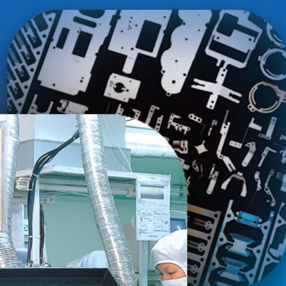
YORKEY

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)



2011
Annual Report

* For identification purpose only

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Corporate Information

Executive Directors

Cheng Wen-Tao
Liao Kuo-Ming

Non-Executive Directors

Lai I-Jen
Wu Shu-Ping

Independent Non-Executive Directors

Chiang Hsiang-Tsai
Chou Chih-Ming
Lai Chung-Hsiung

Company Secretary and Qualified Accountant

Ng Chi-Ching, FCPA, CPA (Aust.)

Registered Office

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

Place of Business in Hong Kong

Workshops 1-2, 6th Floor
Block A, Goldfield Industrial Centre
1 Sui Wo Road
Shatin
New Territories
Hong Kong

Place of Business in the PRC

No. 2 Xiaobian Industrial District
Changan Town
Dongguan City
Guangdong Province
The PRC

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

HSBC Bank (Taiwan) Limited
Bank Sinopac
Ta Chong Bank Ltd.
China Construction Bank
China Merchant Bank

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Ltd.
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

2788

Chairman's Statement

On behalf of the board of directors, I am pleased to present the shareholders the annual report of Yorkey Optical International (Cayman) Ltd (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st December 2011.

Annual Results

I am also pleased to report to our shareholders that the Group recorded a turnover of approximately US$122,092,000 representing an increase of 50.7% as compared with that of 2010. The profit attributable to shareholders was approximately US$6,685,000.

Dividends

The board of directors of the Company ("the Board") recommended a final dividend of HK$0.03 and special dividend of HK$0.03, totally HK$0.06 (approximately US0.722 cents) per share. Including the interim dividend of HK$0.03 (approximately US0.386 cents) per share paid to shareholders on 7th November 2011, total dividend paid to the shareholders in respect of the year ended 31st December 2011 will be HK$74,500,000 (approximately US$9,570,000), bringing a dividend payout ratio over 100%.

Business Review and Outlook

Looking back, in 2011, the global environment continued to face the tremendous impacts of the financial tsunami that took place in 2008 and was furthered dampened by the unsettling European debt crisis, whereas the earthquake in Japan and flooding in Thailand further resulted in volatility in the operating environment. Nevertheless, the Group continued to strive for quality excellence and adhere to the customer-oriented principle with a view to manufacturing quality and low-cost products to repay its customers. In addition, the Group endeavoured to provide "one-stop" services to customers and strengthened its market expansion. These efforts were well received by its customers and further consolidated the partnership between them. The Group's strategy of strengthening its principal business was also successful, as evidenced by the growth in performance as compared to 2010 and the expansion of individual branded customer base.

Chairman's Statement

Looking into 2012, the demand for consumer electronic products is expected to remain its steady growth, while branded players will introduce products with multiple functions to attract consumers. The Group will have to respond swiftly and work with quality associated manufacturers. In addition, taking into account of the appreciation of Japanese yen and costs of production, the Group will continue to subcontract business. The Group will further enhance its core competence and ability to respond, and strengthen its competitive strengths by increasing automation technology and efficiency. The Group will manufacture competitive products both in terms of quality and price and implement strict quality control to increase customer satisfaction so as to expand the individual branded customer base and achieve better results. On the other hand, the Group will step up its efforts in the network distribution in emerging markets in order to generate growth momentum to the Group. All these are favourable factors to the future growth of the Group. The management remains strongly confident about the growth of its business in the future.

Besides, R&D and innovation are crucial elements to the survival of an enterprise. The Group will continue to allocate considerable resources into R&D activities in pursuit of excellence. The Group will endeavour to expand the market and customer base to generate better returns to our shareholders.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, customers and suppliers for their continuous support, as well as the management team and the staff of the Group for their hard work and contributions in the past year.

Liao Kuo-Ming
Chairman

YORKEY OPTICAL
INTERNATIONAL (CAYMAN) LTD.

Diversified Quality Products

Management Discussion and Analysis

Operational and Financial Review

The Group is principally engaged in the manufacture and sale of plastic and metallic parts and components of optical and opto-electronic products including digital still cameras ("DSC"), copiers (including copier-based multifunction peripherals), computer peripherals, handsets, traditional film cameras, and others, and subsequently related accessories as well as manufacture, painting and sale of molds and cases.

Turnover

There was a increase in the Group's turnover for the year that was approximately US$122,092,000 compared with that for the previous year (2010: US$81,010,000). The Group's revenue was mainly derived from the sales of components for DSCs and the percentage of its contribution accounted for 80%. Components for medical equipment were well received by customers where its sales continued to grow. In 2011, the Group performed well as digital camera branded players expanded their contracting business. Despite the operating challenges such as rising prices of raw materials and increasing labour costs, the Group will endeavour to expand business and strive for better results leveraging on its own core competence and superior ability to respond and by developing new products with higher added value.

Gross Profit

The Group's gross profit for the year was approximately US$24,712,000 (2010: US$20,832,000) and the gross profit margin was approximately 20.2% (2010: 25.7%). The decrease in the gross profit margin was caused by rising wages and labour costs in Mainland China. However, as the Group was committed to high-end product development accommodated by enhanced technique and R&D capabilities, continuously supplying customers with high quality components and sales services, the gross profit margin can still be maintained at a high level.

Other Income and Gains

The other income of the Group, contributed mainly by the bank interest income and exchange gain, for the year was approximately US$2,554,000, representing an increase of approximately 53.8% as compared with approximately US$1,661,000 in 2010.

Net Profit

The Group's net profit for the year ended 31st December 2011 was approximately US$6,685,000, representing an increase of approximately 14.1% compared with US$5,857,000 in 2010.

Liquidity and Financial Resources

As at 31st December 2011, the Group had current assets of approximately US$157,363,000 (2010: US$152,582,000) and current liabilities of approximately US$28,890,000 (2010: US$20,838,000). The current ratio of the Group was approximately 545% (2010: 732%).

The Group finances its operation with internally generated resources. As at 31st December 2011, the Group had cash at bank and on hand of approximately US$121,467,000 (2010: US$117,818,000), and zero bank borrowings.

Net cash generated from operating activities for the year was approximately US$14,862,000.

Net cash inflow from investing activities for the year was approximately US$12,845,000, which comprised capital expenditure arising from enhancement of production facilities in various divisions of the Group of approximately US$2,123,000, capital contribution to an associate US$5,024,000, bank deposits with original maturity of more than three months of approximately US$15,171,000, available-for-sale investments of US$2,027,000 and other investment activities of approximately US$2,794,000.

Net cash outflow used in financing activities for the year was approximately US$9,050,000, representing dividend paid during the year.

In general, the Group focused on core businesses and pursued long-term stable growth. Therefore, we adopted conservative principles in financial operation. Working capital can fully meet the demand of capital expenditures and there is no need for debt finance or increasing capital from shareholders.

The Board is in the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Exchange Risk Exposure and Contingent Liabilities

The Group's sales were principally denominated in US dollars, Hong Kong dollars or Japanese Yen while purchases were also transacted mainly in US dollars, Japanese Yen, Renminbi, and Hong Kong dollars. The Group does not foresee significant risk in exchange rate fluctuation. Therefore, no financial instruments have been used for hedging purposes. The Group will use forward exchange contracts for hedging purposes appropriately.

As at 31st December 2011, the Group had no significant contingent liabilities.

Capital Commitment

As at 31st December 2011, the capital commitment of the Group was US$8,420,000 (2010: US$172,000).

Employment, Training and Development

As at 31st December 2011, the Group had a total of 3,837 employees. A long term and stable human capital policy accommodated with fringe benefits, including medical insurance and provident fund, and competitive remuneration packages are adopted in order to attract and retain quality personnel and provide incentives for the staff to enhance performance.

The Group strives to maintain good relations with its employees and is committed to employee training and development on a regular basis to maintain the quality of our products.

Management Discussion and Analysis

Outlook

Looking back, in 2011, the global environment was hit by the European debt crisis, and the earthquake in Japan and flooding in Thailand further resulted in volatility in the operating environment. Nevertheless, the Group continued to focus on enhancing the core competence of its principal business, increasing automation technology and efficiency, and manufacturing competitive products both in terms of quality and price. In addition, the Group endeavoured to provide "one-stop" services to customers and strengthened its strategic market expansion. Through maintaining long-term partnership with internationally renowned customers, the Group's position was recognized. The Group's strategy of strengthening its principal business was also successful, as evidenced by the growth in performance as compared to 2010.

Looking into 2012, the demand for consumer electronic products is expected to remain its steady growth, while branded players will introduce products with multiple functions to attract consumers and continue to subcontract business taking into account of the costs of production. The Group will further enhance its core competence and ability to respond to the fast changing environment so as to expand customer base and achieve better results. On the other hand, the Group will step up its efforts in the network distribution in emerging markets in order to generate growth momentum to the Group. All these are favourable factors to the future growth of the Group. The management remains strongly confident about the growth of its business in the future. We are committed to adhering to the principle of bringing good investment returns to our investors and we will continue to accomplish it.

FINAL DIVIDEND

The Directors proposed a final dividend of HK$0.03 per share to shareholders whose names appear on the register of members of the Company on Monday, 4th June 2012. The final dividend will be paid on or before Thursday, 28th June 2012.

SPECIAL DIVIDEND

Being determined to make better return to the shareholders, the Directors further proposed to declare and distribute to the shareholders a special dividend of HK$0.03 per share. It is expected that the ex-dividend date will be in the mid-August 2012 and the special dividend will be paid approximately in the mid-September 2012. Further announcement will be made by the Company regarding book closure timing information as and when appropriate.

Including the interim dividend of HK$0.03 per share paid to the shareholders on Monday, 7th November 2011, total dividend paid to the shareholders in respect of the year ended 31st December 2011 will be HK$0.09 per share, bringing a dividend payout ratio of over 100%.

Profile of Directors and Senior Management

Executive Directors

Mr. CHENG Wen-Tao (鄭文燾), aged 76, is an executive Director and the founder of the Group. Mr. Cheng is responsible for the strategic planning and overall management of the Group. Mr. Cheng is a graduate of the School of Engineering of Osaka Prefecture University (日本大阪府立大學工學部) and holds a degree of Bachelor in Engineering. He has over 30 years of experience in the optical industry. Before the establishment of the Group, Mr. Cheng worked in Ricoh Company Ltd. and was appointed as the factory manager, vice general manager of Taiwan Ricoh Company Ltd. Mr. Cheng is a director of Asia Promotion Optical International Ltd., which has an interest in the shares and/or underlying shares of the Company under Part XV of the Securities and Futures Ordinance (Cap. 571) (the "SFO") as set out in the Report of the Directors.

Mr. LIAO Kuo-Ming (廖國銘), aged 75, is an executive Director. Mr. Liao is responsible for the management of the production facilities and the public relation of the Group. Mr. Liao joined the Group in March 2001. Mr. Liao is also currently the Chairman of Asia Promotion Optical Inc., which has been engaged in the import and export business for more than 20 years. He was the fifth session honorary chairman of Taiwan Businessmen Association Dongguan (東莞市台商投資企業協會長安分會第五屆名譽會長), the second session vice president of Dongguan City Chang-An Town Taiwan Businessmen Association (東莞市長安鎮台商聯誼會第二屆副會長) and the first session vice president, second session secretary general of Foreign Businessmen Association, Xiaobian, Dongguan, PRC (東莞市長安外商投資企業協會霄邊分會第一屆副會長及第二屆常務理事).

Non-executive Directors

Mr. LAI I-Jen (賴以仁), aged 63, is a non-executive Director. He has over 30 years of experience in the manufacture and sale of optical components and optical equipments. He is currently chairman of Asia Optical Co., Inc., ("Asia Optical") a company listed on the Taiwan Stock Exchange. Asia Optical is principally engaged in the design, manufacture and sale of optical parts and components and is reputable within industry. Mr. Lai has substantial experiences and international vision in business management, marketing and global logistics.

Ms. WU Shu-Ping (吳淑品), aged 49, is a non-executive Director. Ms. Wu is currently a director of Asia Optical Co., Inc. and holds directorship in various companies. She has an extensive financial background and had been actively involved in the listing, oversea financing, merger & acquisition projects of Asia Optical. Ms. Wu is experienced in the operations of the capital market and capital allocation and management of multinational enterprises in the manufacture industry.

Profile of Directors and Senior Management

Independent non-executive Directors

Mr. CHIANG Hsiang-Tsai (江向才), aged 41, was appointed as an independent non-executive Director in December 2005. Mr. Chiang holds a degree of master of accountancy and financial information systems from Cleveland State University in the United States and a doctoral degree in business administration with specialisation in accounting and information technology management from Nova Southeastern University in the US. Mr. Chiang has published a number of research papers in periodicals and produced a number of writings and he is currently a full-time vice professor (專任副教授) with the department of accounting and the chief (主任) of the accounting office in Feng Chia University in Taiwan.

Mr. CHOU Chih-Ming (周智明), aged 53, was appointed as an independent non-executive Director in December 2005. He is a registered agent for book keeping and tax return filing and founded Chou Chih-Ming Accounting and Tax Agent Firm (周智明事務所) in 1990. He has accumulated book keeping experience over 15 years. Mr. Chou's working experience also includes Chu Ting Enterprise Co., Ltd. (巨登企業股份有限公司) where he was a scrutineer (監察人). He had also been the sixth session secretary general of Taichung County Associate of Tax and Accounting Agent (台中縣税務會計記帳代理業職業工會第六屆常務理事); and the second session secretary general of the National Federation of Tax and Accounting Agent Republic of China (中華民國税務會計記帳代理業職業工會全國聯合會第二屆常務理事).

Mr. LAI Chung-Hsiung (賴重雄), aged 68, was appointed as an independent non-executive Director in December 2005. In 1978, Mr. Lai founded Fu Kuo Co., Ltd. in Taiwan (富國興業股份有限公司) which is engaged in the manufacture and wholesaling of leisure sports equipment. Mr. Lai has accumulated more than 30 years of experience in the manufacture and sale of sport devices.

Senior Management

Mr. NAGAI Michio (永井三知夫), aged 57, is the Chief Executive Office of the Group. Prior to joining the Group, Mr. Nagai was employed by Pioneer Corporation and has served as a division head, senior vice president and various senior positions. Mr. Nagai has over 30 years of experience in mid and long term strategic planning, organizational restructuring, enhancement of manufacture engineering, development and introduction of automation device, project management and various areas of specialty in kind. Mr. Nagai joined the Group in March 2011.

Mr. CHEN Yao-Tang (陳耀堂), aged 48, is the department head of the mould technology department of the Group. Before Mr. Chen joined the Group, he worked in Ricoh Company Limited. Mr. Chen has over 20 years of experience in the plastic and metallic mould industry. He is responsible for overseeing the production technique and ensuring the product quality for the Group. He joined the Group in June 2005.

Mr. CHANG Chen-Chi (張振吉), aged 47, is the department head of the production technology department of the Group. Mr. Chang had worked in other companies in the metal stamping industry and has more than 20 years of experience in this industry. He joined the Group in November 2010.

Mr. WANG Zhi-Shang (王志尚), aged 54, head of metal stamping department of the Group. Prior to joining the Group, Mr. Wang worked in Panasonic Taiwan Co., Ltd. and Foxconn Technology Co., Ltd. and has more than 20 years of experience in the metal stamping industry. Mr. Wang joined the Group in November 2008.

Mr. CHAN Sun-Ko (詹孫科), aged 43, is the department head of the plastic injection and moulding department of the Group. Mr. Chan had worked in other companies in the plastic moulding industry and has more than 10 years of experience in this industry. He joined the Group in July 1998.

Ms. TAN Ya-Juan (譚亞娟), aged 36, is the department head of the manager of cases and bags department of the Group. Ms Tan has over 14 years of experience in the field of manufacturing and assembling of cases and bags, and is responsible to overseeing the production process, quality of products of the cases and bags department. Ms. Tan joined the Group in December 1995.

Mr. HUANG Cheng-I (黃正一), aged 45, is the head of sales and marketing department of the Group. Mr. Huang has over 9 years of sales and marketing experience. He is responsible for the administration and supervision of overall sales and marketing activities of the Group. He joined the Group in July 2000.

Mr. NG Chi Ching (吳子正), aged 41, is the chief financial officer of the Group and the qualified accountant of the Company. Mr. Ng is responsible for the overall finance and accounting of the Group. Mr. Ng graduated from The Australian National University with a degree of bachelor of commerce in 1994. He has over 10 years of experience in financial management and business management. Mr. Ng had worked in an international audit firm during the periods from May 1995 to March 1997 and from July 1997 to July 1999. Mr. Ng is a FCPA of the Hong Kong Institute of Certified Public Accountants and a CPA of CPA Australia. Mr. Ng joined the Group in January 2006.

Report of the Directors

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31st December 2011.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the financial statements.

Results

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 30.

Dividends

During the year, the Company paid an interim dividend of HK$0.03 (approximately US0.386 cents) per share amounting to HK$24,833,000 (approximately US$3,190,000) in respect of the six months ended 30th June 2011 on 7th November 2011.

The Board has resolved to recommend a payment of final dividend of HK$0.03 and special dividend HK$0.03, totally HK$0.06 (approximately US0.772 cents) per share, amounting to HK$0.09 (approximately US1.158 cents) in respect of the year ended 31st December 2011. The final dividend is expected to be paid on or before Thursday, 28th June 2012 to those shareholders whose name appear on the register of members of the Company on Monday, 4th June 2012. For the special dividend of HK$0.03 per share, it is expected that the ex-dividend date will be in the mid-August 2012 and that it will be paid approximately in the mid-September 2012.

Share Capital

Details of the movements in the issued share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 32.

As at 31st December 2011, the Company's reserve available for distribution to its shareholders comprise contributed surplus amounted to approximately US$85,842,000 and retained profits of approximately US$963,000.

Investment Properties

Details of the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

Properties, Plant and Equipment

Details of the movement in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for approximately 21.95% and 59.25% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for approximately 10.94% and 32.89% of the Group's total purchase for the year.

Save and except for Asia Optical International Ltd., none of the Directors, their respective associates or, the Directors aware, any Shareholder owns more than 5% of the issued share capital of the Company has any interest in any of the other top five customers and suppliers of the Group for the year.

Directors and directors' service contracts

The directors of the Company ("Directors") during the year were:

Executive directors:

Mr. Liao Kuo-Ming (Chairman)
Mr. Cheng Wen-Tao

Non-executive directors:

Mr. Lai I-Jen
Ms. Wu Shu-Ping

Independent non-executive directors:

Mr. Chiang Hsiang-Tsai
Mr. Chou Chih-Ming
Mr. Lai Chung-Hsiung

The biographical details of the directors are set out on page 9 to page 10 of this annual report.

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years commencing from the Listing Date. Each service contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive and independent non-executive Directors has been appointed for a term of one year commencing on 20th December 2005. In addition, the appointment of each of the non-executive and independent non-executive Directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

Other than disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employing company within one year without payment of compensation (other than statutory compensation)).

The Company had received confirmations from each of the Company's independent non-executive Directors of their independence and considered all independent non-executive Directors to be independent. In accordance with the provisions of the Company's Articles of Association, Mr. Cheng Wen-Tao, Mr. Liao Kuo-Ming, Mr. Lai I-Jen, Ms. Wu Shu-Ping, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Lai Chung-Hsiung will retire from the Board at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election. Detail of Directors' emoluments on a named basis are set out in note 9 to the consolidated financial statements on page 58 of this annual report.

Directors and Chief Executive's Interests in Shares

As at 31st December 2011, 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

Name of director/ chief executive of the Company	Nature of interest	Total number of shares/underlying shares in the Company	Percentage of issued share capital in the Company
Mr. Cheng Wen-Tao	Interest of a controlled corporation	186,833,000 *(Note)*	22.57%

Note: Mr. Cheng Wen-Tao ("Mr. Cheng") is taken to be interested in an aggregate of 186,833,000 shares held by Asia Promotion Optical International Ltd. ("Asia Promotion"). Asia Promotion is owned as to 49.3% by Mr. Cheng, as to 26.2% by the spouse of Mr. Cheng, Ms. Huang Ching-Hui ("Mrs. Cheng"), and as to 24.5% by Mr. Liao Kuo-Ming. Mr. Cheng is also the sole director of Asia Promotion.

Save as disclosed above, as at 31st December 2011, none of the Directors or chief executives of the Company had any long position in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

2. Short positions in the shares, underlying shares and debentures of the Company and interests and short positions in the shares, underlying shares and debentures of the Company's associated corporation

As at 31st December 2011, none of the Directors or chief executives of the Company, had any interest in short position in the shares, underlying shares or debentures of the Company or any interest or short position in the shares, underlying shares of debentures of the Company's associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Stock Exchange and the Company pursuant to the Model Code.

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

Directors' Interest in Contracts of Significance

Save as disclosed in note 28 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Substantial Shareholders

As at 31st December 2011, 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 Promotion Optical International Ltd.	Beneficial owner	186,833,000	22.57%
Ms. Huang Ching-Hui	Interest of a spouse	186,833,000 *(Note 1)*	22.57%
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	144,473,000	17.45%
Ability Enterprise Co., Ltd.	Interest of a controlled corporation	144,473,000 *(Note 2)*	17.45%
Fortune Lands International Ltd.	Founder of discretionary trust	113,000,000 *(Note 3)*	13.65%
Mr. Chen Yao-Tang	Interest of a controlled corporation	113,000,000 *(Note 4)*	13.65%
Ms. Ho Shu-Chun	Interest of a spouse	113,000,000 *(Note 5)*	13.65%
Templeton Asset Management Ltd.	Investment manager	58,518,000	7.07%

Note 1: Ms. Huang Ching-Hui, the spouse of Mr. Cheng, is taken to be interested in an aggregate of 186,833,000 shares in which Mr. Cheng is interested in.

Note 2: Ability Enterprise Co., Ltd. ("Ability Enterprise") holds 100% direct interest in the issued capital of Ability Enterprise (BVI) Co., Ltd. ("Ability Enterprise BVI") and therefore is taken to be interested in an aggregate of 144,473,000 shares in the Company held by Ability Enterprise BVI.

Note 3: 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 will hold as trustee of The Yorkey Employees' Trust.

Note 4: Mr. Chen Yao-Tang, 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: Ms. Ho Shu-Chun, the spouse of Mr. Chen, is taken to be interested in an aggregate of 113,000,000 shares in which Mr. Chen is interested in.

Save as disclosed above, as at 31st December 2011, the Company had not been notified of any long position being held by any persons, other than a director or chief executive of the Company, in the shares or underlying shares in the Company which would be recorded in the register required be kept under section 336 of the SFO.

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

As at 31st December 2011, the Company had not been notified of any short position being held by any substantial shareholder in the shares or underlying shares in the Company which would be recorded in the register required to be kept under section 336 of the SFO.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was conditionally adopted by the shareholders' written resolution of the Company dated 18th January 2006.

The Share Option Scheme had become unconditional upon the listing of the Company's shares on the Stock Exchange on 10th February 2006. No share options were granted, exercised or cancelled by the Company under the share option scheme during the year and there are no outstanding share options under the Share Option Scheme as at 31st December 2011.

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisitions of shares in, or debentures of the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or any had exercised any such right.

Summary of Principal Terms of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to employees, senior executive or officer, manager and directors of the Company or any of its subsidiaries and outside third parties who, in the sole discretion of the board of directors of the Company, have contributed or will contribute to the growth and development of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall be 80,000,000 (excluding the over-allotment portion) shares, representing 10% of the issued share capital of the Company as at the date of listing of shares on the Stock Exchange.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time. Options granted in the past 12-month period up to and including the date of grant to substantial shareholders or independent non-executive directors in excess of 0.1% of the issued share capital of the Company and with an aggregate value in excess of HK$5,000,000 must be approved by the Company's shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose its discretion any such minimum period at the time of grant of any particular option. The period during which the options may be exercised will be notified by the Board to each grantee upon grant of each option, provided that it shall commence on a date not earlier than the date of the grant of an option and not be more than ten (10) years from the date of grant of the option. An offer of grant of an option must be accepted being a date not more than fourteen (14) days after the date of grant. The amount payable on acceptance of an option is HK$1.00.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

The Share Option Scheme shall be valid and effective for a term commencing on the 18th January 2006 and ending on the 17th January 2016.

Connected Transactions

During the year ended 31st December 2011, the Group had the following connected transactions that were subject to the Listing Rules' reporting requirements for disclosure in this annual report.

1. Sales of camera cases and related products from Yorkey Optical Technology Limited ("YOT") to Asia Promotion Optical Inc. ("APO Inc.")

On 1st January 2006, YOT, a wholly-owned subsidiary of the Company, and APO Inc., which is owned as to 42% by Mr. Liao Kuo-Ming, an executive Director of the Company, entered into a master sale and purchase agreement ("AP Master Agreement") in respect of the sale of camera cases made with synthetic materials and related products by the Group to APO Inc. for a term from the date of signing of the AP Master Agreement to 31st December 2007. The term was extended to 31st December 2013 according to the supplemental agreement entered into by both parties in 2010.

As the Group focuses on Japanese background customers, its sales network in Taiwan is of a relatively smaller scale and thus it is seldom to receive direct purchase orders of the Group from Taiwan background companies. On the contrary, APO Inc. is mainly engaged in the trading of synthetic leathers and other materials in Taiwan, and thus is commissioned by its Taiwan customers to purchase camera cases. In view of the availability of the Group's supply of such products, APO Inc. sources such products from the Group. In addition, the Directors consider that the Group should be in a better position to control the debt collection risks if such sales are conducted through APO Inc.

For the year ended 31st December 2011, sales of camera cases made with synthetic materials and related products to APO Inc by the Group amounted to US$0.

2. Purchase of digital cameras' integrated circuits and circuit boards by YOT from Ever Pine International Limited ("Ever Pine")

On 1st January 2006, YOT and Ever Pine, which is indirectly collectively owned as to 100% by the substantial shareholders of the Company, Ability Enterprise (BVI) Co., Ltd and Asia Promotion Optical International Ltd., entered into a master sale and purchase agreement ("Ever Pine Purchase Agreement") in respect of the purchase of digital cameras' integrated circuits and circuit boards by the Group from Ever Pine for a term commencing from the date of signing of the Ever Pine Purchase Agreement to 31st December 2007. The term was extended to 31st December 2013 according to the supplemental agreement entered into by both parties in 2010.

The reason for such transactions is that the Group wishes to provide convenience to the customer by offering one-stop service and the Directors consider that by purchasing from Ever Pine, the Group could have a better control over the relevant costs, such as freight.

For the year ended 31st December 2011, purchase of digital cameras' integrated circuits and circuit boards from Ever Pine by the Group amounted to approximately US$0.

3. Lease of property by Dongguan Yorkey Optical Machinery Components Ltd ("Dongguan Yorkey") to Dongguan Guang Tong Business Machines Co., Ltd. ("Dongguan Guang Tong")

On 18th July 2005, Dongguan Yorkey, an indirect wholly-owned subsidiary of the Company, as landlord and Dongguan Guang Tong, an associate of Ability Enterprise BVI and Asia Promotion, as tenant entered into a lease agreement ("Lease Agreement") pursuant to which Dongguan Guang Tong has agreed to lease a property ("PRC Property") with a gross floor area of 5,028.19 sq.m. situated at Junction of Erhuan Central Road, No. 2 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, the PRC as factory premises for the operation of the business of Dongguan Guang Tong and staff quarters for a term commencing from 1st January 2005 to 31st December 2010 (which was subsequently modified to expire on 31st December 2007 by a supplemental agreement dated 29th December 2005 entered into between Dongguan Yorkey as landlord and Dongguan Guang Tong as tenant). The term was extended to 31st December 2013 according to the supplemental agreement entered into by both parties in 2010.

The Group entered into the Lease Agreement in order not to leave the floor area on the third floor vacant and unused.

For the year ended 31st December 2011, the rental income received from Dongguan Guang Tong amounted to approximately US$289,000.

4. Sales of office equipment related parts and components from YOT to Ever Pine

On 1st January 2006, YOT and Ever Pine entered into a master sale and purchase agreement ("Ever Pine Master Agreement") whereby YOT agreed to sell office equipments (including but not limited to copiers and multi-function printers) related parts and components to Ever Pine for a term commencing from the date of signing of the Ever Pine Master Agreement to 31st December 2007. The term was extended to 31st December 2013 according to the supplemental agreement entered into by both parties in 2010.

The reasons for such transactions are as follows: (1) the Group has been granted ISO certification, and the Group's products were manufactured up to the quality requirements as requested by the customers of Ever Pine; and (2) in order for procurement efficiency and savings costs, Ever Pine purchased components from the Group since Dongguan Guang Tong rented certain factory premises from Dongguan Yorkey.

For the year ended 31st December 2011, sales of office equipments (including but not limited to copiers and multi-function printers) related parts and components to Ever Pine by the Group amounted to approximately US$144,000.

5. Purchase of materials and related parts for producing camera casings and cases by YOT from APO Inc.

On 1st January 2006, YOT and APO Inc. entered into a master sale and purchase agreement ("AP Purchase Agreement") whereby APO Inc. agreed to sell materials and related parts for producing camera casings and cases to YOT for a term commencing from the date of signing of the AP Purchase Agreement to 31st December 2007. The term was extended to 31st December 2013 according to the supplemental agreement entered into by both parties in 2010.

The reason why the Group purchases these materials and related parts through APO Inc. is that Taiwanese companies are able to offer these materials and related parts to the Group at reasonable price and quality which fits the requirements of the Group and it is the existing practice of the Group to purchase these materials from Taiwanese companies. However, in view of the fact that the Group does not have establishments in Taiwan, the Group conducts the related business via APO Inc.. By doing so, the Group is able to enjoy the foregoing benefits and also to avoid the costs and the possible costs associated with securing stable supply with the suppliers.

For the year ended 31st December 2011, purchase of materials and related parts for producing camera casings and case from APO Inc. by the Group amounted to approximately US$424,000.

6. Management fees paid by YOT to APO Inc.

On 1st August 2005, YOT and APO Inc. entered into a management agreement ("Management Agreement") whereby APO Inc. agreed to provide recruitment services to YOT for a term commencing from the date of the Management Agreement to 31st December 2007. Pursuant to the Management Agreement, YOT shall pay APO a monthly management fee as reimbursement to APO Inc. for salaries, insurance and related expenses paid by APO Inc. to the Taiwanese personnel who provide services to the Group. Further, the parties may make any adjustment to the management fees payable by YOT by reference with the actual payment made by APO Inc. under the arrangement. The term was extended to 31st December 2013 according to the supplemental agreement entered into by both parties in 2010.

Because the Group does not have fixed operating place nor any branch in Taiwan, the Group is unable to provide the labor insurance or social welfare benefit to Taiwanese personnel. Therefore, the Group and APO Inc. entered into the Management Agreement under which APO Inc. agreed to retain Taiwanese personnel for the Group and grant those people benefits under the labor welfare system, such as the Taiwan labor insurance, health insurance, and pension. The Group then pays APO Inc. the equivalent amount.

For the year ended 31st December 2011, the management fees paid by the Group to APO Inc. amounted to approximately US$1,416,000.

7. Sale of digital camera parts made with plastic and/or metal materials, molding, coating and printing related products from YOT to Ability Group

On 22nd August 2006, YOT entered into a master sale and purchase agreement ("Ability Group Master Agreement") with Ability Enterprise Co., Ltd., the parent company of Ability Enterprise BVI, and its affiliate companies that are engaged in DSC assembly or sales, including Viewquest Technologies (BVI) Inc., Gold Market Investments Ltd. And Ashine Precision (China) Ltd. (collectively the "Ability Group"). Pursuant to the Ability Group Master Agreement, YOT agreed to sell digital camera parts made with plastic and/or metal materials, molding, coating and printing related products to Ability Group. The Ability Group Master Agreement will expire on 31st December 2007. The term was extended to 31st December 2013 according to the supplemental agreement entered into by both parties in 2010.

The benefits of entering into the Ability Group Master Agreement are that (1) the Group will be in a better position to control the debt collection risks if such transaction is conducted with Ability Group; and (2) the Group is expected to benefit from Ability Enterprise's better understanding of operations of the Group which should allow expedient and efficient sales transaction.

For the year ended 31st December 2011, the sales of digital camera parts made with plastic and/or metal materials, molding, coating and printing related products to the Ability Group by the Group amounted to approximately US$3,000.

8. Sale of synthetic leather cases for office equipment parts from Dongguan Yorkey to Dongguan Guang Tong

On 22nd August 2006, Dongguan Yorkey, an indirect wholly-owned subsidiary of the Company, and Dongguan Guang Tong, an associate of Ability Enterprise BVI and Asia Promotion, entered into a master sale and purchase agreement ("Dongguan Guang Tong Master Agreement") whereby Dongguan Yorkey agreed to sell synthetic leather cases for office equipment parts to Dongguan Guang Tong. The Dongguan Guang Tong Master Agreement will expire on 31st December 2007. The term was extended to 31st December 2013 according to the supplemental agreement entered into by both parties in 2010.

The benefits of entering into the Dongguan Guang Tong Master Agreement are that (1) the Group will be in a better position to control the debt collection risks if such transaction is conducted with Dongguan Guang Tong; and (2) the Group is expected to benefit from Dongguan Guang Tong's better understanding of operations of the Group which should allow expedient and efficient sales transaction.

For the year ended 31st December 2011, the sales of leather cases for office equipment parts to Dongguan Guang Tong by the Group amounted to approximately US$47,000.

The Independent Non-Executive Directors have reviewed the continuing connected transactions and in their opinion, these transactions were entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Management Contracts

Except for the connected transactions as stated in this directors' report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Remuneration

The director's fees, basic salaries and other allowances are disclosed in note 9 to the consolidated financial statements.

There were no compensation paid during the financial year or receivable by Directors or past Directors for the loss of office as a Director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments.

Pension Schemes

The pension schemes of the Company and its subsidiaries are primarily in form of contributions to the China statutory public welfare fund.

Sufficiency of Public Float

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31st December 2011, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company.

Report of the Directors

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under company laws in the Cayman Islands.

Auditor

A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be submitted at the annual general meeting of the Company.

On behalf of the Board

LIAO Kuo-Ming
Chairman

16th March 2012

Corporate Governance Practices

The Group is committed to ensuring high standards of corporate governance in the interest of its shareholders. The Directors also acknowledge that it is their responsibility for preparing the financial statements of the Group for the year ended 31st December 2011.

The Group has adopted the code provisions set out in the Code of Corporate Governance Practices (the "Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has reviewed each code provision set out in the Code and confirmed that the Company has fully complied with the Code during the period.

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 The Directors regarding any non-compliance with the Model Code during the period and they all confirmed they have fully complied with the required standard set out in the Model Code.

Board of Directors

For the year ended 31st December 2011, the Board of the Company comprised two executive Directors, namely, Mr. Cheng Wen-Tao and Mr. Liao Kuo- Ming, two non-executive Directors, namely, Mr. Lai I-Jen and Ms. Wu Shu-Ping, and three independent non-executive Directors, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Lai Chung-Hsiung. Mr. Liao Kuo Ming was the Chairman of the Company.

The Board will have four scheduled meetings a year and meet at other times as and when required to review financial and internal control, risk management, company strategy and operating performance of the Group. Board minutes are kept by the secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors. During the year, four board meetings were held and the attendance of each director is set out below:

Name of director	Number of Meetings attended
Cheng Wen-Tao	4/4
Liao Kuo-Ming	4/4
Lai I-Jen	4/4
Wu Shu-Ping	4/4
Chiang Hsiang-Tsai	4/4
Chou Chih-Ming	4/4
Lai Chung-Hsiung	4/4

The Board is responsible to ensure that there is a competent executive management which is able to run the Company in a sound and efficient manner. The Board is also responsible for establishing the Company's business strategies and plans from time to time to ensure that the operations of the Company are conducted effectively.

Each executive Director is delegated individual authority and responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The roles of the chairman of the Board and the chief executive officer are segregated and are not exercised by the same individual. The Company has received, from each independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent. The independent non-executive Directors will provide independent opinion and share their knowledge and experience with the other members of the Board.

Each of the non-executive Directors, namely, Mr. Lai I-Jen and Ms. Wu Shu-Ping, is appointed for an initial term of one year commencing from 20th December 2005, subject to re-election at forthcoming annual general meetings in accordance with the Articles of Association of the Company and the relevant letter of appointment.

The Board had conducted appropriate internal control procedures and reviewed risk management strategies and policies of the Company to ensure that the Company runs its business in compliance with all legal and regulatory requirements with prudence and integrity.

Remuneration of Directors

The Company has established a remuneration committee with written terms of reference as suggested under the code provisions under the Code. The remuneration committee comprises three members, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Lai Chung-Hsiung, all being independent non-executive Directors. The chairman of the remuneration committee is Mr. Chiang Hsiang-Tsai. The remuneration committee will meet at least once a year to determine the remuneration policy for Directors and senior management. During the year, two remuneration committee meetings were held and the attendance of each director is set out below:

Name of director	Number of Meetings attended
Chiang Hsiang-Tsai	2/2
Chou Chih-Ming	2/2
Lai Chung-Hsiung	2/2

The principal responsibilities of the remuneration committee include making recommendations to the Board on the remuneration package of the Directors and the senior management to ensure that the remuneration offered is appropriate for the duties and responsibilities assumed and in line with the general market practice.

Details of the amount of Directors emoluments are set out in note 9 to the accounts.

Auditors' Remuneration

During the year ended 31st December 2011, the fee paid/payable to auditor in respect of audit services provided by the auditor to the Group was approximately US$195,000 and other services of US$77,000.

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 ensures adequate supervision of the Company's financial reporting processes, reviews the internal audit program and reports, ensures co-ordination between the internal and external auditors, and monitors the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedure approved by the Board.

The audit committee comprises three independent non-executive Directors, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Lai Chung-Hsiung. The chairman of the audit committee is Mr. Chiang Hsiang-Tsai.

During the year, two audit committee meetings were held and the attendance of each Director is set out below:

Name of director	Number of Meetings attended
Chiang Hsiang-Tsai	2/2
Chou Chih-Ming	2/2
Lai Chung-Hsiung	2/2

The Group's annual results for the year ended 31st December 2011 have been reviewed by the audit committee.

Investor Relations

The Company is committed to maintain high level of transparency in communicating with shareholders and the investment community at large. The Company provides information in relation to the Company and its business in its annual report which is to be dispatched to shareholders on a timely basis.

All the shareholders of the Company are to be given a 21 days' notice of the date and venue of the Company's Annual General Meeting where the shareholders will have an opportunity to communicate directly with the Board of the Company.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yorkey Optical International (Cayman) Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 73, which comprise the consolidated statement of financial position as at 31st December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16th March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

	Notes	2011 US$'000	2010 US$'000
Turnover	7	**122,092**	81,010
Cost of goods sold		**(97,380)**	(60,178)
Gross profit		**24,712**	20,832
Other income and gains		**2,554**	1,661
Distribution costs		**(1,719)**	(1,193)
Administrative expenses		**(16,386)**	(13,163)
Research and development expenses		**(1,571)**	(2,026)
Gain on disposal of available-for-sale investments		**27**	–
Share of results of an associate		**(86)**	–
Profit before taxation	8	**7,531**	6,111
Taxation	10	**(846)**	(254)
Profit for the year		**6,685**	5,857
Other comprehensive income			
– exchange differences arising from translation of financial statements of foreign operations		**1,344**	1,149
– reclassification adjustment relating to disposal of available-for-sale investments		**(27)**	–
– fair value (loss) gain on available-for-sale investments		**(120)**	42
Other comprehensive income for the year		**1,197**	1,191
Total comprehensive income for the year		**7,882**	7,048
Earnings per share			
– Basic	12	**US0.81 cents**	US0.71 cents

Consolidated Statement of Financial Position

At 31st December 2011

	Notes	2011 US$'000	2010 US$'000
Non-current assets			
Investment properties	13	541	614
Property, plant and equipment	14	28,536	30,767
Prepaid lease payments	15	259	253
Interest in an associate	16	4,647	–
Deposits paid for acquisition of property, plant and equipment		165	411
		34,148	32,045
Current assets			
Inventories	17	10,239	9,929
Trade and other receivables	18	24,737	21,614
Amounts due from related companies	19	25	179
Available-for-sale investments	20	895	3,042
Bank balances and cash	21	121,467	117,818
		157,363	152,582
Current liabilities			
Trade and other payables	22	27,585	20,312
Taxation payable		1,305	526
		28,890	20,838
Net current assets		128,473	131,744
Net assets		162,621	163,789
Capital and reserves			
Share capital	23	1,066	1,066
Reserves		161,555	162,723
Total equity		162,621	163,789

The consolidated financial statements on pages 30 to 73 were approved and authorised for issue by the Board of Directors on 16th March 2012 and are signed on its behalf by:

LIAO KUO-MING	**CHENG WEN-TAO**
CHAIRMAN	*EXECUTIVE DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

	Attributable to owners of the Company							
	Share capital US$'000	Share premium US$'000	Special reserve US$'000	Translation reserve US$'000	Statutory surplus reserve fund US$'000	Investment revaluation reserve US$'000	Retained profits US$'000	Total US$'000
At 1st January 2010	1,066	63,800	19,350	8,097	2,276	–	73,656	168,245
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	1,149	–	–	–	1,149
Fair value gain on available-for-sale investments	–	–	–	–	–	42	–	42
Other comprehensive income for the year	–	–	–	1,149	–	42	–	1,191
Profit for the year	–	–	–	–	–	–	5,857	5,857
Total comprehensive income for the year	–	–	–	1,149	–	42	5,857	7,048
Dividend recognised as distribution *(Note 11)*	–	–	–	–	–	–	(11,504)	(11,504)
At 31st December 2010	1,066	63,800	19,350	9,246	2,276	42	68,009	163,789
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	1,344	–	–	–	1,344
Reclassified to profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	(27)	–	(27)
Fair value loss on available-for-sale investments	–	–	–	–	–	(120)	–	(120)
Other comprehensive income for the year	–	–	–	1,344	–	(147)	–	1,197
Profit for the year	–	–	–	–	–	–	6,685	6,685
Total comprehensive income for the year	–	–	–	1,344	–	(147)	6,685	7,882
Transfers	–	–	–	–	149	–	(149)	–
Dividend recognised as distribution *(Note 11)*	–	–	–	–	–	–	(9,050)	(9,050)
At 31st December 2011	1,066	63,800	19,350	10,590	2,425	(105)	65,495	162,621

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

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the PRC subsidiary of the Company is required to maintain a statutory surplus reserve fund which is non-distributable. Appropriation to such reserve is allocated based on 10% of the 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.

Consolidated Statement of Cash Flows

For the year ended 31st December 2011

	2011 US$'000	2010 US$'000
Operating activities		
Profit before taxation	**7,531**	6,111
Adjustments for:		
Interest income	**(1,398)**	(920)
Depreciation on investment properties	**88**	75
Depreciation on property, plant and equipment	**5,869**	5,869
Loss on disposal of property, plant and equipment	**62**	29
Amortisation of land use rights	**6**	6
(Reversal of allowance) allowance for obsolete inventories	**(197)**	142
Impairment losses recognised on receivables	**187**	9
Reversal of allowance for bad and doubtful debts	**–**	(25)
Share of results of an associate	**86**	–
Gain on disposal of available-for-sale investments	**(27)**	–
Operating cash flows before movements in working capital	**12,207**	11,296
Decrease (increase) in inventories	**351**	(2,589)
(Increase) decrease in trade and other receivables	**(4,650)**	1,681
Decrease (increase) in amounts due from related companies	**162**	(155)
Increase (decrease) in trade and other payables	**6,887**	(2,185)
Cash from operations	**14,957**	8,048
PRC income tax paid	**(95)**	(12)
Net cash from operating activities	**14,862**	8,036
Investing activities		
Decrease (increase) in bank deposits with original maturity of more than three months	**15,171**	(15,171)
Proceeds from disposal of available-for-sale investments	**2,027**	–
Interest received	**1,398**	920
Proceeds from disposal of property, plant and equipment	**1,396**	–
Capital contribution to an associate	**(5,024)**	–
Purchase of property, plant and equipment	**(1,990)**	(7,819)
Deposits paid for acquisition of property, plant and equipment	**(133)**	(411)
Purchase of available-for-sale investments	**–**	(3,000)
Net cash from (used in) investing activities	**12,845**	(25,481)
Cash used in financing activities		
Dividends paid	**(9,050)**	(11,504)
Net increase (decrease) in cash and cash equivalents	**18,657**	(28,949)
Cash and cash equivalents at 1st January	**102,647**	130,963
Effect of foreign exchange rate changes	**163**	633
Cash and cash equivalents at 31st December	**121,467**	102,647
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**121,467**	102,647

1. GENERAL

The Company is incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 29. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
	Disclosures – Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1st July 2011.
2 Effective for annual periods beginning on or after 1st January 2013.
3 Effective for annual periods beginning on or after 1st January 2015.
4 Effective for annual periods beginning on or after 1st January 2012.
5 Effective for annual periods beginning on or after 1st July 2012.
6 Effective for annual periods beginning on or after 1st January 2014.

Amendments to HKFRS 7 "Disclosures – Transfers of financial assets"

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will have no material impact on the Group's disclosures regarding transfers of financial assets in the future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 32 "Offsetting financial assets and financial liabilities" and amendments to HKFRS 7 "Disclosures – Offsetting financial assets and financial liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1st January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1st January 2014, with retrospective application required. The directors anticipate that the application of the amendments to HKAS 32 and HKFRS 7 will have no material impact on the Group's presentation of financial assets and financial liabilities and disclosures in the future.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 "Financial instruments" (continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at 31st December 2011, the directors anticipate that the adoption of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments of the Group. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January 2013. The directors anticipate that the application of these five standards will have no significant impact on amounts reported in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January 2013 and that the application of the new standard will have no material impact to the financial assets reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associates. When the Group’s share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income, including rentals invoiced in advance, from investment properties let under operating leases is recognised on a straight-line basis over the period of the respective leases.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 20 years or 50 years, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

For the leasehold land and buildings in Hong Kong, where the cost of leasehold land cannot be reliably separated from the cost of leasehold land and buildings, the cost of leasehold land and buildings is depreciated over the lease term of 50 years, using the straight-line method.

The cost of buildings in the PRC is depreciated over 20 years, using the straight-line method.

The cost of leasehold improvements is depreciated on a straight-line basis over the period of the respective leases or 5 years, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of other items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	10%

The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Group's financial assets are mainly classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, amounts due from related companies, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

For an available-for-sale investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the assets is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Retirement benefits costs

Payments to defined contribution retirement benefits plans are recognised as expenses when employees have rendered services entitling them to the contributions.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards if ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December 2011, the carrying amount of trade receivables is US$24,164,000 (net of allowance for doubtful debts of US$379,000) (2010: carrying amount of US$19,487,000, net of allowance for doubtful debts of US$251,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its owners.

The capital structure of the Group consists primarily of equity attributable to owners of the Company, comprising issued share capital and reserves, including retained profits.

At the end of the reporting period, no external debts are raised by the Group.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs of the Company. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade receivables, amounts due from related companies, bank balances, and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

6. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2011 US$'000	2010 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	145,656	137,484
Available-for-sale investments	895	3,042
Financial liabilities		
Amortised cost	22,599	15,970

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts estimated by the Group's management based on prior experience and their assessment of the current economic environment. In order to minimise the credit risk, the management of the Group continuously monitors to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group has concentration of credit risk as 20% (2010: 21%) and 72% (2010: 84%) of the total trade receivables are due from the Group's largest customer and the five largest customers respectively. In addition, the Group has concentration of credit risk by geographical location as 54% (2010: 44%) and 22% (2010: 30%) of the total trade receivables are due from customers located in Japan and the PRC respectively.

6. FINANCIAL INSTRUMENTS (continued)

Market risk

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The Group has certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. Approximately 15% (2010: 10%) of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale whilst all costs are denominated in the group entities' functional currency. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in respective notes. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is mainly exposed to currency of Hong Kong dollars and Japanese Yen. The following table details the Group's sensitivity to a 10% increase and decrease in United States dollars against Japanese Yen. Since Hong Kong dollars is pegged to United States dollars, management considers that the exchange rate fluctuation between Hong Kong dollars and United States dollars is not significant and therefore has not been included in the sensitivity analysis. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, trade and other payables and bank balances. A negative/positive number indicates an increase/decrease in profit after tax for the year where United States dollars strengthens against Japanese Yen. If United States dollars weakens against Japanese Yen, there would be an equal and opposite impact on the profit.

	2011 **US$'000**	2010 US$'000
Japanese Yen	**(83)**	17

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on variable-rate interest bearing financial assets, mainly bank balances at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate risk should the need arise.

6. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate risk (continued)

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances at the end of the reporting period. The analysis is prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December 2011 would increase/decrease by US$607,000 (2010: increase/decrease by US$589,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

Liquidity risk management

The directors of the Company has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities at the end of the reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes cash flows of principal bearing no interest.

	Less than 3 months US$'000	Over 3 months but not more than 6 months US$'000	Over 6 months but not more than 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
At 31st December 2011					
Financial liabilities					
Trade and other payables	**16,869**	**5,330**	**400**	**22,599**	**22,599**
At 31st December 2010					
Financial liabilities					
Trade and other payables	12,715	3,081	174	15,970	15,970

6. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions is determined with reference to quoted market bid prices.

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair value.

Fair value measurements recognised in the consolidated statement of financial position

Financial instruments measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale investments of the Group as at 31st December 2011 and 2010 are grouped in Level 2 fair value measurements.

There were no transfers between Level 1 and 2 in both years.

7. TURNOVER AND OPERATING SEGMENT

Turnover

Turnover represents the fair value of the consideration received or receivable for goods sold by the Group to outside customers during the year.

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. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective business divisions.

The chief executive officer reviews the profit for the year of the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the chief operating decision maker. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information is prepared.

Other segment information

Geographical information

The Group's operations are located in the PRC (country of domicile).

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

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Japan	**81,476**	43,118	**–**	–
PRC	**39,814**	34,829	**29,501**	32,045
Others	**802**	3,063	**–**	–
	122,092	81,010	**29,501**	32,045

7. TURNOVER AND OPERATING SEGMENT (continued)

Other segment information (continued)

Information about major customers

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

	2011 **US$'000**	2010 US$'000
Customer A	**26,804**	*
Customer B	**14,748**	*
Customer C	**13,265**	10,984
Customer D	*	11,262
Customer E	*	10,224
Customer F	*	9,399

* The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective year.

Revenue from major products

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

	2011 **US$'000**	2010 US$'000
Components of optical and opto-electronic products		
– cameras and copiers	**104,304**	61,844
– others	**17,788**	19,166
	122,092	81,010

8. PROFIT BEFORE TAXATION

	2011 US$'000	2010 US$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 9)*	108	114
Staff's retirement benefits scheme contributions	602	470
Other staff costs	24,474	15,295
	25,184	15,879
Less: Staff costs included in research and development costs	(510)	(423)
	24,674	15,456
Depreciation on property, plant and equipment	5,869	5,869
Less: Depreciation included in research and development costs	(246)	(193)
	5,623	5,676
Allowance (reversal of allowance) for bad and doubtful debts, net	187	(16)
(Reversal of allowance) allowance for obsolete inventories included in cost of goods sold	(197)	142
Amortisation of land use rights	6	6
Auditor's remuneration	272	271
Cost of inventories recognised as expense	97,380	60,178
Depreciation on investment properties	88	75
Loss on disposal of property, plant and equipment	62	29
Operating lease rentals in respect of		
– motor vehicles	278	251
– plant and machinery	–	997
– rented premises	1,233	1,100
and after crediting:		
Exchange gain, net	161	399
Gain on disposal of available-for-sale investments	27	–
Interest income	1,398	920
Property rental income before deduction of negligible outgoings	304	291

9. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

Details of emoluments paid by the Group to the directors are as follows:

	2011			2010		
	Fees US$'000	Salaries and other benefits US$'000	Total US$'000	Fees US$'000	Salaries and other benefits US$'000	Total US$'000
Executive directors						
Mr. Cheng Wen-Tao	16	–	16	16	6	22
Mr. Liao Kuo-Ming	16	–	16	16	–	16
Non-executive directors						
Mr. Lai I-Jen	16	–	16	16	–	16
Ms. Wu Shu-Ping	15	–	15	15	–	15
Independent non-executive directors						
Mr. Chiang Hsiang-Tsai	15	–	15	15	–	15
Mr. Chou Chih-Ming	15	–	15	15	–	15
Mr. Lai Chung-Hsiung	15	–	15	15	–	15
	108	–	108	108	6	114

The five individuals with the highest emoluments in the Group were as follows:

	2011 US$'000	2010 US$'000
Employees		
– basic salaries and allowances	173	159
– retirement benefits scheme contributions	2	2
	175	161

The is no performance related incentive payment to the five highest paid individuals. The emoluments of each of the five highest paid individuals is less than HK$1,000,000 (equivalent to US$129,000).

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

10. TAXATION

	2011 US$'000	2010 US$'000
The tax charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the year	**(846)**	(242)
Underprovision in prior years	**–**	(12)
	(846)	(254)

Under the Law of the PRC on Enterprise Income Tax ("EIT") (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary was unified at 25% effective from 1st January 2008 onwards.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's profit neither arises in nor is derived from Hong Kong during both years.

No provision for deferred tax has been made in the consolidated financial statements as there are no significant temporary differences.

Tax charge for the year is reconciled to profit before taxation as follows:

	2011 US$'000	2010 US$'000
Profit before taxation	**7,531**	6,111
Tax at the applicable income tax rate of 25% (2010: 25%)	**(1,883)**	(1,528)
Tax effect of expenses not deductible for tax purposes	**(459)**	(592)
Tax effect of income not taxable for tax purposes	**368**	335
Tax effect of tax exemption granted to certain subsidiaries regarded as foreign enterprises in the PRC	**1,128**	1,543
Underprovision in prior years	**–**	(12)
Tax charge for the year	**(846)**	(254)

11. DIVIDENDS

	2011 US$'000	2010 US$'000
Dividends recognised as distribution during the year		
– Interim dividend for 2011 of HK3.0 cents (equivalent to US0.386 cents) (2010: HK3.0 cents; equivalent to US0.385 cents) per share	**3,190**	3,190
– Final dividend for 2010 of HK3.0 cents (equivalent to US0.386 cents) (2010: final dividend for 2009 of HK3.8 cents; equivalent to US0.489 cents) per share	**3,195**	4,050
– Special dividend for 2010 of HK2.5 cents (equivalent to US0.322 cents) (2010: special dividend for 2009 of HK4.0 cents; equivalent to US0.515 cents) per share	**2,665**	4,264
	9,050	11,504
Dividends proposed		
– Final dividend for 2011 of HK3.0 cents (equivalent to US0.386 cents) (2010: final dividend for 2010 of HK3.0 cents; equivalent to US0.386 cents) per share	**3,190**	3,195
– Special dividend for 2011 of HK3.0 cents (equivalent to US0.386 cents) (2010: special dividend for 2010 of HK2.5 cents; equivalent to US0.322 cents) per share	**3,190**	2,665
	6,380	5,860

A final dividend of HK3.0 cents (2010: HK3.0 cents) per share and a special dividend of HK3.0 cents (2010: HK2.5 cents) per share have been proposed by the directors for the year and are subject to approval by the shareholders in the forthcoming annual general meeting. They are calculated on the basis of 827,778,000 shares (2010: 827,778,000 shares) in issue at the date of this report.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profit for the year attributable to owners of the Company of US$6,685,000 (2010: US$5,857,000) and on 827,778,000 shares (2010: 827,778,000 shares) in issue during the year.

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

13. INVESTMENT PROPERTIES

	2011 US$'000	2010 US$'000
COST		
At 1st January	**1,614**	1,564
Currency realignment	**74**	50
At 31st December	**1,688**	1,614
DEPRECIATION		
At 1st January	**1,000**	893
Currency realignment	**59**	32
Provided for the year	**88**	75
At 31st December	**1,147**	1,000
CARRYING VALUE		
At 31st December	**541**	614

The carrying amount of the Group's investment properties comprises:

	2011 US$'000	2010 US$'000
Investment properties held under medium-term leases		
– leasehold land and buildings in Hong Kong	**55**	57
– buildings in the PRC	**486**	557
	541	614

13. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties, including leasehold land portion, at the end of the reporting period was US$1,155,000 (2010: US$1,052,000). The fair value has been arrived at based on a valuation at the end of the reporting period, determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was carried out with reference to recent market prices for similar properties in similar locations and conditions.

All the Group's investment properties are held for rental purposes under operating leases.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2010	5,002	10,120	2,279	423	52,549	70,373
Currency realignment	165	343	79	15	1,797	2,399
Additions	1,227	824	36	–	2,398	4,485
Disposals	–	(115)	–	(1)	(1,711)	(1,827)
At 31st December 2010	6,394	11,172	2,394	437	55,033	75,430
Currency realignment	290	521	113	21	2,587	3,532
Additions	–	709	–	–	1,691	2,400
Disposals	(9)	(103)	–	(3)	(179)	(294)
At 31st December 2011	**6,675**	**12,299**	**2,507**	**455**	**59,132**	**81,068**
DEPRECIATION						
At 1st January 2010	2,671	6,635	1,906	350	26,207	37,769
Currency realignment	97	252	70	12	996	1,427
Provided for the year	287	1,148	181	18	4,235	5,869
Eliminated on disposals	–	(91)	–	(1)	(310)	(402)
At 31st December 2010	3,055	7,944	2,157	379	31,128	44,663
Currency realignment	140	397	104	18	1,566	2,225
Provided for the year	354	1,182	105	18	4,210	5,869
Eliminated on disposals	(3)	(87)	–	(2)	(133)	(225)
At 31st December 2011	**3,546**	**9,436**	**2,366**	**413**	**36,771**	**52,532**
CARRYING VALUES						
At 31st December 2011	**3,129**	**2,863**	**141**	**42**	**22,361**	**28,536**
At 31st December 2010	3,339	3,228	237	58	23,905	30,767

14. PROPERTY, PLANT AND EQUIPMENT

	2011 US$'000	2010 US$'000
The carrying amount of the Group's property interests comprises:		
Properties held under medium-term leases		
– leasehold land and buildings in Hong Kong	**125**	131
– buildings in the PRC	**3,004**	3,208
	3,129	3,339

15. PREPAID LEASE PAYMENTS

	2011 US$'000	2010 US$'000
CARRYING VALUE		
At 1st January	**253**	251
Currency realignment	**12**	8
Charged to profit or loss	**(6)**	(6)
At 31st December	**259**	253

Prepaid lease payments represent prepayment of rentals for land use rights situated in the PRC for a period of 50 years.

16. INTEREST IN AN ASSOCIATE

	2011 US$'000	2010 US$'000
Cost of investment, unlisted	**5,024**	–
Share of post-acquisition losses	**(86)**	–
Currency realignment	**(291)**	–
	4,647	–

16. INTEREST IN AN ASSOCIATE (continued)

The cost of investment in an associate represents the Group's contribution to 49% of the registered capital of Pioneer Yorkey do Brasil Ltda. ("PYBL") which is established in Brazil on 19th September 2011 with a registered capital of Brazilian Real ("BRL") 50,000,000. PYBL will be engaged in the manufacturing and sale of digital cameras and component products for electronic devices or others. The Group has made further capital contribution of BRL8,330,000 (equivalent to approximately US$4.4 million) on 15th January 2012 and contracted to make an additional amount of BRL7,350,000 (equivalent to approximately US$3.9 million) in year 2012 pursuant to an agreement dated 3rd October 2011.

The Group is able to exercise significant influence over PYBL because it has the power to appoint one out of the three directors of PYBL under the provisions stated in the Articles of Association of PYBL.

The summarised financial information in respect of PYBL is set out below:

	2011 US$'000	2010 US$'000
Total assets	**9,856**	–
Total liabilities	**(372)**	–
Net assets	**9,484**	–
Group's share of net assets of an associate	**4,647**	–
Revenue	**–**	–
Loss for the year	**(176)**	–
Group's share of results of an associate	**(86)**	–

17. INVENTORIES

	2011 US$'000	2010 US$'000
Raw materials	**5,282**	5,791
Work in progress	**2,117**	2,350
Finished goods	**2,840**	1,788
	10,239	9,929

18. TRADE AND OTHER RECEIVABLES

	2011 **US$'000**	2010 US$'000
Trade receivables		
– companies controlled by shareholders of the Company which have significant influence over the Group	**78**	131
– others	**24,465**	19,607
	24,543	19,738
Less: Allowance for doubtful debts	**(379)**	(251)
	24,164	19,487
Proceeds receivable from disposal of property, plant and equipment	**–**	1,396
Other receivables	**573**	731
	24,737	21,614

Payment terms with customers are mainly on credit. Invoices to outside customers are normally payable within 60 days to 120 days of issuance, while invoices to long-established customers are normally payable within one year. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2011 **US$'000**	2010 US$'000
Age		
0 to 60 days	**15,067**	12,665
61 to 90 days	**4,294**	3,316
91 to 120 days	**2,479**	1,108
121 to 180 days	**1,672**	1,611
181 to 365 days	**430**	787
Over 365 days	**222**	–
	24,164	19,487

Before accepting any new customers, the Group has appointed a special team to monitor the potential customer's credit quality and defines credit limits by customer. More than 90% of the trade receivables are neither past due nor impaired.

18. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivables balance at the end of the reporting period are debtors with aggregate carrying amount of US$2,324,000 (2010: US$2,398,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there is no adverse change in the credit standing of the debtors from the date of credit was initially granted. The Group does not hold any collateral over these balances. The average age of these receivables is 215 days (2010: 209 days).

Aging of trade receivables which are past due but not impaired is as follows:

	2011 US$'000	2010 US$'000
Overdue by 1 to 60 days	**1,672**	1,611
Overdue by 61 to 180 days	**430**	787
Overdue by 181 to 365 days	**222**	–
	2,324	2,398

No interest is charged on trade receivables. The Group has made full allowances on all the receivables overdue for 365 days based on historical experience as such receivables are generally not recoverable. Allowances on trade receivables between 121 days and 365 days are made based on estimated irrecoverable amounts from the sales of goods with reference to past default experience.

Movement in the allowance for doubtful debts is as follows:

	2011 US$'000	2010 US$'000
At 1st January	**251**	266
Currency realignment	**1**	1
Impairment losses recognised on receivables	**187**	9
Impairment losses reversed	**–**	(25)
Amount written off as uncollectible	**(60)**	–
At 31st December	**379**	251

18. TRADE AND OTHER RECEIVABLES (continued)

Included in trade and other receivables are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2011 **US$'000**	2010 US$'000
Japanese Yen	**1,368**	1,230
Hong Kong dollars	**2,300**	218

19. AMOUNTS DUE FROM RELATED COMPANIES

	2011 **US$'000**	2010 US$'000
A shareholder *(Note a)*	**–**	5
A related company *(Note b)*	**25**	174
	25	179

Notes:

(a) Being Ability Enterprise (BVI) Co., Ltd. which has significant influence over the Group.

(b) Being a company controlled by shareholders of the Company which have significant influence over the Group.

The amounts are unsecured and interest-free. The age of these receivables was within 60 days.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2011 **US$'000**	2010 US$'000
Unlisted securities:		
– unlisted fund	**895**	3,042

The investments represent a number of units of an unlisted fund which mainly invests in debt securities and has no fixed obligation to pay dividends. Fair value of the investment was quoted from bank based on market prices in an over-the-counter market.

21. BANK BALANCES AND CASH AND ANALYSIS OF CASH AND CASH EQUIVALENTS

	2011 US$'000	2010 US$'000
Total bank balances and cash	**121,467**	117,818
Less: Bank deposits with original maturity of more than three months	**–**	(15,171)
Cash and cash equivalents	**121,467**	102,647

The bank deposits carry interest at prevailing market rates ranging from 0.1% to 3.1% (2010: 0.45% to 2.29%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2011 US$'000	2010 US$'000
Japanese Yen	**616**	345
Hong Kong dollars	**1,187**	1,490

22. TRADE AND OTHER PAYABLES

	2011 US$'000	2010 US$'000
Trade payables		
– companies jointly controlled by shareholders of the Company which have significant influence over the Group	**177**	117
– others	**22,406**	15,850
	22,583	15,967
Payables for purchase of property, plant and equipment	**16**	3
Payroll and welfare payables	**2,268**	1,744
Other payables and accruals	**2,718**	2,598
	27,585	20,312

22. TRADE AND OTHER PAYABLES (continued)

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

	2011 US$'000	2010 US$'000
Age		
0 to 60 days	12,331	10,143
61 to 90 days	4,522	2,569
91 to 180 days	5,330	3,081
181 to 365 days	400	174
	22,583	15,967

The average credit period on purchases of goods is 60 days.

Included in trade and other payables are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2011 US$'000	2010 US$'000
Japanese Yen	1,152	1,749
Hong Kong dollars	1,845	464

23. 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 1st January 2010, 31st December 2010 and 31st December 2011	1,000,000	10,000	827,778	8,278

	US$'000
Shown in the consolidated statement of financial position at 31st December 2011 and 31st December 2010 as	1,066

24. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 18th January 2006 for the primary purpose of providing incentives to and recognising significant contributions from directors and eligible employees, and will expire on 17th January 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services to the Company and for the purpose of rewarding their contribution to the long-term success of the Group by providing the opportunity to obtain ownership interest in the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the date of listing of shares on the Stock Exchange which represents 80,000,000 shares (excluding the over-allotment portion), without prior approval from the Company's shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not in aggregate exceed 30% of the shares in issue from time to time. No option may be granted under the Scheme and any other share option scheme of the Company if such limit is exceeded. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue or with an aggregate value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 14 days of the date of grant, upon payment in total of HK$1. Options may be exercised at any time immediately from the date of grant of the share option and during the period in which notified by the Board of Directors at date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Up to 31st December 2011, no options were granted to directors, eligible employees or other outside third parties under the Scheme.

25. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Motor vehicles		Rented premises	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Within one year	**178**	175	**1,326**	28
In the second to fifth year inclusive	**12**	39	**245**	–
	190	214	**1,571**	28

The leases are negotiated for an average term of 2 years (2010: 2 years) and rentals are fixed over the contracted lease terms.

The Group as lessor

At the end of the reporting period, the Group has contracted with tenants for future minimum lease payments in respect of investment properties which fall due as follows:

	2011	2010
	US$'000	US$'000
Within one year	**305**	282

The investment properties held have committed tenants for periods of an average lease term of 1 year (2010: 1 year).

26. CAPITAL COMMITMENTS

	2011 US$'000	2010 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**120**	172

In addition, the Group has committed to contribute an additional amount of BRL15,680,000 (equivalent to approximately US$8.3 million) to an associate in proportion to its shareholding interest as at 31st December 2011 as disclosed in note 16.

27. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each of the employees make monthly mandatory contributions to the scheme.

The employees employed in the PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

No forfeited contributions are available to reduce the contribution payable in the future years.

28. RELATED PARTY TRANSACTIONS

Other than the amounts due from/to related companies as disclosed in notes 18, 19 and 22, the Group has the following significant transactions with certain related parties during the year:

Nature of transactions	2011 US$'000	2010 US$'000
Sales of goods	**194**	458
Purchases of raw materials	**424**	480
Property rental income	**289**	276
Management fee paid	**1,416**	1,416

The Company's directors represent the Group's key management and their emoluments for the year are set out in note 9.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries, all of which are wholly-owned by the Company, at 31st December 2011 and 2010 are as follows:

Name of subsidiary	Country of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Principal activities
Directly held:			
Yorkey Optical Technology Limited	Samoa/PRC	US$550,001	Investment and property holding and trading of plastic and metallic parts and components of optical and opto-electronic products
Indirectly held:			
Click Away Services Limited	British Virgin Islands/ PRC	US$1	Provision of technical training and after-sales services
東莞精熙光機有限公司 (Dongguan Yorkey Optical Machinery Components Ltd.)	PRC, wholly foreign owned enterprise established for a term of 30 years commencing 11th December 1995	US$20,680,000	Manufacture and sales of plastic and metallic parts and components of optical and opto-electronic products

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

Financial Summary

	Year ended 31st December				
	2007	2008	2009	2010	**2011**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Turnover	124,003	123,425	87,760	81,010	**122,092**
Profit before taxation	29,079	21,513	9,131	6,111	**7,531**
Taxation	(1,401)	(641)	(302)	(254)	**(846)**
Profit for the year	27,678	20,872	8,829	5,857	**6,685**

	At 31st December				
	2007	2008	2009	2010	**2011**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	204,470	204,900	193,796	184,627	**191,511**
Total liabilities	(27,082)	(27,867)	(25,551)	(20,838)	**(28,890)**
Net assets	177,388	177,033	168,245	163,789	**162,621**