

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)



* For identification purpose only

2015

Interim Report

Contents

YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
Interim Report 2015

2	Corporate Information
3	Report on Review of Condensed Consolidated Financial Statements
5	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
6	Condensed Consolidated Statement of Financial Position
7	Condensed Consolidated Statement of Changes in Equity
9	Condensed Consolidated Statement of Cash Flows
10	Notes to the Condensed Consolidated Financial Statements
20	Management Discussion and Analysis
25	Other Information

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 Merchants 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 19, which comprise the condensed consolidated statement of financial position as of 30th June, 2015 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

11th, August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2015

	Notes	1.1.2015 to 30.6.2015 US\$'000 (unaudited)	1.1.2014 to 30.6.2014 US\$'000 (unaudited)
Turnover	3	37,409	38,705
Cost of goods sold		(27,325)	(28,972)
Gross profit		10,084	9,733
Other income and gains		1,007	1,117
Distribution costs		(693)	(639)
Administrative expenses		(6,035)	(5,936)
Research and development expenses		(839)	(907)
Share of results of an associate		(749)	384
Profit before taxation		2,775	3,752
Taxation	5	(161)	(206)
Profit for the period		2,614	3,546
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising from translation of financial statements of foreign operations		39	(337)
– fair value (loss) gain on available-for-sale investments		(49)	14
Other comprehensive expense for the period		(10)	(323)
Total comprehensive income for the period		2,604	3,223
Earnings per share			
– Basic	7	US0.32 cents	US0.43 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

	Notes	30.6.2015 US\$'000 (unaudited)	31.12.2014 US\$'000 (audited)
Non-current assets			
Investment properties		186	239
Property, plant and equipment	8	15,162	16,334
Prepaid lease payments		245	244
Interest in an associate	9	3,818	5,054
Deposits paid for acquisition of property, plant and equipment		60	275
		19,471	22,146
Current assets			
Inventories		5,177	4,571
Trade and other receivables	10	16,760	15,495
Amount due from an associate		28	1,053
Amounts due from related companies		86	25
Available-for-sale investments	11	906	955
Bank balances and cash		125,173	122,568
		148,130	144,667
Current liabilities			
Trade and other payables	12	18,467	19,920
Dividend payable		7,470	–
Taxation payable		1,581	1,484
		27,518	21,404
Net current assets		120,612	123,263
Total assets less current liabilities		140,083	145,409
Capital and reserves			
Share capital	13	1,066	1,066
Reserves		139,017	144,343
Total equity		140,083	145,409

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2015

	Attributable to owners of the Company								
	Share capital US\$'000	Share premium US\$'000	Treasury shares US\$'000	Special reserve US\$'000 (Note a)	Translation reserve US\$'000	Statutory surplus reserve fund US\$'000 (Note b)	Investment revaluation reserve US\$'000	Retained profits US\$'000	Total US\$'000
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
At 1st January, 2015 (audited)	1,066	63,800	-	19,350	8,521	2,585	(45)	50,132	145,409
Other comprehensive (expense) income for the period	-	-	-	-	39	-	(49)	-	(10)
Profit for the period	-	-	-	-	-	-	-	2,614	2,614
Total comprehensive (expense) income for the period	-	-	-	-	39	-	(49)	2,614	2,604
Dividend recognised as distribution (note 6)	-	-	-	-	-	-	-	(7,470)	(7,470)
Treasury shares purchased (note 13)	-	-	(460)	-	-	-	-	-	(460)
At 30th June, 2015 (unaudited)	1,066	63,800	(460)	19,350	8,560	2,585	(94)	45,276	140,083

Notes:

- (a) 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.

- (b) 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, 2015

	1.1.2015 to 30.6.2015 US\$'000 (unaudited)	1.1.2014 to 30.6.2014 US\$'000 (unaudited)
Net cash from operating activities	2,313	5,015
Investing activities		
Purchase of property, plant and equipment	(310)	(545)
Proceeds from disposal of property, plant and equipment	1	33
Purchase of available-for-sale investments	–	(500)
Other investing activities	561	877
Net cash from (used in) investing activities	252	(135)
Net cash used in financing activities		
Purchase of treasury shares for cash	(187)	–
Net increase in cash and cash equivalents	2,378	4,880
Cash and cash equivalents at 1st January	122,568	118,974
Effect of foreign exchange rate changes	227	(341)
Cash and cash equivalents at 30th June	125,173	123,513

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

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, 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2014.

In the current interim period, no new, revised or amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA applicable to the Group are effective for the Group's financial year beginning on 1st January, 2015.

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	
	1.1.2015 to 30.6.2015 US\$'000 (unaudited)	1.1.2014 to 30.6.2014 US\$'000 (unaudited)	30.6.2015 US\$'000 (unaudited)	31.12.2014 US\$'000 (audited)
Japan	17,393	21,481	–	–
PRC	17,226	15,083	15,653	17,092
Others	2,790	2,141	–	–
	37,409	38,705	15,653	17,092

3. OPERATING SEGMENT – CONTINUED

Information about major customers

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

	1.1.2015 to 30.6.2015 US\$'000 (unaudited)	1.1.2014 to 30.6.2014 US\$'000 (unaudited)
Customer A	5,211	6,460
Customer B	4,383	5,573

Revenue from major products

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

	1.1.2015 to 30.6.2015 US\$'000 (unaudited)	1.1.2014 to 30.6.2014 US\$'000 (unaudited)
Components of optical and opto-electronic products		
– cameras and copiers	28,152	34,741
– others	9,257	3,964
	37,409	38,705

4. DEPRECIATION

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

	1.1.2015 to 30.6.2015 US\$'000 (unaudited)	1.1.2014 to 30.6.2014 US\$'000 (unaudited)
Depreciation on investment properties	54	54
Depreciation on property, plant and equipment	1,915	2,248

5. TAXATION

	1.1.2015 to 30.6.2015 US\$'000 (unaudited)	1.1.2014 to 30.6.2014 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	(161)	(206)

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

	1.1.2015 to 30.6.2015 US\$'000 (unaudited)	1.1.2014 to 30.6.2014 US\$'000 (unaudited)
Dividends recognised as distribution during the period:		
Final dividend declared for 2014 of HK3.5 cents (equivalent to US0.451 cents) (2014: final dividend for 2013 of HK2.5 cents; equivalent to US0.322 cents) per share	3,735	2,669
Special dividend declared for 2014 of HK3.5 cents (equivalent to US0.451 cents) (2014: special dividend declared for 2013 of HK2.5 cents; equivalent to US0.322 cents) per share	3,735	2,669
	7,470	5,338
Dividend proposed:		
Interim dividend for 2015 of HK3.5 cents (equivalent to US0.451 cents) (2014: HK3.5 cents; equivalent to US0.451 cents) per share proposed	3,722	3,735

On 11th August, 2015, the directors declared an interim dividend for the six months ended 30th June, 2015 of HK3.5 cents (equivalent to US0.451 cents) per share based on 824,390,000 shares in issue as at the date of issuance of these condensed consolidated financial statements.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30th June, 2015 is based on the consolidated profit for the period attributable to owners of the Company of US\$2,614,000 (US\$3,546,000 for the six months ended 30th June, 2014) and on the weighted average of 827,729,481 shares (827,778,000 shares for the six months ended 30th June, 2014) in issue during the period.

No diluted 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\$530,000 for the six months ended 30th June, 2015 (US\$680,000 for the six months ended 30th June, 2014).

9. INTEREST IN AN ASSOCIATE

	30.6.2015 US\$'000 (unaudited)	31.12.2014 <i>US\$'000</i> (audited)
Cost of investment, unlisted	13,893	13,893
Share of post-acquisition losses	(6,680)	(5,931)
Currency realignment	(3,395)	(2,908)
	3,818	5,054

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 components for digital still cameras and related components for automobiles.

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

	30.6.2015 US\$'000 (unaudited)	31.12.2014 <i>US\$'000</i> (audited)
Trade receivables		
– companies controlled by shareholders of the Company which have significant influence over the Company	3,367	3,358
– others	12,951	11,782
	16,318	15,140
Less: Allowance for doubtful debts	(185)	(371)
	16,133	14,769
Other receivables	627	726
	16,760	15,495

Payment terms with customers are mainly on credit. Invoices to outside customers are normally payable within 60 to 120 days of issuance, while sales 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.

	30.6.2015 US\$'000 (unaudited)	31.12.2014 <i>US\$'000</i> (audited)
Age		
0 to 60 days	13,041	11,048
61 to 90 days	2,488	3,245
91 to 120 days	283	379
121 to 180 days	146	40
181 to 365 days	175	57
	16,133	14,769

11. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2015 <i>US\$'000</i> (unaudited)	31.12.2014 <i>US\$'000</i> (audited)
Unlisted securities:		
– unlisted funds	906	955

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

	30.6.2015 <i>US\$'000</i> (unaudited)	31.12.2014 <i>US\$'000</i> (audited)
Trade payables		
– companies controlled by shareholders of the Company which have significant influence over the Company	1,356	884
– others	10,684	13,526
	12,040	14,410
Payables for purchase of property, plant and equipment	47	42
Payroll and welfare payables	2,091	2,350
Other payables and accruals (including accruals for rental expense payable to a related company amounting to US\$107,000 at 30th June, 2015; US\$106,000 at 31st December, 2014, and payables for purchase on behalf of an associate amounting to nil at 30th June, 2015; US\$1,053,000 at 31st December, 2014)	4,289	3,118
	18,467	19,920

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

12. TRADE AND OTHER PAYABLES – CONTINUED

	30.6.2015 US\$'000 (unaudited)	31.12.2014 <i>US\$'000</i> (audited)
Age		
0 to 60 days	8,928	9,874
61 to 90 days	2,025	2,665
91 to 180 days	918	1,844
181 to 365 days	169	27
	12,040	14,410

13. SHARE CAPITAL

During the current interim period, the Company repurchased 3,388,000 issued ordinary shares of the Company in the market with a total amount of HK\$3,566,000 (equivalent to approximately US\$460,000). On 8th July 2015, these treasury shares with a nominal value of US\$4,371 were cancelled.

14. 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).

14. FAIR VALUE MEASUREMENTS – CONTINUED

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30.6.2015 <i>US\$'000</i> (unaudited)	31.12.2014 <i>US\$'000</i> (audited)		
Available-for-sale investments	906	955	Level 2	The fair value is determined based on the price that the counterparty financial institution would pay to redeem the units.

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

15. RELATED PARTY TRANSACTIONS

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

Nature of transactions	1.1.2015 to 30.6.2015 <i>US\$'000</i> (unaudited)	1.1.2014 to 30.6.2014 <i>US\$'000</i> (unaudited)
	Revenue:	
Sales of goods	5,083	5,263
Property rental income	150	152
Cost and expenses:		
Purchases of raw materials	122	132
Processing charges paid	1,957	1,099
Rental paid	633	602

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

16. CAPITAL COMMITMENTS

	30.6.2015 <i>US\$'000</i> (unaudited)	31.12.2014 <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	122	194

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Review

The Group is principally engaged in the manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases, including plastic and metallic parts and components of digital still cameras ("DSCs"), copier-based multifunction peripherals and monitors.

Turnover

The Group's turnover for the six months ended 30th June, 2015 was approximately US\$37,409,000, representing a decrease of approximately 3.3% compared with US\$38,705,000 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. Affected by competition from mobile devices on DSCs, the Group also gradually made use of its own technology strengths. In addition, as market trends follow the development of mainstream products, the percentage of DSCs contribution was adjusted to 65.4%. Coupled with other factors such as the economic slowdown and changing economic conditions in China, the operating environment remained challenging. The Group will endeavour to expand its business and strive for better results 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 2015 was approximately US\$10,084,000 and the gross profit margin was approximately 27.0% (for the first half of 2014: gross profit of US\$9,733,000 and gross profit margin of 25.1%), representing an increase as compared to those in the previous year. The increase in gross profit margin was mainly due to the improved efficiency and effective cost control.

The Group was capitalized on its enhanced technique to provide one-stop comprehensive services from component design, module development manufacture, plastic shaping, metal stamping, surface processing and assembling. Accordingly, the gross profit margin can still be maintained at a high level.

Other Income and Gains

The Group's other income and gains for the first half of 2015 was US\$1,007,000 (comprising bank interest income of US\$561,000, rental income of US\$150,000, reversal for bad and doubtful debts of US\$187,000, exchange gain of US\$85,000 and miscellaneous income of US\$24,000), representing a decrease as compared with 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) for the previous corresponding period. The decrease in bank interest income was mainly due to the decrease in interest rates.

Interest in an Associate

PYBL's recorded revenue of US\$7,938,000 for the first half of 2015, representing a decrease of approximately 38.2% as compared with US\$12,839,000 for the previous corresponding period.

PYBL's net loss for the first half of 2015 was approximately US\$1,528,000, as compared with net profit of approximately US\$784,000 for the previous corresponding period. PYBL recorded a loss for the first half of the year, mainly due to the decrease in revenue, impairment on property, plant and equipment, increase in operating expenses, and exchange loss.

The revenue of PYBL was derived from the sales of components for DSCs and 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 2015 was approximately US\$2,614,000, representing a decrease of approximately 26.3% as compared with US\$3,546,000 for the previous corresponding period, mainly due to the decrease in operating revenue, the increase in operating expenses, and recognition of PYBL's loss.

Liquidity and Financial Resources

As at 30th June, 2015, the Group had current assets of approximately US\$148,130,000 (as at 31st December, 2014: US\$144,667,000) and current liabilities of approximately US\$27,518,000 (as at 31st December, 2014: US\$21,404,000). The current ratio of the Group was approximately 538% (as at 31st December, 2014: 676%).

As at 30th June 2015, the Group had cash at bank and on hand of approximately US\$125,173,000 (as at 31st December 2014: US\$122,568,000), and zero bank borrowing. Net cash increased by US\$2,605,000 from 31st December 2014.

Net cash generated from operating activities in the six months ended 30th June, 2015 was approximately US\$2,313,000.

Net cash inflow from investing activities in the six months ended 30th June, 2015 was approximately US\$252,000, which comprised of cash outflow of capital expenditure in various divisions of the Group of approximately US\$310,000, and cash inflow from other investment activities of approximately US\$562,000.

Net cash outflow from financing activity in the six months ended 30th June, 2015 was approximately US\$187,000, representing repurchase of shares.

The Board is of the opinion that, due to effective control of working capital, cash inflow from operating activities is sufficient to meet the demand of capital expenditures as a whole.

Exchange Risk Exposure and Contingent Liabilities

Foreign currency exposure refers 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, Japanese Yen and Renminbi. 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. There was foreign currency exposure risk associated with Japanese Yen denominated assets upon translation of foreign currencies as at 30th June, 2015 due to depreciation of Japanese Yen against United State dollars, and there was foreign currency profit arising from Renminbi denominated assets upon translation of foreign currencies as at 30th June, 2015 due to appreciation of Renminbi against United State dollars. As a result, the exchange risks are minimal as a whole.

As at 30th June, 2015, the Group had no significant contingent liabilities.

Capital Commitment

As at 30th June, 2015, the capital commitment of the Group was US\$122,000 (as at 31st December, 2014: US\$194,000).

Employment, Training and Development

As at 30th June, 2015, the Group had a total of 2,866 employees (as at 30th June, 2014: 2,867 employees). Staff costs incurred during the six months ended 30th June, 2015 amounted to approximately US\$11,774,000 (for the six months ended 30th June, 2014: US\$10,983,000).

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 and retain quality personnel and provide incentives for the employees to enhance performance.

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 uncertainties in the external economic environment, the operating environment remains challenging. In consideration of the continued increasing labour cost and high staff turnover rate in China, the Group will be more careful when evaluating new production facilities expansion, so as to reduce labour cost and freight, and enhance its competitiveness. Leverage on its own core comparative advantages and highly responsive ability, the Group will endeavour to provide “one-stop” services by stepping up its research and development efforts on new products (including components for surveillance cameras, action cameras and advanced TV) with a view of increasing profitability.

OTHER INFORMATION

Disclosure of Interests

Directors and Chief Executive's Interests in Shares

As at 30th June, 2015, 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 2015, 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, 2015, 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 Stock Exchange and the Company pursuant to the Model Code.

At no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares, or debentures of, the Company or its associated corporation.

Substantial shareholders

As at 30th June, 2015, 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	143,817,000	17.37%
Ability Enterprise Co., Ltd.	Interest of a controlled corporation	143,817,000 (Note 2)	17.37%
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	50,204,000	6.06%

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 143,817,000 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 ("Mr. Chen"), being the sole shareholder of Fortune Lands International Ltd. ("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 is taken to be interested in an aggregate of 113,000,000 Shares in which Mr. Chen is interested.

Save as disclosed above, as at 30th June, 2015, 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, 2015, 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 (2014: HK\$0.035) per share in respect of the six months ended 30th June, 2015, payable to shareholders whose names appear on the register of members of the Company on Wednesday, 16th September, 2015.

The interim dividend will be paid on or before Thursday, 15th October, 2015.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 11th September to Wednesday, 16th September, 2015, 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 Thursday, 10th September, 2015.

Corporate Governance Practices

The Group is committed to ensure 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 (the "Code") 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, 2015.

Purchase, Redemption or Sale of Listed Securities of The Company

During the first half of 2015, the Company repurchased certain of its shares on the Stock Exchange, details of which are summarised as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration <i>HK\$'000</i>
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	
June	3,388,000	1.07	1.01	3,566

The 3,388,000 repurchased shares were cancelled on 8th July, 2015.

The repurchase of the Company's shares during the period was effected by the directors, pursuant to the mandates granted by shareholders at the annual general meeting held on 18th June, 2015, with a view to benefiting shareholders as a whole by enhancing the earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2015.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the code provisions under the Code 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, 2015.

Further, the interim financial information for the six months ended 30th June, 2015 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 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 and its code of conduct regarding directors' securities transactions.