the 827,778,000 shares (827,778,000 shares for the six months ended 30th June, 2013) in issue during the period.

No diluted earnings (loss) 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\$680,000 for the six months ended 30th June, 2014 (US\$752,000 for the six months ended 30th June, 2013).

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 principally 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

	30.6.2014 <i>US\$'000</i> (unaudited)	31.12.2013 <i>US\$'000</i> (audited)
Trade receivables		
– companies controlled by shareholders of the Company which have significant influence over the Company	3,295	3,311
– others	10,668	13,227
	13,963	16,538
Less: Allowance for doubtful debts	(105)	(88)
	13,858	16,450
Other receivables	830	1,827
	14,688	18,277

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.

	30.6.2014 <i>US\$'000</i> (unaudited)	31.12.2013 <i>US\$'000</i> (audited)
Age		
0 to 60 days	10,764	13,272
61 to 90 days	2,432	2,122
91 to 120 days	317	196
121 to 180 days	101	854
181 to 365 days	244	6
	13,858	16,450

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2014 <i>US\$'000</i> (unaudited)	31.12.2013 <i>US\$'000</i> (audited)
Unlisted securities:		
– unlisted funds	1,514	1,000

The investments represent a number of units of unlisted funds which mainly invest in debt securities and have no obligation to pay interest. They are measured at fair value.

12. TRADE AND OTHER PAYABLES

	30.6.2014 <i>US\$'000</i> (unaudited)	31.12.2013 <i>US\$'000</i> (audited)
Trade payables		
– companies controlled by shareholders of the Company which have significant influence over the Company	280	721
– others	11,985	14,432
	12,265	15,153
Payables for purchase of property, plant and equipment	35	13
Payroll and welfare payables	2,074	2,300
Other payables and accruals (including accruals for rental expense payable to a related company amounting to US\$106,000 at 30th June, 2014; US\$192,000 at 31st December, 2013)	3,111	3,138
	17,485	20,604

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

	30.6.2014 <i>US\$'000</i> (unaudited)	31.12.2013 <i>US\$'000</i> (audited)
Age		
0 to 60 days	8,964	7,919
61 to 90 days	1,951	2,079
91 to 180 days	1,264	2,135
181 to 365 days	86	3,020
	12,265	15,153

13. FAIR VALUE MEASUREMENTS

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

Some of the Group's financial assets 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 techniques 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		Fair value hierarchy	Valuation techniques and key inputs
	30.6.2014 US\$'000 (unaudited)	31.12.2013 US\$'000 (audited)		
Available-for-sale investments	1,514	1,000	Level 2	The fair value is determined based on the price that the counterparty financial institutions would pay to redeem the units.

There were no transfers between Level 1 and 2 during both periods.

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	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	1.1.2013 to 30.6.2013 US\$'000 (unaudited)
Revenue:		
Sales of goods	5,263	3,514
Property rental income	152	150
Cost and expenses:		
Purchases of raw materials	132	525
Processing charges paid	1,099	–
Rental paid	602	–

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

15. CAPITAL COMMITMENTS

	30.6.2014 US\$'000 (unaudited)	31.12.2013 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	229	261

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.

Turnover

The Group's turnover for the six months ended 30th June, 2014 was approximately US\$38,705,000, representing an increase of approximately 9% compared with US\$35,611,000 for the previous corresponding period.

The Group's revenue for the first half of the year was mainly derived from the sales of components for DSCs and the percentage of its contribution accounted for 82.4%. Affected by competition on mobile devices, coupled with other factors such as the economic slowdown and changing economic conditions in China and the Japanese Government's announcement on the "nationalisation of Diaoyu Islands" on 11 September 2012 (the "Diaoyu Islands Incident"), the operating environment remained challenging although the overall revenue of the Group increased compared with that in the same period of last year. However, the Group will endeavour to expand business leveraging on its own core competence and superior ability to respond and by developing and researching new products.

Gross Profit

The Group's gross profit for the first half of 2014 was approximately US\$9,733,000 (for the first half of 2013: US\$6,969,000) and the gross profit margin was approximately 25% (for the first half of 2013: approximately 20%), representing an increase as compared to those in the same period of the previous year. The increase in the gross profit was due to the economies of scale as a result of the growth in revenue and the continued cost control efforts.

Other Income and Gains

The other income of the Group was US\$1,117,000 (comprising bank interest income of US\$947,000, rental income of US\$152,000 and miscellaneous income of US\$18,000), representing an increase as compared with US\$820,000 (comprising bank interest income of US\$670,000 and rental income of US\$150,000) in the first half of 2013. The increase in other income was mainly due to the increase in interest rates and the increase in term deposits.

Interest in an Associate

PYBL recorded revenue of US\$12,839,000 for the first half of 2014, representing a decrease of approximately 16% as compared with that of the previous year (for the first half of 2013: US\$15,323,000). Despite the decrease in revenue, a profit of US\$784,000 was recorded as a result of effective operating cost control and injection of exchange gain (for the first half of 2013: loss of US\$2,136,000).

The revenue of PYBL was mainly derived from the sales of components for DSCs and the percentage of its contribution accounted for 83%. The remaining revenue was derived from the sales of related components for automobiles and motor vehicles.

Brazil is the host country of 2016 Olympics. Seizing the business opportunities, PYBL will consolidate its core strengths and competitiveness to increase sales orders and maintain ongoing operating cost control so as to achieve economic benefits.

Net Profit

The Group's net profit for the first half of 2014 was approximately US\$3,546,000, as compared with net loss of approximately US\$1,507,000. The Group recorded a profit for the first half of the year, mainly due to the increase in gross profit, effective operating cost control and recognition of PYBL's profit.

Liquidity and Financial Resources

As at 30th June, 2014, the Group had current assets of approximately US\$145,235,000 (as at 31st December, 2013: US\$143,794,000) and current liabilities of approximately US\$24,054,000 (as at 31st December, 2013: US\$21,907,000). The current ratio of the Group was approximately 604%.

The Group finances its operation with internally generated resources. As at 30th June, 2014, the Group had cash at bank and on hand of approximately US\$123,513,000 (as at 31st December, 2013: US\$118,974,000), and zero bank borrowings.

Net cash generated from operating activities in the six months ended 30th June, 2014 was approximately US\$5,015,000.

Net cash outflow from investing activities in the six months ended 30th June, 2014 was approximately US\$135,000, which comprised capital expenditure in various divisions of the Group of approximately US\$545,000, purchase available-for-sale investments of US\$500,000, and cash inflow from other investment activities of approximately US\$910,000.

No cash outflow from financing activities for the six months ended 30th June, 2014.

As at 30th June, 2014, the Group's aggregate bank balances and cash amounted to approximately US\$123,513,000. 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

Foreign currency exposure refer to the risks associated with the foreign exchange rate movements on the financial results and cash flows of the Group. The Group is mainly exposed to currencies of Hong Kong dollars and Japanese Yen. Since Hong Kong dollars is pegged to United States dollars, the exchange rate fluctuation between Hong Kong dollars and United States dollars is not significant. Japanese Yen denominated assets only account for a very small proportion to the total assets of the Group. Accordingly, the exchange risks are minimal. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. However, the management often monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 30th June, 2014, the Group had no significant contingent liabilities.

Capital Commitment

As at 30th June, 2014, the capital commitment of the Group was US\$229,000 (as at 31st December, 2013: US\$261,000).

Employment, Training and Development

As at 30th June, 2014, the Group had a total of 2,867 employees (as at 30th June, 2013: 3,017 employees). Staff costs incurred during the six months ended 30th June, 2014 amounted to approximately US\$10,983,000 (for the six months ended 30th June, 2013: US\$9,974,000).

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

Given that the sales of DSCs remained affected by the global economic sentiments and competition on mobile devices, coupled with other factors such as the economic slowdown and changing economic conditions in China and the Diaoyu Islands Incident, 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 as well as continue to focus on enhancing the core competence 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, 2014, 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 2014, 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, 2014, 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, 2014, 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%
Webb David Michael	Beneficial owner	41,766,000	5.04%

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. Asia Optical Co., Inc. also holds 100% direct interest in the issued capital of Richman International Group Co., Ltd. which is the registered holder of an aggregate of 40,000,000 Shares. Therefore, Asia Optical Co., Inc. is taken to be interested in such 40,000,000 Shares held by Richman International Group Co., Ltd.

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, 2014, 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, 2014, 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\$0.035 (2013: HK\$0.025) per share in respect of the six months ended 30th June, 2014, payable to shareholders whose names appear on the register of members of the Company on Monday, 13th October, 2014.

The interim dividend will be paid on or before Friday, 7th November, 2014.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 9th October to Monday, 13th October, 2014, 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 Level 22, Hopewell Centre 183 Queen's Road East Hong Kong for registration no later than 4:30 p.m. on Wednesday, 8th October, 2014.

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, 2014.

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, 2014.

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, 2014.

Further, the interim financial information for the six months ended 30th June, 2014 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.