

# 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)



## Interim Report 2020

\* For identification purpose only

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## 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

Cheng Choi Ha

### 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  
Registered Public Interest Entity Auditors

### Principal Bankers

CTBC Bank Co., Ltd.  
Bank SinoPac  
China Construction Bank  
China Merchants Bank  
Taishin International Bank Co. Ltd.

### 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](http://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 set out on pages 5 to 22, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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

7 August 2020

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	<i>NOTES</i>	<b>1.1.2020 to 30.6.2020 US\$'000 (unaudited)</b>	1.1.2019 to 30.6.2019 US\$'000 (unaudited)
Revenue	3	<b>19,450</b>	30,100
Cost of goods sold		<b>(15,385)</b>	(23,213)
Gross profit		<b>4,065</b>	6,887
Other income, other gains and losses		<b>1,497</b>	1,505
Distribution costs		<b>(520)</b>	(743)
Administrative expenses		<b>(3,778)</b>	(4,464)
Research and development expenses		<b>(658)</b>	(756)
Interest expense on lease liabilities		<b>(45)</b>	(68)
Profit before taxation	4	<b>561</b>	2,361
Taxation	5	<b>(252)</b>	(125)
Profit for the period		<b>309</b>	2,236
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
– exchange differences arising from translation of financial statements of a foreign operation		<b>(603)</b>	(58)
Total comprehensive (expense) income for the period		<b>(294)</b>	2,178
Earnings per share			
– Basic	7	<b>US0.04 cent</b>	US0.27 cent

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	30.6.2020 US\$'000 (unaudited)	31.12.2019 US\$'000 (audited)
<b>Non-current assets</b>			
Investment properties		5,427	5,540
Property, plant and equipment	8	5,155	6,029
Right-of-use assets		1,698	2,269
Deposits paid for acquisition of property, plant and equipment		390	183
		<b>12,670</b>	14,021
<b>Current assets</b>			
Inventories		2,708	3,011
Trade and other receivables	9	7,769	11,384
Bank balances and cash		82,482	83,641
		<b>92,959</b>	98,036
<b>Current liabilities</b>			
Trade and other payables	10	12,488	17,798
Contract liabilities		398	366
Lease liabilities		1,050	1,102
Taxation payable		2,628	2,797
Dividend payable		2,628	–
		<b>19,192</b>	22,063
Net current assets		<b>73,767</b>	75,973
Total assets less current liabilities		<b>86,437</b>	89,994
<b>Capital and reserves</b>			
Share capital	11	1,055	1,056
Reserves		84,847	87,866
Total equity		<b>85,902</b>	88,922
<b>Non-current liabilities</b>			
Lease liabilities		535	1,072
		<b>86,437</b>	89,994

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	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
At 1 January 2019 (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)	-
Dividend 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
At 1 January 2020 (audited)	<b>1,056</b>	<b>41,850</b>	<b>19,350</b>	<b>6,921</b>	<b>4,149</b>	<b>15,596</b>	<b>88,922</b>
Other comprehensive expense for the period	-	-	-	(603)	-	-	(603)
Profit for the period	-	-	-	-	-	309	309
Total comprehensive (expense) income for the period	-	-	-	(603)	-	309	(294)
Repurchase and cancellation of ordinary shares (note 11)	(1)	(97)	-	-	-	-	(98)
Dividend recognised as distribution (note 6)	-	-	-	-	-	(2,628)	(2,628)
At 30 June 2020 (unaudited)	<b>1,055</b>	<b>41,753</b>	<b>19,350</b>	<b>6,318</b>	<b>4,149</b>	<b>13,277</b>	<b>85,902</b>



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Notes:

The special reserve represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of share capital of the subsidiaries acquired pursuant to the group reorganisation in 2005.

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China, subsidiary of the Company in Mainland China 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 subsidiary in Mainland China. Pursuant to the relevant laws and regulations in Mainland China, appropriation to the statutory surplus reserve is required until the balance reaches 50% of the registered capital. The statutory surplus reserve fund can be used by the subsidiary in Mainland China 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 2020

	<b>1.1.2020 to 30.6.2020 US\$'000 (unaudited)</b>	1.1.2019 to 30.6.2019 US\$'000 (unaudited)
Net cash (used in) from operating activities	<b>(786)</b>	489
Investing activities		
Interest received	<b>715</b>	1,021
Deposit paid for acquisition of property, plant and equipment	<b>(211)</b>	(148)
Purchase of property, plant and equipment	<b>(131)</b>	(191)
Proceeds from disposal of property, plant and equipment	–	138
Net cash from investing activities	<b>373</b>	820
Financing activities		
Repayment of lease liabilities	<b>(562)</b>	(568)
Payments on repurchase and cancellation of ordinary shares	<b>(98)</b>	–
Interest paid	<b>(45)</b>	(68)
Cash used in financing activities	<b>(705)</b>	(636)
Net (decrease) increase in cash and cash equivalents	<b>(1,118)</b>	673
Cash and cash equivalents at 1 January	<b>83,641</b>	93,945
Effect of foreign exchange rate changes	<b>(41)</b>	(50)
Cash and cash equivalents at 30 June, representing bank balances and cash	<b>82,482</b>	94,568

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 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 “Stock Exchange”). 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 on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in United States dollars (“US\$”), which is the functional currency of the Company.

With the COVID-19 epidemic spreading globally, governments around the world and international organisations have taken a series of preventive and control measures as an effort to contain the COVID-19 epidemic. The COVID-19 epidemic has affected supply chain management across the industry, leading to a global recession and weak market demand, which put the Group under pressure in respect of both its production and sales capabilities, and resulted reduction in the Group’s revenue in the current interim period. In response to the COVID-19 epidemic, the Group follows instructions from the local government to appropriately practice preventive and control measures.

The directors of the Company will continue to assess the impact of the COVID-19 epidemic on the Group’s operation and financial performance and closely monitor the Group’s exposure to the risks and uncertainties in connection with the COVID-19 epidemic.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of 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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

#### *Impact of application on Amendment to HKAS 1 and HKAS 8 “Definition of Material”*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

### 3. REVENUE AND OPERATING SEGMENT

#### Revenue

Revenue represents the fair value of the consideration received or receivable for goods sold by the Group to outside customers during the period. Revenue is recognised at a point in time when control of the goods has transferred, being when the goods have been shipped to the customers.

#### *Disaggregation of revenue from contracts with customers by types of products*

	<b>1.1.2020</b>	1.1.2019
	<b>to</b>	to
	<b>30.6.2020</b>	30.6.2019
	<b>US\$'000</b>	US\$'000
	<b>(unaudited)</b>	(unaudited)
Parts and components of		
– digital still cameras, action cameras and copiers	<b>11,297</b>	21,377
– surveillance cameras and projectors	<b>3,628</b>	5,160
– others	<b>4,525</b>	3,563
	<b>19,450</b>	30,100

### 3. REVENUE AND OPERATING SEGMENT – CONTINUED

#### Operating segment

The chief executive officer (“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 profit 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), including Mainland China and Hong Kong.

The Group’s revenue from external customers and information about its non-current assets by geographical location of the customers and the assets, respectively, are detailed below:

	Revenue from external customers		Non-current assets	
	1.1.2020 to 30.6.2020 <i>US\$’000</i> (unaudited)	1.1.2019 to 30.6.2019 <i>US\$’000</i> (unaudited)	30.6.2020 <i>US\$’000</i> (unaudited)	31.12.2019 <i>US\$’000</i> (audited)
Japan	7,603	14,195	–	–
PRC	9,356	12,337	12,670	14,021
Others	2,491	3,568	–	–
	<b>19,450</b>	30,100	<b>12,670</b>	14,021

### 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:

	<b>1.1.2020</b>	1.1.2019
	<b>to</b>	to
	<b>30.6.2020</b>	30.6.2019
	<b>US\$'000</b>	US\$'000
	<b>(unaudited)</b>	(unaudited)
Customer A	<b>2,812</b>	4,950
Customer B	<b>N/A*</b>	4,399
Customer C	<b>N/A*</b>	3,370

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

**4. PROFIT BEFORE TAXATION**

	<b>1.1.2020 to 30.6.2020 US\$'000 (unaudited)</b>	1.1.2019 to 30.6.2019 US\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expense	<b>15,387</b>	23,216
Depreciation on investment properties	<b>113</b>	115
Depreciation on property, plant and equipment	<b>924</b>	1,157
Depreciation of right-of-use assets	<b>542</b>	597
Loss on disposal of property, plant and equipment (included in other income, other gains and losses)	<b>3</b>	–
and after crediting:		
Exchange gain, net (included in other income, other gains and losses)	<b>646</b>	217
Gain on disposal of property, plant and equipment (included in other income, other gains and losses)	–	14
Interest income from bank deposits (included in other income, other gains and losses)	<b>607</b>	1,021
Property fixed rental income before deduction of negligible outgoings (included in other income, other gains and losses)	<b>245</b>	248
Reversal of allowance for obsolete inventories (included in cost of goods sold)	<b>2</b>	3



## 5. TAXATION

	<b>1.1.2020 to 30.6.2020 US\$'000 (unaudited)</b>	1.1.2019 to 30.6.2019 US\$'000 (unaudited)
The tax charge comprises:		
Hong Kong Profits Tax	<b>240</b>	–
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the period	–	82
Underprovision in prior years	<b>12</b>	43
	<b>252</b>	125

## 6. DIVIDENDS

	<b>1.1.2020 to 30.6.2020 US\$'000 (unaudited)</b>	1.1.2019 to 30.6.2019 US\$'000 (unaudited)
Dividends recognised as distribution during the period:		
Final dividend for 2019 of HK2.5 cents (equivalent to US0.321 cent) (2019: final dividend for 2018 of HK3.5 cents; equivalent to US0.447 cent) per share	<b>2,628</b>	3,666
Special dividend for 2018 of HK10 cents (equivalent to US1.28 cents) per share (2020: nil)	–	10,476
	<b>2,628</b>	14,142
Dividend proposed:		
2019: interim dividend for 2019 of HK1.9 cents (equivalent to US0.243 cent) per share (2020: nil)	–	1,995

The directors of the Company have determined that no dividend will be declared and paid in respect of the interim period in 2020.

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2020 is based on the consolidated profit for the period attributable to owners of the Company of US\$309,000 (for the six months ended 30 June 2019: US\$2,236,000) and on the weighted average number of 819,577,000 (for the six months ended 30 June 2019: 820,540,000) shares.

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\$131,000 (for the six months ended 30 June 2019: US\$291,000) for the six months ended 30 June 2020.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30.6.2020</b> <i>US\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>US\$'000</i> (audited)
Trade receivables		
– companies over which certain shareholders of the Company have significant influence	<b>7</b>	3
– others	<b>5,903</b>	9,738
	<b>5,910</b>	9,741
Bills receivables	<b>304</b>	–
Other receivables, prepayments and deposits	<b>1,555</b>	1,643
	<b>7,769</b>	11,384

Payment terms with customers are mainly on credit. Invoices to outside customers are normally payable within 60 to 120 days of issuance, while invoices to long-established customers are normally payable within one year. Bills receivables were issued by banks with maturity within 3 months.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	<b>30.6.2020</b> <i>US\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>US\$'000</i> (audited)
Age		
0 to 60 days	<b>4,359</b>	8,308
61 to 90 days	<b>1,289</b>	1,327
91 to 120 days	<b>262</b>	45
121 to 180 days	<b>–</b>	61
	<b>5,910</b>	9,741

Included in other receivables, prepayments and deposits were deposit of US\$1,113,000 (31 December 2019: US\$1,205,000) placed with a securities firm for certain treasury service.

## 10. TRADE AND OTHER PAYABLES

	<b>30.6.2020</b> <i>US\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>US\$'000</i> (audited)
Trade payables		
– companies over which certain shareholders of the Company have significant influence	<b>3</b>	3
– companies controlled by shareholders of the Company which have significant influence over the Company	<b>276</b>	1,035
– others	<b>6,437</b>	9,345
	<b>6,716</b>	10,383
Payroll and welfare payables	<b>3,185</b>	3,192
Other payables and accruals	<b>2,587</b>	4,223
	<b>12,488</b>	17,798

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

	<b>30.6.2020</b> <i>US\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>US\$'000</i> (audited)
Age		
0 to 60 days	<b>4,751</b>	6,897
61 to 90 days	<b>1,523</b>	1,763
91 to 180 days	<b>385</b>	1,677
181 to 365 days	<b>14</b>	46
Over 1 year	<b>43</b>	–
	<b>6,716</b>	10,383

Included in other payables and accruals of the Group are other tax payables of US\$1,487,000 (31 December 2019: US\$1,701,000) and accrued expenses of US\$845,000 (31 December 2019: US\$1,292,000).

## 11. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each				
At 1 January 2019	1,000,000	10,000	820,540	8,205
Repurchase and cancellation of shares	–	–	(700)	(7)
At 31 December 2019	1,000,000	10,000	819,840	8,198
Repurchase and cancellation of shares	–	–	(1,260)	(12)
At 30 June 2020	<b>1,000,000</b>	<b>10,000</b>	<b>818,580</b>	<b>8,186</b>
				US\$'000
Shown in the condensed consolidated statement of financial position				
At 30 June 2020				<b>1,055</b>
At 31 December 2019				1,056

**11. SHARE CAPITAL – CONTINUED**

During the six months ended 30 June 2020, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	No. of ordinary shares '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May	1,100	0.63	0.55	659
June	160	0.61	0.59	97
	<b>1,260</b>			<b>756</b>
				<i>US\$'000</i>
Equivalent to				<b>98</b>

During the year ended 31 December 2019, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	No. of ordinary shares '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September	700	0.84	0.82	583
				<i>US\$'000</i>
Equivalent to				<b>74</b>

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during that period/year.

## 12. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these condensed consolidated financial statements, the Group has following transactions and balances with related parties:

Nature of transactions	1.1.2020 to 30.6.2020 <i>US\$'000</i> <b>(unaudited)</b>	1.1.2019 to 30.6.2019 <i>US\$'000</i> (unaudited)
Revenue:		
Sales of goods	<b>12</b>	20
Property rental income	<b>126</b>	131
Cost and expenses:		
Purchases of raw materials	<b>6</b>	18
Processing charges paid	<b>690</b>	1,445
Interest expenses on lease liabilities	<b>44</b>	67

As at 30 June 2020, included in lease liabilities was a payable to a related company amounting to US\$1,567,000 (31 December 2019: US\$2,095,000).

The related parties are companies over which certain shareholders of the Company have control or significant influence.

Emoluments to the Group's key management, i.e. directors of the Company, was US\$49,000 (for the six months ended 30 June 2019: US\$48,000) during current period.

## 13. CAPITAL COMMITMENTS

	30.6.2020 <i>US\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>US\$'000</i> (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<b>240</b>	456

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Important

The interim results for the six months ended 30 June 2020 (the “**Period**”) set out in this 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2020, the Group recorded revenue of US\$19,450,000 during the Period, representing a decrease of approximately 35.4% as compared with US\$30,100,000 in the corresponding period in the previous year. During the Period, net profit amounted to US\$309,000, representing a decrease of approximately 86.2% as compared with US\$2,236,000 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 during the Period as compared with that in the corresponding period in the previous year was mainly attributable to the impact of the respiratory illness caused by novel coronavirus (COVID-19) (“**COVID-19 epidemic**”) on supply chain management across the industry, which has led to a global recession and weak market demand, and the continuous weak performance of the DSCs industry; 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\$19,450,000, representing a decrease of approximately 35.4% as compared with US\$30,100,000 for the corresponding period in the previous year. The decrease in revenue was mainly due to the impact of the COVID-19 epidemic on supply chain management across the industry, which has led to a global recession and the weak market demand, and the continuous weak performance of the DSCs industry.

The Group's revenue for the Period was mainly derived from the sale of components for DSCs which contributed to approximately 45% 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 Period decreased by approximately 51.9% as compared with that in the corresponding period in the previous year.

## **Gross Profit**

The Group's gross profit for the Period was US\$4,065,000 and the gross profit margin was approximately 20.9% (for the first half of 2019: gross profit of US\$6,887,000 and gross profit margin of approximately 22.9%), representing a decrease of US\$2,822,000 or approximately 41% 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, Other Gains and Losses***

During the Period, other gains of the Group amounted to US\$1,497,000 (comprised bank interest income of US\$607,000, rental income of US\$245,000, exchange gain of US\$646,000, miscellaneous income of US\$2,000 and loss on disposal of fixed assets of US\$3,000). In the corresponding period in 2019, other 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). Bank interest income for the Period recorded a decrease as compared with that in the corresponding period in the previous year, which was mainly attributable to the decrease of United States Dollars denominated deposit rates as compared with those in the corresponding period in the previous year. The increase in exchange gain for the Period compared to that in the corresponding period in the previous year was mainly attributable to the rate of appreciation in the exchange rate of United States Dollars against Renminbi for the Period was higher than that in the corresponding period in the previous year and the functional currency of a subsidiary of the Company is Renminbi whilst certain financial assets of such subsidiary were denominated in United States Dollars.

### ***Operating Expenses***

The operating expenses of the Group include distribution costs, administrative expenses and research and development expenses. The operating expenses of the Group for the Period amounted to US\$4,956,000, representing a decrease of US\$1,007,000 or approximately 16.9% as compared with US\$5,963,000 in the corresponding period in the previous year. Such decrease was mainly due to the Group's active control on the operating expenses.

### ***Interest Expenses***

The interest expenses of the Group for the Period and the corresponding period in the previous year are the interest expenses on lease liabilities amounting to US\$45,000 and US\$68,000, respectively.

## **Net Profit**

The Group's net profit for the Period was US\$309,000 and the net profit margin was approximately 1.6% (for the first half of 2019: net profit of US\$2,236,000 and net profit margin of approximately 7.4%), representing a decrease of approximately 86.2% in the net profit as compared with that 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, but part of which was offset by the decrease in operating expenses, etc.

## **Liquidity and Financial Resources**

As at 30 June 2020, the Group had current assets of US\$92,959,000 (as at 31 December 2019: US\$98,036,000) and current liabilities of US\$19,192,000 (as at 31 December 2019: US\$22,063,000). The current ratio of the Group was approximately 484.4% (as at 31 December 2019: approximately 444.3%).

As at 30 June 2020, the Group had cash at bank and on hand of US\$82,482,000 (as at 31 December 2019: US\$83,641,000), and no bank borrowing. Net cash decreased by US\$1,159,000 from 31 December 2019.

Net cash outflow from operating activities for the Period was US\$786,000.

Net cash inflow from investing activities for the Period was US\$373,000, which comprised (i) cash outflow from capital expenditure in various business divisions of the Group of US\$342,000, and (ii) interests received of US\$715,000.

Net cash outflow from financing activities for the Period was US\$705,000, which comprised (i) repayment of lease liabilities of US\$562,000; (ii) interests paid on lease liabilities amounting to US\$45,000 and (iii) repurchase of shares of US\$98,000.

Effect of foreign exchange rate change for the Period was US\$41,000.

## 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 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. For members of the Group using United States Dollars as functional currency, they are mainly exposed to currency risks in Hong Kong Dollars and Japanese Yen. There was a small exchange gain associated with Hong Kong Dollars and Japanese Yen denominated net assets due to appreciation of Hong Kong Dollars and Japanese Yen against United States Dollars during the Period. For a member of the Group using Renminbi as functional currency, it is mainly exposed to currency risks in United States Dollars. There was an exchange gain associated with United States Dollars denominated net assets due to appreciation of United States Dollars against Renminbi 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 2020, the Group had no significant or contingent liabilities.

## Capital Commitment

As at 30 June 2020, the capital commitment of the Group was US\$240,000 (as at 31 December 2019: US\$456,000).

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## Significant Investment

The Group did not make any significant investment for the Period.

During the financial year ended 31 December 2016, the Group acquired a property located at Workshops 01-09 on 26th Floor & Flat Roof Above the 26th Floor, CRE Centre, No. 889 Cheung Sha Wan Road, Kowloon, Hong Kong, at a purchase price of HK\$42,800,000. The property is an industrial property with a gross area of approximately 8,854 square feet.

The property is currently leased to an independent third party.

## 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 2020.

## Employment, Training and Development

As at 30 June 2020, the Group had a total of 1,390 employees (as at 30 June 2019: 1,926 employees). Staff costs incurred during the Period amounted to US\$7,300,000 (for the six months ended 30 June 2019: US\$9,905,000).

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 behavior to every staff member who would then know clearly about the requirements of the Group. The Group's staff are also encouraged to carry out operating strategies and achieve 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.

## Regulatory and Compliance Risk

References are made to the announcements of the Company dated 23 December 2019 and 31 December 2019, as well as the paragraph headed “Regulation and Compliance Risk” on page 11 of the 2019 Annual Report. As of the date of this report:

- (i) Dongguan Municipal Ecology and Environment Bureau agreed that Dongguan Yorkey Optical Machinery Components Ltd.\* (“**Dongguan Yorkey**”) is released from the production restriction ordered by Dongguan Municipal Ecology and Environment Bureau to restrict production (Dong Huan Xian Jue Zi [2019] No. 28) 《責令限制生產決定書》(東環限決字[2019]28號);
- (ii) the exhaust gas treatment facilities of Dongguan Yorkey have been upgraded; and
- (iii) taking into consideration the administrative review application submitted by Dongguan Yorkey, Dongguan Municipal Government confirmed the original decision on administrative penalty (Dong Huan Fa Zi [2019] No. 4169) 《行政處罰決定書》(東環罰字[2019] 4169號)). As such, Dongguan Yorkey has initiated an administrative proceeding at Dongguan First People’s Court. Further announcement(s) will be made as and when appropriate.



## Outlook

Looking ahead, the operating environment continues to be challenging. With the COVID-19 epidemic spreading globally, governments around the world and international organizations have taken a series of preventive and control measures as an effort to contain the COVID-19 epidemic. The outbreak of the COVID-19 epidemic has reduced market demand and impacted the industrial supply chain. Coupled with the ongoing Sino-US tensions, there is still uncertainty on future development in the global political and economic landscape. In response to the COVID-19 epidemic, the Group follows instructions from the local government to appropriately practice preventive and control measures. However, according to the World Economic Outlook Update issued by the International Monetary Fund in June 2020, the global GDP is predicted to shrink by 4.9% by the end of 2020. The COVID-19 epidemic has affected supply chain management across the industry, leading to a global recession and weak market demand, which put the Group under pressure in respect of both its production and sales capabilities. According to statistics announced by CIPA, the shipment volume of DSCs for the six months ended 30 June 2020 decreased by approximately 51.9% as compared with that in the corresponding period in the previous year. The DSCs industry remains weak and a large portion of the Group's overall revenue is derived from the sale of components for DSCs. Due to the impact of shrinkage in the scale of the DSCs industry and the decreasing market demand caused by the COVID-19 epidemic, the Group is faced with considerable pressure. Nonetheless, the Group strives to maintain its competitive edge by strengthening its core competitiveness, namely its highly sophisticated module technology, its manufacturing technology and capabilities which earns its customers' trust and the provision of "one-stop" services to its customers.

The laws and regulations in the PRC for discharging air pollutants and factories activities became more stringent. As such, the Group continues to comply with the laws and regulations.

With the COVID-19 epidemic sweeping across the globe at an alarming rate, the global economy is expected to take two to three years to fully recover as predicted by IHS Markit, a business consulting institution. In light of the ever-changing severe operating environment, and the need of ensuring the safety of employees and the continuous operation of the Company, the Group will strengthen its financial structure to address the challenging operating environment ahead. The management of the Group will continue to monitor the impact of the global economy on the Group's business operations and financial conditions. The Group will also optimise its capability, improvement in automation and efficiency to ensure product quality and proper expenses control, and will diversify its product portfolio and develop products for other applications. The Group will also 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 2020, 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 2020, 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 2020, 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, 2020, 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	22.82%
Asia Optical Co., Inc.	Interest in a controlled corporation	226,833,000 <i>(Note 1)</i>	27.71%
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	143,817,000	17.57%
Ability Enterprise Co., Ltd.	Interest in a controlled corporation	143,817,000 <i>(Note 2)</i>	17.57%
Fortune Lands International Ltd.	Founder of discretionary trust	113,000,000 <i>(Note 3)</i>	13.80%
Mr. Chan Sun-Ko	Interest in a controlled corporation	113,000,000 <i>(Note 4)</i>	13.80%
Ms. Wu Bo-Yan	Interest of a spouse	113,000,000 <i>(Note 5)</i>	13.80%

*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.

Save as disclosed above, as at 30 June 2020, 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 2020, 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

On 7 August 2020, the board of Directors (the “**Board**”) have determined that no dividend will be declared and paid in respect of the Period.

## Purchase, Redemption or Sale of Listed Securities of the Company

During the Period, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	No. of ordinary shares <i>' 000</i>	Price per share		Aggregate consideration paid <i>HK\$' 000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
May	1,100	0.63	0.55	659
June	160	0.61	0.59	97
	1,260			756
				<i>US\$' 000</i>
Equivalent to				98

The repurchase of the Company’s shares during the Period was effected by the Directors pursuant to the repurchase mandate granted by shareholders at the annual general meeting of the Company held on 18 June 2019, with a view to benefiting shareholders as a whole by enhancing the earnings per share of the Group.

The above ordinary shares were cancelled upon repurchase.

None of the Company’s subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

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## 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. Cheng Choi Ha (“**Ms. Cheng**”), a manager 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 23 December 2019. The primary contact person at the Company with Ms. Cheng is Mr. Kurihara Toshihiko, an executive director of the Company. For further details, please refer to the announcement of the Company dated 23 December 2019. Ms. Cheng 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.

The Company continues to devote much efforts on formulating the sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

## Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the code provisions under the Code. 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 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 2020