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)

2019

INTERIM REPORT

* *For identification purpose only*

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YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
INTERIM REPORT 2019

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 *(resigned on 30 April 2019)*
Lui Mei Yan Winnie
(appointed on 30 April 2019)

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

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.
Bank SinoPac
China Construction Bank
China Merchants Bank
Industrial 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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

2788

Website

www.yorkey-optical.com

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 29, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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 the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	**1.1.2019 to 30.6.2019** ***US$'000*** **(unaudited)**	1.1.2018 to 30.6.2018 *US$'000* (unaudited)
Revenue	*3*	**30,100**	34,071
Cost of goods sold		**(23,213)**	(25,403)
Gross profit		**6,887**	8,668
Other income, gains and losses		**1,505**	1,312
Distribution costs		**(743)**	(808)
Administrative expenses		**(4,464)**	(4,745)
Research and development expenses		**(756)**	(712)
Interest expense on lease liabilities		**(68)**	–
Profit before taxation	*4*	**2,361**	3,715
Taxation	*5*	**(125)**	(564)
Profit for the period		**2,236**	3,151
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
– exchange differences arising from translation of financial statements of foreign operations		**(58)**	(557)
Other comprehensive expense for the period		**(58)**	(557)
Total comprehensive income for the period		**2,178**	2,594
Earnings per share			
– Basic	*7*	**US0.27 cent**	US0.38 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	**30.6.2019** **US$'000** **(unaudited)**	31.12.2018 US$'000 (audited)
Non-current assets			
Investment properties		**5,653**	5,768
Property, plant and equipment	*8*	**6,552**	7,537
Right-of-use assets		**2,892**	–
Prepaid lease payments		**–**	197
Deposits paid for acquisition of property, plant and equipment		**148**	101
		15,245	13,603
Current assets			
Inventories		**2,363**	2,550
Trade and other receivables	*9*	**12,775**	13,512
Amount due from a related company		**23**	23
Bank balances and cash		**94,568**	93,945
		109,729	110,030
Current liabilities			
Trade and other payables	*10*	**16,726**	19,156
Contract liabilities		**77**	141
Taxation payable		**2,290**	3,505
Lease liabilities		**1,256**	–
Dividend payable		**14,142**	–
		34,491	22,802
Net current assets		**75,238**	87,228
Total assets less current liabilities		**90,483**	100,831
Capital and reserves			
Share capital		**1,057**	1,057
Reserves		**87,810**	99,774
Total equity		**88,867**	100,831
Non-current liabilities			
Lease liabilities		**1,616**	–
		90,483	100,831

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company						
	Share capital	Share premium	Special reserve	Translation reserve	Statutory surplus reserve fund	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
			(Note a)		*(Note b)*		
At 1 January 2018 (audited)	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)	–
Dividends 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
At 31 December 2018 (audited)	**1,057**	**52,399**	**19,350**	**7,655**	**4,068**	**16,302**	**100,831**
Other comprehensive expense for the period	**–**	**–**	**–**	**(58)**	**–**	**–**	**(58)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**2,236**	**2,236**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(58)**	**–**	**2,236**	**2,178**
Transfers	**–**	**–**	**–**	**–**	**6**	**(6)**	**–**
Dividends recognised as distribution (note 6)	**–**	**(10,476)**	**–**	**–**	**–**	**(3,666)**	**(14,142)**
At 30 June 2019 (unaudited)	**1,057**	**41,923**	**19,350**	**7,597**	**4,074**	**14,866**	**88,867**

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 2019

	1.1.2019 to 30.6.2019 *US$'000* (unaudited)	1.1.2018 to 30.6.2018 *US$'000* (unaudited)
Net cash from operating activities	**489**	609
Investing activities		
Purchase of property, plant and equipment	**(191)**	(242)
Deposit paid for acquisition of property, plant and equipment	**(148)**	–
Proceeds from disposal of property, plant and equipment	**138**	–
Interest received	**1,021**	893
Net cash from investing activities	**820**	651
Net cash used in finance activity		
Repayment of lease liabilities	**(636)**	–
Net increase in cash and cash equivalents	**673**	1,260
Cash and cash equivalents at 1 January	**93,945**	104,827
Effect of foreign exchange rate changes	**(50)**	(504)
Cash and cash equivalents at 30 June, representing bank balances and cash	**94,568**	105,583

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL

Yorkey Optical International (Cayman) Ltd. (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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 and amendments to 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 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES" ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 – CONTINUED

As a lessee – continued

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 – CONTINUED

As a lessee – continued

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 – CONTINUED

As a lessee – continued

Lease liabilities – continued

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 – CONTINUED

As a lessee – continued

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 – CONTINUED

Definition of a lease – continued

As a lessee – continued

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties and motor vehicles in the People's Republic of China was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of US$3,385,000 and right-of-use assets of US$3,582,000 at 1 January 2019. There was no material impact of transition to IFRS 16 on retained profits at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.75%.

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 – CONTINUED

Definition of a lease – continued

As a lessee – continued

	At 1 January 2019 *US$'000*
Operating lease commitments disclosed as at 31 December 2018	3,758
Add: Accruals for rental payable as at 31 December 2018	98
Less: Recognition exemption – short-term leases	(57)
	3,799
Lease liabilities discounted at relevant incremental borrowing rate relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	3,385
Analysed as	
Current	1,220
Non-current	2,165
	3,385

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 – CONTINUED

Definition of a lease – continued

As a lessee – continued

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *US$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,385
Reclassified from prepaid lease payments (note)	197
	3,582
By class:	
Leasehold land	197
Leasehold land and buildings	3,219
Motor vehicles	166
	3,582

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the prepaid lease payments amounting to US$197,000 were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

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

	Revenue from external customers		**Non-current assets**	
	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018	**30.6.2019**	31.12.2018
	US$'000	*US$'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Japan	**14,195**	18,926	**–**	–
PRC	**12,337**	11,783	**15,245**	13,603
Others	**3,568**	3,362	**–**	–
	30,100	34,071	**15,245**	13,603

3. REVENUE AND 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:

	1.1.2019 to 30.6.2019 *US$'000* **(unaudited)**	1.1.2018 to 30.6.2018 *US$'000* (unaudited)
Customer A	**4,950**	4,354
Customer B	**4,399**	4,654
Customer C	**3,370**	3,535

Disaggregation of revenue from contracts with customers by types of products

	1.1.2019 to 30.6.2019 *US$'000* **(unaudited)**	1.1.2018 to 30.6.2018 *US$'000* (unaudited)
Components of optical and opto-electronic products		
– cameras, action cameras and copiers	**21,377**	23,455
– surveillance cameras and projectors	**5,160**	5,106
– others	**3,563**	5,510
	30,100	34,071

4. PROFIT BEFORE TAXATION

	1.1.2019 to 30.6.2019 *US$'000* (unaudited)	1.1.2018 to 30.6.2018 *US$'000* (unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of land use rights	**–**	3
Cost of inventories recognised as expense	**23,216**	25,282
Depreciation on investment properties	**115**	119
Depreciation on property, plant and equipment	**1,157**	1,402
Depreciation of right-of-use assets	**597**	–
Loss on write-off and disposal of property, plant and equipment	**–**	14
Allowance for obsolete inventories	**–**	121
and after crediting:		
Exchange gain, net	**217**	115
Gain on write-off and disposal of property, plant and equipment (included in other income, gains and losses)	**14**	–
Interest income (included in other income, gains and losses)	**1,021**	893
Property rental income before deduction of negligible outgoings (included in other income, gains and losses)	**248**	257
Reversal of allowance for obsolete inventories (included in cost of goods sold)	**3**	–
Reversal of impairment loss on trade receivables, net	**–**	37

5. TAXATION

	1.1.2019 to 30.6.2019	1.1.2018 to 30.6.2018
	US$'000	*US$'000*
	(unaudited)	(unaudited)
The tax charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	**82**	674
Under(over)provision in prior years	**43**	(110)
	125	564

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

	1.1.2019 to 30.6.2019 ***US$'000*** **(unaudited)**	1.1.2018 to 30.6.2018 *US$'000* (unaudited)
Dividends recognised as distribution during the period:		
Final dividend for 2018 of HK3.5 cents (equivalent to US0.447 cent) (2018: final dividend for 2017 of HK3.5 cents; equivalent to US0.448 cent) per share	**3,666**	3,676
Special dividend for 2018 of HK10 cents (equivalent to US1.28 cents) (2018: special dividend for 2017 of HK10 cents; equivalent to US1.28 cents) per share	**10,476**	10,504
	14,142	14,180
Dividend proposed:		
Interim dividend for 2019 of HK1.9 cents (equivalent to US0.243 cent) (2018: HK3.5 cents; equivalent to US0.446 cent) per share proposed	**1,995**	3,662

On 6 August 2019, the Board of Directors declared an interim dividend for the six months ended 30 June 2019 of HK1.9 cents (equivalent to US0.243 cent) per share based on 820,540,000 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 2019 is based on the consolidated profit for the period attributable to owners of the Company of US$2,236,000 (for the six months ended 30 June 2018: US$3,151,000) and on 820,540,000 (for the six months ended 30 June 2018: US$821,102,000) shares in issue during the period.

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$291,000 for the six months ended 30 June 2019 (for the six months ended 30 June 2018: US$336,000).

9. TRADE AND OTHER RECEIVABLES

	30.6.2019 ***US$'000*** **(unaudited)**	31.12.2018 *US$'000* (audited)
Trade receivables		
– companies over which certain shareholders of the Company have significant influence	**3**	2
– others	**11,006**	11,503
	11,009	11,505
Less: Allowance for credit losses	**–**	(1)
	11,009	11,504
Other receivables	**1,766**	2,008
	12,775	13,512

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.

9. TRADE AND OTHER RECEIVABLES – CONTINUED

	30.6.2019	31.12.2018
	US$'000	*US$'000*
	(unaudited)	(audited)
Age		
0 to 60 days	**9,484**	9,267
61 to 90 days	**1,247**	1,879
91 to 120 days	**274**	307
121 to 180 days	**4**	44
181 to 365 days	**–**	7
	11,009	11,504

As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

During the six months ended 30 June 2019, the Group did not provide any impairment allowance (for the six months ended 30 June 2018: US$3,000) based on the provision matrix.

10. TRADE AND OTHER PAYABLES

	30.6.2019 *US$'000* (unaudited)	31.12.2018 *US$'000* (audited)
Trade payables		
– companies over which certain shareholders of the Company have significant influence	**1**	7
– companies controlled by shareholders of the Company which have significant influence over the Company	**863**	1,156
– others	**8,377**	10,512
	9,241	11,675
Payroll and welfare payables	**3,014**	3,227
Other payables and accruals (note)	**4,471**	4,254
	16,726	19,156

Note: As at 30 June 2019, there was no accrual for rental expense payable to a related party (31 December 2018: US$98,000).

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

	30.6.2019 *US$'000* (unaudited)	31.12.2018 *US$'000* (audited)
Age		
0 to 60 days	**6,673**	7,873
61 to 90 days	**1,749**	2,036
91 to 180 days	**756**	1,721
181 to 365 days	**24**	45
Over 1 year	**39**	–
	9,241	11,675

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	**1.1.2019 to 30.6.2019** ***US$'000*** **(unaudited)**	1.1.2018 to 30.6.2018 *US$'000* (unaudited)
Revenue:		
Sales of goods	**20**	34
Property rental income	**131**	139
Cost and expenses:		
Purchases of raw materials	**18**	42
Processing charges paid	**1,445**	1,660
Rental paid	**567**	602

Emoluments of US$25,000 (for the six months ended 30 June 2018: US$25,000) were paid to the Group's key management, i.e. directors of the Company, during current period.

As at 30 June 2019, included in lease liabilities was a payable to a related company amounting to US$2,628,000 (31 December 2018: nil).

12. CAPITAL COMMITMENTS

	30.6.2019 ***US$'000*** **(unaudited)**	31.12.2018 *US$'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**345**	11

MANAGEMENT DISCUSSION AND ANALYSIS

Important

The interim results for the six months ended 30 June 2019 (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 financial results of Yorkey Optical International (Cayman) Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") 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 the operating conditions and business prospects of the Company which are based on currently available information. Such statements do not constitute guarantees of 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 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 year 2019, the Group recorded revenue of US$30,100,000 during the Period, representing a decrease of approximately 11.7% as compared with US$34,071,000 in the corresponding period in the previous year. During the Period, net profit amounted to US$2,236,000, representing a decrease of approximately 29.0% as compared with US$3,151,000 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 the DSCs industry resulting in the decrease in revenue derived from the sale of components for DSCs and components for other opto-electronic products; and (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.

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 its staff have finally led to the appreciation and endorsement by the Group's customers for the product quality and advanced technology attained by the Group. 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 in order to increase its competitiveness.

Revenue

The Group's revenue for the Period was US$30,100,000, representing a decrease of approximately 11.7% as compared with US$34,071,000 for the corresponding period in the previous year. The decrease in revenue was mainly due to the weak state of the DSCs industry resulting in the decrease in revenue derived from the sale of components for DSCs and components for other opto-electronic products.

The Group's revenue for the Period was mainly derived from the sale of components for DSCs which contributed to approximately 58.8% of its revenue (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 2019 decreased by approximately 24.5% as compared with that in the corresponding period in the previous year.

Gross Profit

The Group's gross profit for the Period was US$6,887,000 and the gross profit margin was approximately 22.9% (for the first half of 2018: gross profit of US$8,668,000 and gross profit margin of approximately 25.4%), representing a decrease of US$1,781,000 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 Income, Gains and Losses

During the Period, other income and gains of the Group amounted to US$1,505,000 (comprised bank interest income of US$1,021,000, rental income of US$248,000, exchange gain of US$217,000 and miscellaneous income of US$19,000). In the corresponding period in 2018, other income and gains of the Group amounted to US$1,312,000 (comprised bank interest income of US$893,000, rental income of US$257,000, exchange gain of US$115,000, net reversal of impairment loss on trade receivables of US$37,000 and miscellaneous income of US$10,000). 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 and the increase of United States Dollars denominated financial assets of the subsidiary as at 30 June 2019 as compared to that at 30 June 2018, the Group recorded increase in exchange gain for the Period compared with 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. During the Period, operating expenses of the Group amounted to US$5,963,000, representing a decrease of US$302,000 as compared with US$6,265,000 in the corresponding period in the previous year. Such decrease was mainly due to the decrease in revenue and the reduced efficiency in economies of scale.

Interest Expenses

The interest expenses of the Group are the interest expenses on lease liabilities amounting to US$68,000 after the adoption of HKFRS 16 since 1 January 2019.

Net Profit

The Group’s net profit for the Period was US$2,236,000 and the net profit margin was approximately 7.4% (for the first half of 2018: net profit of US$3,151,000 and net profit margin of approximately 9.2%), representing a decrease of approximately 29.0% 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 income and gains, decrease in operating expenses, and the decrease in income tax expense.

Liquidity and Financial Resources

As at 30 June 2019, the Group had current assets of US$109,729,000 (as at 31 December 2018: US$110,030,000) and current liabilities of US$34,491,000 (as at 31 December 2018: US$22,802,000). The current ratio of the Group was approximately 318.0% (as at 31 December 2018: approximately 483.0%).

As at 30 June 2019, the Group had cash at bank and on hand of US$94,568,000 (as at 31 December 2018: US$93,945,000), and zero bank borrowing. Net cash increased by US$623,000 from 31 December 2018.

Net cash inflow from operating activities for the Period was US$489,000.

Net cash inflow from investing activities for the Period was US$820,000, which comprised (i) cash outflow from capital expenditure in various business divisions of the Group of US$339,000, and (ii) cash inflow from other investment activities of US$1,159,000.

Net cash outflow used in finance activity for the Period was US$636,000, representing repayment of lease liabilities.

Effect of foreign exchange rate change for the Period was US$50,000.

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, although the amount was minimal. As the functional currency of a subsidiary of the Company is Renminbi, during the Period, the Group recorded exchange gain due to depreciation of Renminbi against United States Dollars. 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 2019, 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 Period.

Pledge of Assets

There was no pledge of the Group's assets as at 30 June 2019.

Capital Commitment

As at 30 June 2019, the capital commitment of the Group was US$345,000 (as at 31 December 2018: US$11,000).

Significant Investment

The Group held no significant investment for the Period.

Employment, Training and Development

As at 30 June 2019, the Group had a total of 1,926 employees (as at 30 June 2018: 2,036 employees). Staff costs incurred during the Period amounted to US$9,905,000 (for the six months ended 30 June 2018: US$10,279,000).

The emolument of the employees of the Group is determined on the basis of their performance, qualifications and work competence. In addition, other benefits including allowances and subsidies are offered to employees for accommodation needs and continuous education; and discretionary bonus is granted to employees with good performance. All employees are entitled to social insurance and other paid leaves in addition to annual leaves such as marriage, maternity and bereavement 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. The Group's staff are also encouraged to carry out the operating strategies and achieve the targets set by the Company.

The Group places high value on its staff and ensures that a fair and just promotion system is in place and has established sound environment, health and safety policies to ensure that the Group remains competitive in the market to attract various talents. The Group has implemented a long-term and stable human resource 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 2019 decreased by approximately 24.5% as compared with that in the corresponding period in the previous year. The Group's revenue derived from the sale of components for DSCs accounts for a high proportion of the overall revenue, whilst 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 to maintain its competitive edge.

Looking ahead, the operating environment continues to be challenging and the uncertainties in the external economic environment remain high. As Sino-US trade friction continues to intensify, posing uncertainties to the global economic landscape, and as Japan-Korea trade friction continues to escalate, posing uncertainties to the operation of Japanese brand customers, the management of the Group will continue to monitor their impact on the Group as well as its business operations and financial conditions. The DSCs industry remains weak and the Group's revenue derived from the sale of components for DSCs 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, improvement in automation and efficiency as a guarantee for product quality and expenses control, and will diversify its product portfolio and develop products for other applications. 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, 2019, 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 30 June 2019, none of the Directors or chief executives of the Company had any long position in the shares, underlying shares or 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, 2019, 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 (the "**Directors**") (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, 2019, 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	22.77%
Asia Optical Co., Inc.	Interest in a controlled corporation	226,833,000 *(Note 1)*	27.64%
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	143,817,000	17.53%
Ability Enterprise Co., Ltd.	Interest in a controlled corporation	143,817,000 *(Note 2)*	17.53%
Fortune Lands International Ltd.	Founder of discretionary trust	113,000,000 *(Note 3)*	13.77%
Mr. Chan Sun-Ko	Interest in a controlled corporation	113,000,000 *(Note 4)*	13.77%
Ms. Wu Bo-Yan	Interest of a spouse	113,000,000 *(Note 5)*	13.77%
Mr. David Michael Webb	Interest in a controlled corporation; beneficial owner	49,196,000 *(Note 6)*	5.99%

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 31,242,691 shares in the Company, and therefore is taken to be interested in the 31,242,691 shares in the Company held by Preferable Situation. Mr. Webb also holds 17,953,309 shares in the Company as beneficial owner.

Save as disclosed above, as at 30 June, 2019, 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, 2019, 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 of Directors (the "**Board**") resolved to declare an interim dividend of HK$0.019 (2018: HK$0.035) per share in respect of the Period, payable to shareholders whose names appear on the register of members of the Company on Wednesday, 4 September 2019.

The interim dividend will be paid on or before Thursday, 3 October 2019.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 2 September 2019 to Wednesday, 4 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 30 August 2019.

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 Period.

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. Lui Mei Yan Winnie, a director of the Corporate Services Division of Tricor Services Limited, an external service provider, has been appointed as the company secretary of the Company with effect from 30 April 2019. Ms. Lui's primary contact person at the Company is Mr. Kurihara Toshihiko, an executive director of the Company. For further details, please refer to the announcement of the Company dated 30 April 2019. Ms. Lui 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 Period.

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 Company has reviewed the unaudited interim results of the Group for the Period.

Further, the unaudited interim results of the Group for the Period 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 that they have fully complied with the required standard as set out in the Model Code.

On behalf of the Board

LAI I-Jen
Chairman
6 August 2019