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)

2018

INTERIM REPORT

* *For identification purpose only*

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YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
INTERIM REPORT 2018

CORPORATE INFORMATION

Executive Directors

Lai I-Jen *(Chairman)*
Kurihara Toshihiko
(Chief Executive Officer)

Non-Executive Director

Wu Shu-Ping

Independent Non-Executive Directors

Lin Meng-Tsung
Liu Wei-Li
Wang Yi-Chi

Company Secretary

Wong Tak-Yee

Registered Office

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

Place of Business in Hong Kong

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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.
Bank SinoPac
Yuanta Commercial Bank Co., Ltd.
China Construction Bank
China Merchants Bank

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor,
24 Shedden Road, P.O. Box 1586,
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

Deloitte. 德勤

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. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 24, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 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 "HKICPA"). 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 HKICPA. 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
7 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	**1.1.2018 to 30.6.2018** ***US$'000*** **(unaudited)**	1.1.2017 to 30.6.2017 *US$'000* (unaudited)
Revenue	*3*	**34,071**	46,185
Cost of goods sold		**(25,403)**	(31,179)
Gross profit		**8,668**	15,006
Other gains and losses		**1,275**	(3,289)
Reversal of impairment loss on trade receivables		**37**	98
Distribution costs		**(808)**	(701)
Administrative expenses		**(4,745)**	(6,497)
Research and development expenses		**(712)**	(761)
Share of results of an associate		**–**	867
Profit before taxation	*4*	**3,715**	4,723
Taxation	*5*	**(564)**	(1,562)
Profit for the period		**3,151**	3,161
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		**(557)**	920
– release of exchange reserve upon disposal of a foreign associate		**–**	4,209
Other comprehensive (expense) income for the period		**(557)**	5,129
Total comprehensive income for the period		**2,594**	8,290
Earnings per share			
– Basic	*7*	**US0.38 cent**	US0.38 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	**30.6.2018** **US$'000** **(unaudited)**	31.12.2017 *US$'000* (audited)
Non-current assets			
Investment properties		**5,885**	6,002
Property, plant and equipment	*8*	**7,949**	9,103
Prepaid lease payments		**208**	213
Deposits paid for acquisition of property, plant and equipment		**31**	35
		14,073	15,353
Current assets			
Inventories		**2,303**	3,074
Trade and other receivables	*9*	**14,091**	14,759
Amounts due from a related company		**23**	24
Bank balances and cash		**105,583**	104,827
		122,000	122,684
Current liabilities			
Trade and other payables	*10*	**17,596**	20,639
Taxation payable		**2,698**	4,189
Dividend payable		**14,180**	–
		34,474	24,828
Net current assets		**87,526**	97,856
Total assets less current liabilities		**101,599**	113,209
Capital and reserves			
Share capital		**1,058**	1,058
Reserves		**100,541**	112,151
Total equity		**101,599**	113,209

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company						
	Share capital US$'000	Share premium US$'000	Special reserve US$'000 (Note a)	Translation reserve US$'000	Statutory surplus reserve fund US$'000 (Note b)	Retained profits US$'000	Total US$'000
At 1 January 2017 (audited)	1,058	62,982	19,350	3,220	3,148	29,095	118,853
Other comprehensive income for the period	–	–	–	5,129	–	–	5,129
Profit for the period	–	–	–	–	–	3,161	3,161
Total comprehensive income for the period	–	–	–	5,129	–	3,161	8,290
Transfers	–	–	–	–	423	(423)	–
Dividend recognised as distribution (note 6)	–	–	–	–	–	(14,302)	(14,302)
At 30 June 2017 (unaudited)	1,058	62,982	19,350	8,349	3,571	17,531	112,841
At 31 December 2017 (audited)	**1,058**	**62,982**	**19,350**	**9,795**	**3,636**	**16,388**	**113,209**
Adjustments (see note 2)	**–**	**–**	**–**	**–**	**–**	**(24)**	**(24)**
At 1 January 2018 (restated)	**1,058**	**62,982**	**19,350**	**9,795**	**3,636**	**16,364**	**113,185**
Other comprehensive expense for the period	**–**	**–**	**–**	**(557)**	**–**	**–**	**(557)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**3,151**	**3,151**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(557)**	**–**	**3,151**	**2,594**
Transfers	**–**	**–**	**–**	**–**	**152**	**(152)**	**–**
Dividend recognised as distribution (note 6)	**–**	**(10,504)**	**–**	**–**	**–**	**(3,676)**	**(14,180)**
At 30 June 2018 (unaudited)	**1,058**	**52,478**	**19,350**	**9,238**	**3,788**	**15,687**	**101,599**

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 30 JUNE 2018

	1.1.2018 to 30.6.2018 ***US$'000*** **(unaudited)**	1.1.2017 to 30.6.2017 *US$'000* (unaudited)
Net cash from operating activities	**609**	7,259
Investing activities		
Purchase of property, plant and equipment	**(242)**	(152)
Deposit paid for acquisition of property, plant and equipment	**–**	(1,953)
Other investing activities	**893**	672
Net cash from (used in) investing activities	**651**	(1,433)
Net increase in cash and cash equivalents	**1,260**	5,826
Cash and cash equivalents at 1 January	**104,827**	109,020
Effect of foreign exchange rate changes	**(504)**	270
Cash and cash equivalents at 30 June, representing bank balances and cash	**105,583**	115,116

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 Company and its subsidiaries are collectively referred to as the "Group".

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.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Accounting Standards ("HKAS") and HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the manufacturing and sales of the components of optical and opto-electronic products to outsider customers.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A point in time revenue recognition

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from manufacturing and sales of the components of optical and opto-electronic products to outsider customers are recognised when the significant risks and rewards of ownership of the goods are passed to the customers, which is the point of time when the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

The adoption of HKFRS 15 in the current interim period, which results in a change in accounting policy on revenue recognition, has no material impact on the timing and amounts of revenue recognised in the current interim period.

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 "FINANCIAL INSTRUMENTS" AND THE RELATED AMENDMENTS

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The adoption of HKFRS 9 in the current interim period has no material impact on the classification and measurement of financial assets.

2.2.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 9 – CONTINUED

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and amount due from a related company). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly for other instruments (including amounts due from a related company and bank balance) since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2.2.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 9 – CONTINUED

Significant increase in credit risk – continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.2.2 SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 9

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost, mainly comprise of amount due from a related company and bank balances are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of US$24,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

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 People's Republic of China ("PRC") (country of domicile).

The Group's revenue from external customers, which the revenue are all recognised at a point of time when the customer obtains control, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	1.1.2018 to 30.6.2018	1.1.2017 to 30.6.2017	**30.6.2018**	31.12.2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Japan	**18,926**	27,038	**–**	–
PRC	**11,783**	13,856	**14,073**	15,353
Others	**3,362**	5,291	**–**	–
	34,071	46,185	**14,073**	15,353

3. OPERATING SEGMENT – CONTINUED

Other segment information – continued

Information about major customers

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

	1.1.2018 to 30.6.2018 ***US$'000*** **(unaudited)**	1.1.2017 to 30.6.2017 *US$'000* (unaudited)
Customer A	**4,654**	6,261
Customer B	**4,354**	6,684
Customer C	**3,535**	4,941

Revenue from major products

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

	1.1.2018 to 30.6.2018 ***US$'000*** **(unaudited)**	1.1.2017 to 30.6.2017 *US$'000* (unaudited)
Components of optical and opto-electronic products		
– cameras, action cameras and copiers	**23,455**	32,451
– surveillance cameras and projectors	**5,106**	6,074
– others	**5,510**	7,660
	34,071	46,185

4. PROFIT BEFORE TAXATION

	1.1.2018 to 30.6.2018 ***US$'000*** **(unaudited)**	1.1.2017 to 30.6.2017 *US$'000* (unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of land use rights	**3**	3
Cost of inventories recognised as expense	**25,282**	31,188
Depreciation on investment properties	**119**	117
Depreciation on property, plant and equipment	**1,402**	1,325
Exchange loss, net	**–**	905
Loss on write-off and disposal of property, plant and equipment	**14**	117
Loss on disposal of an associate (included in other gains and losses)	**–**	4,209
Allowance for obsolete inventories	**121**	–
and after crediting:		
Exchange gain, net	**115**	–
Interest income (included in other gains and losses)	**893**	672
Property rental income before deduction of negligible outgoings (included in other gains and losses)	**257**	248
Reversal of allowance for obsolete inventories (included in cost of goods sold)	**–**	9

5. TAXATION

	1.1.2018 to 30.6.2018 ***US$'000*** **(unaudited)**	1.1.2017 to 30.6.2017 *US$'000* (unaudited)
The tax charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	**674**	1,523
(Over)underprovision in prior years	**(110)**	39
	564	1,562

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

	1.1.2018 to 30.6.2018 ***US$'000*** **(unaudited)**	1.1.2017 to 30.6.2017 *US$'000* (unaudited)
Dividends recognised as distribution during the period:		
Final dividend for 2017 of HK3.5 cents (equivalent to US0.448 cent) (2017: final dividend for 2016 of HK3.5 cents; equivalent to US0.451 cent) per share	**3,676**	3,708
Special dividend for 2017 of HK10 cents (equivalent to US1.28 cents) (2017: special dividend for 2016 of HK10 cents; equivalent to US1.29 cents) per share	**10,504**	10,594
	14,180	14,302
Dividend proposed:		
Interim dividend for 2018 of HK3.5 cents (equivalent to US0.446 cent) (2017: HK3.5 cents; equivalent to US0.45 cent) per share proposed	**3,662**	3,697

On 7 August 2018, the board of directors of the Company (the "**Board**") declared an interim dividend for the six months ended 30 June 2018 of HK3.5 cents (equivalent to US0.446 cent) per share based on 821,102,000 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 30 June 2018 is based on the consolidated profit for the period attributable to owners of the Company of US$3,151,000 (US$3,161,000 for the six months ended 30 June 2017) and on 821,102,000 shares in issue during both periods.

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

8. PROPERTY, PLANT AND EQUIPMENT

The Group acquired plant and equipment with an estimated useful life of 5 to 10 years amounting to US$336,000 for the six months ended 30 June 2018 (US$705,000 for the six months ended 30 June 2017).

9. TRADE AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables		
– companies over which certain shareholders of the Company have significant influence	**5**	5
– others	**12,135**	12,691
	12,140	12,696
Less: Allowance for doubtful debts	**(3)**	(16)
	12,137	12,680
Other receivables	**1,954**	2,079
	14,091	14,759

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.

	30.6.2018	31.12.2017
	US$'000	*US$'000*
	(unaudited)	(audited)
Age		
0 to 60 days	**10,264**	9,678
61 to 90 days	**1,694**	1,962
91 to 120 days	**178**	183
121 to 180 days	**1**	596
181 to 365 days	**–**	261
	12,137	12,680

9. TRADE AND OTHER RECEIVABLES – CONTINUED

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 30 June 2018.

	Average loss rate *%*	Gross carrying amount *US$'000*	Impairment loss allowance *US$'000*
Current (not past due)	0.02	11,477	2
1 – 30 days past due	0.16	660	1
31 – 60 days past due	3.66	3	–

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the current interim period, the Group provided US$3,000 impairment allowance based on the provision matrix.

Allowance for impairment

The movement in the allowance for impairment in respect of trade receivables during the current interim period was as follows.

	US$'000
Balance at 1 January 2018*	40
Amounts recovered during the period	(40)
Impairment loss recognised on receivables	3
Balance at 30 June 2018	3

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

10. TRADE AND OTHER PAYABLES

	30.6.2018	31.12.2017
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables		
– companies over which certain shareholders of the Company have significant influence	**7**	12
– companies controlled by shareholders of the Company which have significant influence over the Company	**1,002**	230
– others	**9,320**	11,829
	10,329	12,071
Payroll and welfare payables	**2,888**	4,332
Other payables and accruals (note)	**4,379**	4,236
	17,596	20,639

Note: Balance included accruals for rental expense payable to a related company amounting to US$102,000 (31 December 2017: US$103,000).

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

	30.6.2018	31.12.2017
	US$'000	*US$'000*
	(unaudited)	(audited)
Age		
0 to 60 days	**7,620**	8,045
61 to 90 days	**1,804**	2,164
91 to 180 days	**848**	1,824
181 to 365 days	**57**	38
	10,329	12,071

11. RELATED PARTY TRANSACTIONS

Other than the amounts due from/to related companies as disclosed in the condensed consolidated statement of financial position and notes 9 and 10, the Group has the following transactions with related parties during the period:

Nature of transactions	**1.1.2018 to 30.6.2018** ***US$'000*** **(unaudited)**	1.1.2017 to 30.6.2017 *US$'000* (unaudited)
Revenue:		
Sales of goods	**34**	356
Property rental income	**139**	129
Cost and expenses:		
Purchases of raw materials	**42**	61
Processing charges paid	**1,660**	2,371
Rental paid	**602**	552

Emoluments of US$25,000 (nil for the six months ended 30 June 2017) were paid to the Group's key management, i.e. directors of the Company, during current period.

12. CAPITAL COMMITMENTS

	30.6.2018 ***US$'000*** **(unaudited)**	31.12.2017 *US$'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**70**	71

MANAGEMENT DISCUSSION AND ANALYSIS

Important

The interim results for the six months ended 30 June 2018 (the "**Period**") set out in this interim report are unaudited but have been reviewed based on the HKFRSs. As financial results are subject to fluctuations and affected by a number of factors, the Group's financial results for any past period should not be taken as indicative of any expected performance of the Group for any future period.

This interim report contains statements with respect to its operating conditions and business prospects which are based on currently available information. Such statements do not constitute guarantees for the future operating performance of the Group. If due to any unexpected factors, including, but are not limited to, changes in economic conditions, shifts in customer demands and changes in laws and regulatory policies, which may cause the Group's actual results to differ from those expressed in the statements, the Group undertakes no obligation to update or revise any such statements to reflect subsequent circumstances. The Group will, however, comply with all disclosure requirements stipulated by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**").

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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**"), action cameras, copier-based multifunction peripherals, surveillance cameras, projectors and advanced TVs, etc.

Reviewing the first half of the year 2018, as the weak state of DSCs industry resulted in the shrinkage in the scale of revenue, the Group recorded revenue of US$34,071,000 during the Period, representing a decrease of approximately 26.2% as compared with US$46,185,000 in the corresponding period in the previous year. During the Period, net profit amounted to US$3,151,000, representing a decrease of approximately 0.3% as compared with US$3,161,000 in the corresponding period in the previous year. The change in net profit of the Group is due to multiple factors, which mainly include: (1) the decrease in revenue mainly due to the weak state of DSCs industry resulting in the shrinkage in the scale of revenue, which led to the decrease in revenue recorded by the Group; (2) the decrease in gross profit during the Period as compared with that in the corresponding period in the previous year, which was mainly attributable to the decrease in revenue and the reduced efficiency in economies of scale; (3) as the functional currency of a subsidiary of the Company is Renminbi whilst certain financial assets of such subsidiary are denominated in United States Dollars; due to the depreciation of Renminbi against United States Dollars for the Period, the Group recorded exchange gain for the Period, compared with recorded exchange loss for the corresponding period in the previous year; (4) the related losses arising upon disposal of Pioneer Yorkey do Brasil Ltda. ("**PYBL**") in the corresponding period in the previous year which was an one-off event and no such occurrence was recorded for the Period. For further details, please refer to the paragraph headed "Obligation related to Interest in an Associate" on page 9 in the 2017 annual report of the Company; and (5) decrease in income tax expense.

Despite the decrease in revenue and gross profit, during the Period, (i) the Group recorded exchange gain; (ii) no event similar to the disposal of PYBL had been recorded; and (iii) income tax expense had decreased. Hence, the net profit of the Group for the Period amounted to US$3,151,000, representing a decrease of approximately 0.3% from US$3,161,000 in the corresponding period in the previous year.

During the Period, the Group continued to invest in technology and quality enhancement while high regard was paid to corporate governance for higher governance level. The concerted efforts of our staff have finally led to the appreciation and endorsement by our customers for the product quality and advanced technology attained by us. The Group will keep up its commitment to the actualisation of its core value. In addition, the Group will respond to changes in the industry by continuing its efforts in product diversification and actively developing components for surveillance cameras, advanced TVs and projectors, etc. The Group will continue to focus its efforts on product diversification to increase its competitiveness.

Revenue

The Group's revenue for the six months ended 30 June 2018 was approximately US$34,071,000, representing a decrease of approximately 26.2% as compared with US$46,185,000 for the corresponding period in the previous year, mainly due to the decrease in revenue from components for DSCs and action cameras, etc.

The Group's revenue for the Period was mainly derived from the sales of components for DSCs and its percentage contribution to the Group's revenue was approximately 58.0% (excluding action cameras). However, according to statistics announced by the Camera & Imaging Products Association ("**CIPA**"), the shipment volume of DSCs for the six months ended 30 June 2018 decreased by approximately 23.6% as compared with that in the corresponding period in the previous year. The weak state of DSCs industry during the Period resulted in the shrinkage in the scale of revenue, which led to the decrease in revenue recorded by the Group.

Gross Profit

The Group's gross profit for the Period was approximately US$8,668,000 and the gross profit margin was approximately 25.4% (for the first half of 2017: gross profit of US$15,006,000 and gross profit margin of 32.5%), representing a decrease of US$6,338,000 as compared with those in the corresponding period in the previous year. Such decrease was mainly attributable to the decrease in revenue and the reduced efficiency in economies of scale.

Other Gains and Losses

During the Period, other gains of the Group amounted to US$1,275,000 (comprised of bank interest income of US$893,000, rental income of US$257,000, exchange gain of US$115,000 and miscellaneous income of US$10,000). In the corresponding period in 2017, other losses of the Group amounted to US$3,289,000 (comprised of other gains from bank interest income of US$672,000, rental income of US$248,000 and recognition of accumulated currency realignment of US$4,209,000 upon liquidation of PYBL as other loss). The increase in bank interest income was mainly due to the increase in United States Dollars denominated term deposit rates. As the functional currency of a subsidiary of the Company is Renminbi whilst certain financial assets of such subsidiary are denominated in United States Dollars; due to the depreciation of Renminbi against United States Dollars for the Period, the Group recorded exchange gain for the Period, compared with recorded exchange loss for the corresponding period in the previous year.

Operating Expenses

The operating expenses of the Group include distribution costs, administrative expenses and research and development expenses. For the six months ended 30 June 2018, operating expenses amounted to approximately US$6,265,000, representing a decrease of US$1,694,000 as compared with US$7,959,000 in the corresponding period in the previous year. Such decrease was mainly due to the exchange losses of US$905,000 in the previous year and the liquidation cost of PYBL accrued in the previous year.

Net Profit

The Group's net profit for the Period was approximately US$3,151,000 and the net profit margin was 9.2% (for the first half of 2017: net profit of US$3,161,000 and net profit margin of 6.8%), representing a decrease of approximately 0.3% as compared with those for the corresponding period in the previous year. Such decrease was mainly due to the decrease in revenue leading to the decrease in gross profit which was partially offset by the increase in other gains, decrease in operating expenses, and the decrease in income tax expense.

Liquidity and Financial Resources

As at 30 June 2018, the Group had current assets of approximately US$122,000,000 (as at 31 December 2017: US$122,684,000) and current liabilities of approximately US$34,474,000 (as at 31 December 2017: US$24,828,000). The current ratio of the Group was approximately 354% (as at 31 December 2017: 494%).

As at 30 June 2018, the Group had cash at bank and on hand of approximately US$105,583,000 (as at 31 December 2017: US$104,827,000), and zero bank borrowing. Net cash increased by US$756,000 from 31 December 2017.

Net cash inflow from operating activities for the six months ended 30 June 2018 was approximately US$609,000.

Net cash inflow from investing activities for the six months ended 30 June 2018 was approximately US$651,000, which was comprised of (i) cash outflow from capital expenditure in various divisions of the Group of approximately US$242,000, and (ii) cash inflow from other investment activities of approximately US$893,000.

There was no cash outflow from financing activities for the six months ended 30 June 2018.

Effect of foreign exchange rate movements for the six months ended 30 June 2018 was US$504,000.

Foreign Currency Risk

Foreign currency risk 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. The gains of the Group are mainly settled in United States Dollars, while others are in Renminbi, Hong Kong Dollars and Japanese Yen. The expenses of the Group are mainly paid in Renminbi, while others are in United States Dollars, Hong Kong Dollars and Japanese Yen. The exchange rate fluctuation between Hong Kong Dollars and United States Dollars is not significant as the exchange rates are pegged to each other. There was exchange gain associated with Japanese Yen denominated net assets due to appreciation of Japanese Yen against United State Dollars during the Period, while the amount was minimal. As the functional currency of a subsidiary of the Company is Renminbi, the Group recorded exchange gain due to depreciation of Renminbi against United States Dollars during the Period. In order to reduce foreign currency risk, the management of the Group will continue to monitor its foreign currency position, using natural hedge technique and managing its foreign currency risk by means such as management of transactional currencies.

Contingent Liabilities

As at 30 June 2018, the Group had no significant or contingent liabilities.

Material Acquisition and Disposal of Subsidiaries

The Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2018.

Pledge of Assets

There was no pledge of the Group's assets as at 30 June 2018.

Capital Commitment

As at 30 June 2018, the capital commitment of the Group was US$70,000 (as at 31 December 2017: US$71,000).

Significant Investment

The Group held no significant investment for the six months ended 30 June 2018.

Employment, Training and Development

As at 30 June 2018, the Group had a total of 2,036 employees (as at 30 June 2017: 2,668 employees). Staff costs incurred during the six months ended 30 June 2018 amounted to approximately US$10,279,000 (for the six months ended 30 June 2017: US$13,373,000).

The emolument of the employees of the Group is determined on the basis of their performance, qualifications and work competence. Besides, other benefits including allowances and subsidies are offered to our employees for accommodation needs and continuous education; discretionary bonus is granted to employees with good performance. All employees are entitled to social insurance and other paid leaves such as marriage, maternity, paternity, and bereavement leaves in additional to annual leaves. Employees are important assets to the Group. Performance appraisal measures are in place to facilitate the conveyance of advocated values and behavioral standards to every staff member who would then know clearly about the requirement standards of the Group. Our staff are also encouraged to carry out the operating strategies and achieve the targets set by the Company.

The Group places high value on our staff and ensures that a fair and just promotion system is in place and has established sound policies for environment, health and safety aspects to ensure that the Group remains competitive in the market to attract various talents to join us. The Company has implemented a long-term and stable human capital policy to attract and retain quality talents and to provide incentives for its staff to enhance performance with commitment to employee training and development on a regular basis in order to maintain the quality of its products.

Outlook

According to statistics announced by CIPA, the shipment volume of DSCs for the six months ended 30 June 2018 decreased by approximately 23.6% as compared with that in the corresponding period in the previous year. Furthermore, in light of the weak market, some Japanese brand manufacturers have announced that they would scale down production or withdraw from the compact DSCs market. Revenue derived from components for DSCs of the Group accounts for a high proportion of the overall revenue, and the operating environment continues to be challenging. The core competitiveness of the Group lies in its highly sophisticated module technology and its manufacturing technology and capabilities which earns its customers' trust. The Group provides "one-stop" services as the basis to step up its research and development efforts on new products (including components for surveillance cameras, advanced TVs and projectors, etc.) to maintain its competitive edge.

Looking ahead, the operating environment continues to be challenging and the uncertainties in the external economic environment remain high. The DSCs industry remains weak and the revenue derived from components for DSCs of the Group accounts for a high proportion of the overall revenue. Due to the impact from the shrinkage in the scale of the DSCs industry that resulted in reduced efficiency in economies of scale, the Group is faced with considerable cost pressures. The Group will respond with optimised capability and improved efficiency and will carefully evaluate industry trends and customer needs before the addition of new production facilities, so as to reduce its costs, enhance its competitiveness and develop the application of diversified products. At the same time, the Group will continue to comply with relevant regulations in respect of environmental protection and corporate governance.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Disclosure of Interests

Interests of Directors and Chief Executive

As at 30 June, 2018, 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 of Hong Kong Limited (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 30 June 2018, 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 30 June, 2018, none of the Directors or chief executives of the Company, had any interest or 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.

Interests of Substantial Shareholders

As at 30 June, 2018, 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 the issued share capital in the Company
Asia Optical International Ltd.	Beneficial owner	186,833,000	22.75%
Asia Optical Co., Inc.	Interest in a controlled corporation	226,833,000 *(Note 1)*	27.63%
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	143,817,000	17.52%
Ability Enterprise Co., Ltd.	Interest in a controlled corporation	143,817,000 *(Note 2)*	17.52%
Fortune Lands International Ltd.	Founder of discretionary trust	113,000,000 *(Note 3)*	13.76%
Mr. Chan Sun-Ko	Interest in a controlled corporation	113,000,000 *(Note 4)*	13.76%
Ms. Wu Bo-Yan	Interest of a spouse	113,000,000 *(Note 5)*	13.76%
Webb David Michael	Interest in a controlled corporation; beneficial owner	56,800,000 *(Note 6)*	6.92%

Note 1: Asia Optical Co., Inc. holds 100% direct interest in the issued capital of Asia Optical International Ltd. ("**AOIL**") and Richman International Group Co., Ltd. ("**Richman**"), which holds 186,833,000 shares and 40,000,000 shares in the Company respectively, and therefore is taken to be interested in an aggregate of 226,833,000 shares in the Company held by AOIL and Richman.

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 in the Company held by Ability Enterprise BVI.

Note 3: As recorded in the register required to be kept under section 336 of the SFO, Fortune Lands International Ltd. ("**Fortune Lands**") is the founder of The Yorkey Employee's Trust and is the registered owner of 113,000,000 shares in the Company which it held 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. Chan Sun-Ko ("**Mr. Chan**"), being the sole shareholder of Fortune Lands, is taken to be interested in an aggregate of 113,000,000 shares in the Company held by Fortune Lands.

Note 5: As recorded in the register required to be kept under section 336 of the SFO, Ms. Wu Bo-Yan, the spouse of Mr. Chan is taken to be interested in an aggregate of 113,000,000 shares in the Company in which Mr. Chan is interested.

Note 6: Mr. David Michael Webb ("**Mr. Webb**") holds 100% direct interest in the issued share capital of Preferable Situation Assets Limited ("**Preferable Situation**") which holds 37,615,671 shares in the Company, and therefore is taken to be interested in the 37,615,671 shares in the Company held by Preferable Situation. Mr. Webb also holds 19,184,329 shares in the Company as beneficial owner.

Save as disclosed above, as at 30 June, 2018, 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 of the Company which would be recorded in the register required to be kept under section 336 of Part XV of the SFO.

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

As at 30 June, 2018, 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 Part XV of the SFO.

Interim Dividend

The Board resolved to declare an interim dividend of HK$0.035 (2017: HK$0.035) per share in respect of the six months ended 30 June 2018, payable to shareholders whose names appear on the register of members of the Company on Tuesday, 4 September 2018.

The interim dividend will be paid on or before Wednesday, 3 October 2018.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 31 August 2018 to Tuesday, 4 September 2018, 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 not later than 4:30 p.m. on Thursday, 30 August 2018.

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 30 June 2018.

Corporate Governance Practices

According to the code provision stated in section F.1.1 of the Code of Corporate Governance Practices as stated in Appendix 14 to the Listing Rules (the "**Code**"), the company secretary should be an employee of the Company and have knowledge of the Company's day-to-day affairs. Where the Company engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the Company whom the external provider can contact.

Ms. Wong Tak Yee ("**Ms. Wong**"), a Director of Tricor Services Limited, an external service provider, has been appointed as the company secretary of the Company with effect from 30 March 2017. The primary contact person at the Company with Ms. Wong is Mr. Kurihara Toshihiko, an executive director of the Company. For further details, please refer to the announcement dated 30 March 2017. Ms. Wong has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

The Company has adopted the Code as stated in Appendix 14 to the Listing Rules. The Board considers that the Company has complied with the Code throughout the six months ended 30 June 2018.

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 unaudited interim results of the Group for the six months ended 30 June 2018.

Further, the unaudited interim results of the Group for the six months ended 30 June 2018 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 have all confirmed they have fully complied with the required standard as set out in the Model Code.

On behalf of the Board

LAI I-Jen
Chairman
7 August 2018