

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)



2021

INTERIM REPORT

* For identification purpose only

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CORPORATE INFORMATION

Executive Directors

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

Non-Executive Director

Wu Shu-Ping

Independent Non-Executive Directors

Lin Meng-Tsung
Liu Wei-Li
Wang Yi-Chi (*retired on 23 June 2021*)
Lin Yi-Min (*appointed on 23 June 2021*)

Company Secretary

Cheng Choi Ha

Registered Office

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

Place of Business in Hong Kong

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

Place of Business in the PRC

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Principal Bankers

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

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

2788

Website

www.yorkey-optical.com

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Yorkey Optical International (Cayman) Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 20, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

6 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	1.1.2021 to 30.6.2021 US\$'000 (unaudited)	1.1.2020 to 30.6.2020 US\$'000 (unaudited)
Revenue	3	31,076	19,450
Cost of goods sold		(24,233)	(15,385)
Gross profit		6,843	4,065
Other income		494	854
Other gains and losses		(531)	643
Impairment loss of trade receivables under expected credit loss model, net		(33)	–
Distribution costs		(613)	(520)
Administrative expenses		(4,530)	(3,778)
Research and development expenses		(767)	(658)
Interest expense on lease liabilities		(22)	(45)
Profit before taxation	4	841	561
Taxation	5	(47)	(252)
Profit for the period		794	309
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising from translation of financial statements of a foreign operation		442	(603)
Total comprehensive income (expense) for the period		1,236	(294)
Earnings per share			
– Basic	7	US0.10 cent	US0.04 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION

AT 30 JUNE 2021

	NOTES	30.6.2021 US\$'000 (unaudited)	31.12.2020 US\$'000 (audited)
Non-current assets			
Investment properties		5,200	5,313
Property, plant and equipment	8	5,209	4,435
Right-of-use assets	8	3,985	1,290
Deposits paid for acquisition of property, plant and equipment		272	636
		14,666	11,674
Current assets			
Inventories		3,696	3,360
Trade and other receivables	9	13,698	14,310
Bank balances		81,846	80,837
		99,240	98,507
Current liabilities			
Trade and other payables	10	17,951	18,003
Contract liabilities		1,171	1,357
Lease liabilities		1,029	1,147
Taxation payable		2,463	2,414
Dividend payable		3,693	–
		26,307	22,921
Net current assets		72,933	75,586
Total assets less current liabilities		87,599	87,260
Capital and reserves			
Share capital	11	1,054	1,054
Reserves		83,749	86,206
Total equity		84,803	87,260
Non-current liabilities			
Lease liabilities		2,796	–
		87,599	87,260

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company						
	Share capital	Share premium	Special reserve	Translation reserve	Statutory reserve fund	Retained profits	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 1 January 2020 (audited)	1,056	41,850	19,350	6,921	4,149	15,596	88,922
Other comprehensive expense for the period	-	-	-	(603)	-	-	(603)
Profit for the period	-	-	-	-	-	309	309
Total comprehensive (expense) income for the period	-	-	-	(603)	-	309	(294)
Repurchase and cancellation of ordinary shares (note 11)	(1)	(97)	-	-	-	-	(98)
Dividend recognised as distribution (note 6)	-	-	-	-	-	(2,628)	(2,628)
At 30 June 2020 (unaudited)	1,055	41,753	19,350	6,318	4,149	13,277	85,902
At 1 January 2021 (audited)	1,054	41,699	19,350	9,875	4,149	11,133	87,260
Other comprehensive income for the period	-	-	-	442	-	-	442
Profit for the period	-	-	-	-	-	794	794
Total comprehensive income for the period	-	-	-	442	-	794	1,236
Dividend recognised as distribution (note 6)	-	(3,693)	-	-	-	-	(3,693)
At 30 June 2021 (unaudited)	1,054	38,006	19,350	10,317	4,149	11,927	84,803

Notes:

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

The subsidiary of the Company in Mainland China is required to maintain a statutory surplus reserve fund which is non-distributable as stipulated by the relevant laws and regulations in Mainland China. Appropriation to such reserve is allocated based on 10% of the profit after taxation of the statutory financial statements of the subsidiary in Mainland China. Pursuant to the relevant laws and regulations in Mainland China, appropriation to the statutory surplus reserve is required until the balance reaches 50% of the registered capital. The statutory surplus reserve fund can be used by the subsidiary in Mainland China to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	1.1.2021 to 30.6.2021 US\$'000 (unaudited)	1.1.2020 to 30.6.2020 US\$'000 (unaudited)
Net cash from (used in) operating activities	2,458	(786)
Investing activities		
Interest received	205	715
Purchase of property, plant and equipment	(872)	(131)
Deposit paid for acquisition of property, plant and equipment	(218)	(211)
Net cash (used in) from investing activities	(885)	373
Financing activities		
Repayment of lease liabilities	(571)	(562)
Interest paid	(22)	(45)
Payments on repurchase and cancellation of ordinary shares	–	(98)
Cash used in financing activities	(593)	(705)
Net increase (decrease) in cash and cash equivalents	980	(1,118)
Cash and cash equivalents at 1 January	80,837	83,641
Effect of foreign exchange rate changes	29	(41)
Cash and cash equivalents at 30 June, representing bank balances	81,846	82,482

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL

Yorkey Optical International (Cayman) Ltd. (the “**Company**”) is incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries are collectively referred to as the “**Group**”.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 14 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND OPERATING SEGMENT

Revenue

Disaggregation of revenue from contracts with customers

	1.1.2021 to 30.6.2021 US\$’000 (unaudited)	1.1.2020 to 30.6.2020 US\$’000 (unaudited)
<i>Types of products</i>		
Parts and components of		
– digital still cameras, action cameras and copiers	19,817	11,297
– surveillance cameras and projectors	6,622	3,628
– others	4,637	4,525
	31,076	19,450
<i>Timing of revenue recognition</i>		
A point in time	31,076	19,450

The Group’s disaggregation of revenue from contracts with customers by geographical markets is the same as the geographical information of revenue from external customers by geographical location of the customers set out below in this note.

3. REVENUE AND OPERATING SEGMENT – CONTINUED

Operating segment

Information reported to the chief executive officer, being the chief operating decision maker of the Group, for the purposes of resource allocation and performance assessment focuses on revenue analysis by products. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Other segment information

Geographical information

The Group's operations are located in the People's Republic of China ("PRC") (country of domicile), including Mainland China and Hong Kong.

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

	Revenue from external customers		Non-current assets	
	1.1.2021 to 30.6.2021 <i>US\$'000</i> (unaudited)	1.1.2020 to 30.6.2020 <i>US\$'000</i> (unaudited)	30.6.2021 <i>US\$'000</i> (unaudited)	31.12.2020 <i>US\$'000</i> (audited)
Japan	8,911	7,603	–	–
PRC	18,080	9,356	14,666	11,674
Others	4,085	2,491	–	–
	31,076	19,450	14,666	11,674

3. REVENUE AND OPERATING SEGMENT – CONTINUED**Other segment information – continued***Information about major customers*

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

	1.1.2021 to 30.6.2021 US\$'000 (unaudited)	1.1.2020 to 30.6.2020 US\$'000 (unaudited)
Customer A	4,291	N/A*
Customer B	3,289	2,812

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

4. PROFIT BEFORE TAXATION

	1.1.2021 to 30.6.2021 US\$'000 (unaudited)	1.1.2020 to 30.6.2020 US\$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as expense (net of reversal of allowance for obsolete inventories of US\$1,000 (2020: US\$2,000))	24,233	15,385
Depreciation on investment properties	113	113
Depreciation on property, plant and equipment	729	924
Depreciation of right-of-use assets	555	542
Total depreciation	1,397	1,579
Less: Depreciation capitalised in inventories	(653)	(742)
Less: Depreciation included in research and development expenses	(92)	(76)
	652	761
Exchange loss (gain), net (including in other gains and losses)	531	(646)
Loss on disposal of property, plant and equipment (included in other gains and losses)	–	3
Interest income from bank deposits (included in other income)	(173)	(607)
Property fixed rental income before deduction of negligible outgoings (included in other income)	(256)	(245)

5. TAXATION

	1.1.2021 to 30.6.2021 US\$'000 (unaudited)	1.1.2020 to 30.6.2020 US\$'000 (unaudited)
The tax charge comprises:		
Hong Kong Profits Tax	143	240
(Over) under provision in prior years	(96)	12
	47	252

6. DIVIDENDS

	1.1.2021 to 30.6.2021 US\$'000 (unaudited)	1.1.2020 to 30.6.2020 US\$'000 (unaudited)
Dividends recognised as distribution during the period:		
Final dividend for 2019 of HK2.5 cents (equivalent to US0.321 cent) per share (2021: nil)	–	2,628
Special dividend for 2020 of HK3.5 cents (equivalent to US0.45 cent) per share (2020: nil)	3,693	–
	3,693	2,628

The directors of the Company have determined that no dividend will be declared and paid in respect of the interim period in 2021.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2021 is based on the profit for the period attributable to owners of the Company of US\$794,000 (for the six months ended 30 June 2020: US\$309,000) and on the weighted average number of 817,900,000 (for the six months ended 30 June 2020: 819,577,000) shares.

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

8. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The Group acquired plant and equipment with an estimated useful life of 5 to 10 years amounting to US\$1,459,000 (for the six months ended 30 June 2020: US\$131,000) for the six months ended 30 June 2021.

During the six months ended 30 June 2021, the Group recognised right-of-use assets and lease liabilities of US\$3,232,000 (for the six months ended 30 June 2020: nil) and US\$3,232,000 (for the six months ended 30 June 2020: nil), respectively, in relation to extension of lease term resulting from a lease modification.

9. TRADE AND OTHER RECEIVABLES

	30.6.2021 <i>US\$'000</i> (unaudited)	31.12.2020 <i>US\$'000</i> (audited)
Trade receivables	12,343	13,045
Less: Allowance for credit losses	(84)	(51)
	12,259	12,994
Other receivables, prepayments and deposits	1,439	1,316
	13,698	14,310

Payment terms with customers are mainly on credit. Invoices to outside customers are normally payable within 60 to 120 days of issuance, while invoices to long-established customers are normally payable within one year.

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

	30.6.2021 <i>US\$'000</i> (unaudited)	31.12.2020 <i>US\$'000</i> (audited)
Age		
0 to 60 days	9,631	10,175
61 to 90 days	2,203	2,377
91 to 120 days	376	182
121 to 180 days	13	260
181 days to 365 days	36	–
	12,259	12,994

Included in other receivables, prepayments and deposits are deposit of US\$1,056,000 (31 December 2020: US\$1,058,000) placed with a securities firm for certain treasury service.

10. TRADE AND OTHER PAYABLES

	30.6.2021 <i>US\$'000</i> (unaudited)	31.12.2020 <i>US\$'000</i> (audited)
Trade payables		
– a company controlled by a shareholder of the Company which has significant influence over the Company	684	912
– others	10,274	9,558
	10,958	10,470
Payroll and welfare payables	3,007	3,454
Other payables and accruals	3,986	4,079
	17,951	18,003

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

	30.6.2021 <i>US\$'000</i> (unaudited)	31.12.2020 <i>US\$'000</i> (audited)
Age		
0 to 60 days	8,225	7,519
61 to 90 days	1,702	1,532
91 to 180 days	1,015	1,370
181 to 365 days	13	10
Over 1 year	3	39
	10,958	10,470

Included in other payables and accruals of the Group are other tax payables of US\$1,495,000 (31 December 2020: US\$1,464,000) and accrued expenses of US\$2,029,000 (31 December 2020: US\$2,232,000).

11. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each				
At 1 January 2020	1,000,000	10,000	819,840	8,198
Repurchase and cancellation of shares	–	–	(1,940)	(19)
At 31 December 2020 and 30 June 2021	1,000,000	10,000	817,900	8,179
				US\$'000
Shown in the condensed consolidated statement of financial position				
At 30 June 2021				1,054
At 31 December 2020				1,054

11. SHARE CAPITAL – CONTINUED

The Company has not purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2021.

During the year ended 31 December 2020, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	No. of ordinary shares '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May	1,100	0.63	0.55	659
June	160	0.61	0.59	97
September	680	0.63	0.62	425
	1,940			1,181
				<i>US\$'000</i>
Equivalent to				153

The above ordinary shares were cancelled upon repurchase.

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

12. RELATED PARTY TRANSACTIONS

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

Nature of transactions	1.1.2021 to 30.6.2021 <i>US\$'000</i> (unaudited)	1.1.2020 to 30.6.2020 <i>US\$'000</i> (unaudited)
	Cost and expenses:	
Processing charges paid	1,135	690
Interest expenses on lease liabilities	22	44

As at 30 June 2021, included in lease liabilities was a payable to a related company amounting to US\$3,825,000 (31 December 2020: US\$1,147,000).

The related parties are companies controlled by a shareholder of the Company which have significant influence over the Company.

Emoluments to the Group's key management, i.e. directors of the Company, was US\$49,000 (for the six months ended 30 June 2020: US\$49,000) during current period.

13. CAPITAL COMMITMENTS

	30.6.2021 <i>US\$'000</i> (unaudited)	31.12.2020 <i>US\$'000</i> (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	47	603

MANAGEMENT DISCUSSION AND ANALYSIS

Important

The interim results for the six months ended 30 June 2021 (the “**Period**”) set out in this report are unaudited but have been reviewed based on the HKFRSs. As financial results are subject to fluctuations and affected by a number of factors, the Group’s financial results for any past period should not be taken as indicative of any expected performance of the Group for any future period.

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

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

Operational and Financial Review

The Group is principally engaged in the manufacturing and sales of plastic and metallic parts and components of optical and opto-electronic products and manufacturing and sales of molds and cases, including plastic and metallic parts and components of digital still cameras (“**DSCs**”), action cameras, copier-based multifunction peripherals, surveillance cameras and projectors, etc.

Reviewing the first half of FY2021, the Group recorded revenue of US\$31,076,000 during the Period, representing an increase of approximately 59.8% as compared with US\$19,450,000 in the corresponding period in the previous year. During the Period, net profit amounted to US\$794,000, representing an increase of approximately 157% as compared with US\$309,000 in the corresponding period in the previous year. The change in net profit of the Group is due to multiple factors, which mainly include: (1) the increase in revenue during the Period as compared with that in the corresponding period in the previous year was attributable to the progressive control of the respiratory illness caused by novel coronavirus (COVID-19) (“**COVID-19 pandemic**”) and thus the gradual recovery of the supply chain across the industry; (2) the increase in gross profit during the Period as compared with that in the corresponding period in the previous year, which was mainly attributable to the increase in revenue and the enhanced efficiency in economies of scale.

During the Period, the Group continued to invest in technology and quality enhancement while high regard was paid to corporate governance for higher governance level. The concerted efforts of its staff have finally led to the appreciation and endorsement by the Group’s customers for the product quality and advanced technology attained by the Group. The Group will keep up its commitment to the actualisation of its core value. In addition, the Group will respond to changes in the industry by continuing its efforts in product diversification in order to increase its competitiveness.

Revenue

The Group's revenue for the Period was US\$31,076,000, representing an increase of approximately 59.8% as compared with US\$19,450,000 for the corresponding period in the previous year. The increase in revenue was mainly derived from the increased sales of parts and components of DSCs, action cameras and projectors, etc. This was mainly because the Group's sales was affected by the impact of the COVID-19 pandemic on the supply chain across the industry in the corresponding period in the previous year, and that the increase in the Group's sales during the Period was attributable to the gradual recovery of the supply chain across the industry.

The Group's revenue for the Period was mainly derived from the sale of parts and components of DSCs which contributed to approximately 36% of its revenue (excluding action cameras). According to statistics announced by the Camera & Imaging Products Association ("**CIPA**"), the worldwide shipment volume of DSCs for the six months ended 30 June 2021 increased by approximately 21.9% as compared with that in the corresponding period in the previous year.

Gross profit

The Group's gross profit for the Period was US\$6,843,000 and the gross profit margin was approximately 22.0% (for the first half of FY2020: gross profit of US\$4,065,000 and gross profit margin of approximately 20.9%), representing an increase of US\$2,778,000 or approximately 68.3% as compared with those in the corresponding period in the previous year. Such increase was mainly attributable to the increase in revenue and the enhanced efficiency in economies of scale.

Other Income, Gains and Losses

During the Period, other losses of the Group amounted to US\$37,000 (comprised bank interest income of US\$173,000, rental income of US\$256,000, exchange loss of US\$531,000 and miscellaneous income of US\$65,000). In the corresponding period in 2020, other gains of the Group amounted to US\$1,497,000 (comprised bank interest income of US\$607,000, rental income of US\$245,000, exchange gain of US\$646,000, miscellaneous income of US\$2,000 and loss on disposal of fixed assets of US\$3,000). Bank interest income for the Period recorded a decrease as compared with that in the corresponding period in the previous year, which was mainly attributable to the decrease of United States Dollars denominated deposit rates as compared with those in the corresponding period in the previous year. As the functional currency of a subsidiary of the Company is Renminbi whilst certain financial assets of such subsidiary are denominated in United States Dollars and during the Period the United States Dollars depreciated against Renminbi, the Group recorded an exchange loss for the Period, compared with an exchange gain in the corresponding period in the previous year.

Operating Expenses

The operating expenses of the Group include distribution costs, administrative expenses and research and development expenses. The operating expenses of the Group for the Period amounted to US\$5,910,000, representing an increase of US\$954,000 or approximately 19.2% as compared with US\$4,956,000 in the corresponding period in the previous year. Such increase was mainly due to an increase in the Group's revenue and an increase in the number of employees and the emolument of the employees.

Interest expenses

The interest expenses of the Group for the Period and the corresponding period in the previous year are the interest expenses on lease liabilities amounting to US\$22,000 and US\$45,000, respectively.

Taxation

The Group's income tax expenses for the Period amounted to US\$47,000 as compared with income tax expenses of US\$252,000 in the corresponding period in the previous year. The decrease in income tax expenses was due to a reversal of overprovision for PRC income tax in prior years during the Period.

Net Profit

The Group's net profit for the Period was US\$794,000 and the net profit margin was approximately 2.6% (for the first half of FY2020: net profit of US\$309,000 and net profit margin of approximately 1.6%), representing an increase of approximately 157% as compared with that in the corresponding period in the previous year. Such increase was mainly due to the increase in revenue leading to the increase in gross profit as well as the decrease in income tax expenses, but part of which was offset by the increase in operating expenses and the recording of other losses.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2021, the Group had current assets of US\$99,240,000 (as at 31 December 2020: US\$98,507,000) and current liabilities of US\$26,307,000 (as at 31 December 2020: US\$22,921,000). The current ratio of the Group was approximately 377.2% (as at 31 December 2020: approximately 430%).

As at 30 June 2021, the Group had cash at bank and on hand of US\$81,846,000 (as at 31 December 2020: US\$80,837,000), and no bank borrowing. Net cash increased by US\$1,009,000 from 31 December 2020. The gearing ratio of the Group as at 30 June 2021 was 0% (31 December 2020: 0%). The gearing ratio is calculated as total debt divided by total equity attributable to owners of the Company as at the respective period end.

Net cash inflow from operating activities for the Period was US\$2,458,000.

Net cash outflow from investing activities for the Period was US\$885,000, which comprised (i) cash outflow from capital expenditure in various business divisions of the Group of US\$1,090,000, and (ii) interests received of US\$205,000.

Net cash outflow from financing activities for the Period was US\$593,000, which comprised (i) repayment of lease liabilities of US\$571,000, and (ii) interests paid on lease liabilities amounting to US\$22,000.

Effect of foreign exchange rate change for the Period was US\$29,000.

The capital of the Group comprises ordinary shares as at 30 June 2021 and 31 December 2020. As at 30 June 2021, total equity attributable to owners of the Company amounted to US\$84,803,000 (as at 31 December 2020: US\$87,260,000).

Foreign Currency Risk

Foreign currency risk refers to the risks associated with the foreign movements on the exchange rate movements on the Group's financial results and its cash flows. The revenue of the Group is mainly settled in United States Dollars, while others are in Renminbi, Hong Kong Dollars and Japanese Yen. The expenses of the Group are mainly paid in Renminbi, while others are in United States Dollars, Hong Kong Dollars and Japanese Yen.

For members of the Group using United States Dollars as functional currency, they are mainly exposed to currency risks in Hong Kong Dollars and Japanese Yen. There was a small exchange loss associated with Hong Kong Dollars and Japanese Yen denominated net assets due to depreciation of Hong Kong Dollars and Japanese Yen against United States Dollars during the Period. For a member of the Group using Renminbi as functional currency, it is mainly exposed to currency risks in United States Dollars. There was an exchange loss associated with United States Dollars denominated net assets due to depreciation of United States Dollars against Renminbi during the Period. In order to reduce foreign currency exposure, the management of the Group will continue to monitor its foreign currency position and managing its foreign currency risk by means such as management of transactional currencies.

Contingent Liabilities

As at 30 June 2021, the Group had no significant or contingent liabilities.

Capital Commitment

As at 30 June 2021, the capital commitment of the Group was US\$47,000 (as at 31 December 2020: US\$603,000).

Significant Investment

The Group held no significant investment for the Period.

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

The property is currently leased to an independent third party.

Material Acquisitions and Disposals

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

Pledge of Assets

There was no pledge of the Group's assets as at 30 June 2021.

Employment, Training and Development

As at 30 June 2021, the Group had a total of 1,628 employees (as at 30 June 2020: 1,390 employees). Staff costs incurred during the Period amounted to US\$10,185,000 (for the six months ended 30 June 2020: US\$7,300,000).

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

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

Regulatory and Compliance Risk

The Group is exposed to legal and regulatory risks in Hong Kong and in the PRC. Such risks might have significant impacts on the financial conditions, operations and business prospects of the Group. The investments of the Group at present or in the future might be affected by local, national or international changes in political, social, legal, tax, regulatory, shareholder and environmental requirements from time to time and the growth of environmental protection importance could result in an additional or unforeseen increase in operating expenses and capital expenditures, and hence may adversely affect the Group's revenue and profits.

Reference is made to the announcement of the Company dated 9 June 2021, Dongguan Yorkey Optical Machinery Components Ltd.* ("**Dongguan Yorkey**") received an administrative judgment ([2021] Yue 19 Xing Zhong No. 168) 《行政判決書》([2021]粵19行終168號)) dated 28 May 2021 issued by the Dongguan Intermediate People's Court* (東莞市中級人民法院), pursuant to which, the Dongguan Intermediate People's Court has ruled in favour of Dongguan Yorkey and the judgement is final.

The main contents of the said administrative judgment are as follows:

- (i) to revoke the administrative judgment made by the Dongguan First People's Court*;
- (ii) to revoke the decision made by the Dongguan Municipal Ecology and Environment Bureau*; and
- (iii) to revoke the confirmation made by the Dongguan Municipal Government.

Reference is also made to the announcement of the Company dated 19 April 2021, EnviroFriends Institute of Environmental Science and Technology* (北京市朝陽區環友科學技術研究中心) made a claim to Dongguan Yorkey. As at the date of this report, Dongguan Yorkey is seeking legal advice on the matter and the Company will make further announcement(s) as and when appropriate.

Outlook

Looking ahead, the operating environment continues to be challenging. According to the Global Economic Prospects published by the World Bank in June 2021, the global economic growth rate is likely to reach 5.6% in 2021 and that global recovery is strong but uneven, largely reflects the rebounds in some major economies. The global outlook remains subject to significant downside risks, including but not limited to the possibility of large-scale COVID-19 outbreaks with new virus variants and financial stress amid high debt levels in emerging market and developing economies.

In addition, according to statistics announced by CIPA, the shipment volume of DSCs for the six months ended 30 June 2021 increased by approximately 21.9% as compared with that in the corresponding period in the previous year. However, the shipment volume of DSCs for the Period still decreased by approximately 41.4% as compared with that for the six months ended 30 June 2019. Although there was an increase in the shipment volume of the DSCs industry during the Period as compared with the corresponding period in the previous year, the shipment volume of the DSCs industry has not yet returned to the level of the corresponding period in 2019. Nonetheless, the Group will continue to strive to maintain its competitive edge by strengthening its core competitiveness, namely its highly sophisticated module technology, its manufacturing technology and capabilities which earns its customers' trust and the provision of "one-stop" services to its customers.

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

In light of the ever-changing severe operating environment, and the need of ensuring the safety of employees and the continuous operation of the Company, the Group will strengthen its financial structure to address the challenging operating environment ahead. The management of the Group will continue to monitor the impact of the global economy on the Group's business operations and financial conditions. The Group will also optimise its capability, improvement in automation and efficiency to ensure product quality and proper expenses control, and will diversify its product portfolio and develop products for other applications. The Group will continue to comply with relevant regulations in respect of environmental protection and corporate governance.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Disclosure of Interests

Interests of Directors and Chief Executive

As at 30 June 2021, the interest or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) to be notified to the Stock Exchange and the Company, are set out below:

1. *Long positions in the shares, underlying shares and debentures of the Company*

As at 30 June 2021, none of the Directors or chief executives of the Company had any long position in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

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

As at 30 June 2021, none of the Directors or chief executives of the Company, had any interest or short position in the shares, underlying shares or debentures of the Company or any interest or short position in the shares, underlying shares or debentures of the Company’s associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Stock Exchange and the Company pursuant to the Model Code.

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

Interests of Substantial Shareholders

As at 30 June, 2021, 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, or as otherwise notified to the Company and the Stock Exchange, are set out below:

1. Long position in the shares and underlying shares of the Company

Name of shareholder of the Company	Type of interest	Number of shares/ underlying shares in the Company	Percentage of the issued share capital in the Company
Asia Optical International Ltd.	Beneficial owner	186,833,000	22.84%
Asia Optical Co., Inc.	Interest in a controlled corporation	226,833,000 (Note 1)	27.73%
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	143,817,000	17.58%
Ability Enterprise Co., Ltd.	Interest in a controlled corporation	143,817,000 (Note 2)	17.58%
Fortune Lands International Ltd.	Founder of discretionary trust	112,990,000 (Note 3)	13.81%
Mr. Chan Sun-Ko	Interest in a controlled corporation	112,990,000 (Note 4)	13.81%
Ms. Wu Bo-Yan	Interest of a spouse	112,990,000 (Note 5)	13.81%
Mr. David Michael Webb	Interest in a controlled corporation; beneficial owner	41,022,000 (Note 6)	5.01%

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

Note 2: Ability Enterprise Co., Ltd. holds 100% direct interest in the issued capital of Ability Enterprise (BVI) Co., Ltd. ("**Ability Enterprise BVI**") and therefore is taken to be interested in an aggregate of 143,817,000 shares in the Company held by Ability Enterprise BVI.

Note 3: Fortune Lands International Ltd. ("**Fortune Lands**") is the founder of The Yorkey Employee's Trust and is the registered owner of 112,990,000 shares in the Company which it held as trustee of The Yorkey Employees' Trust.

Note 4: Mr. Chan Sun-Ko ("**Mr. Chan**"), being the sole shareholder of Fortune Lands, is taken to be interested in an aggregate of 112,990,000 shares in the Company held by Fortune Lands.

Note 5: Ms. Wu Bo-Yan, the spouse of Mr. Chan is taken to be interested in an aggregate of 112,990,000 shares in the Company in which Mr. Chan is interested.

Note 6: Mr. David Michael Webb ("**Mr. Webb**") holds 100% direct interest in the issued share capital of Preferable Situation Assets Limited ("**Preferable Situation**"), which holds 24,690,037 shares in the Company, and therefore is taken to be interested in the 24,690,037 shares in the Company held by Preferable Situation. Mr. Webb also holds 16,331,963 shares in the Company as beneficial owner.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any long position being held by any persons, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company which would be recorded in the register required to be kept under section 336 of Part XV of the SFO.

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

As at 30 June 2021, the Company had not been notified of any short position being held by any persons, other than a Director or chief executive of the Company, in the shares or underlying shares in the Company which would be recorded in the register required to be kept under section 336 of Part XV of the SFO.

Interim Dividend

On 6 August 2021, the Board has determined that no dividend will be declared and paid in respect of the Period.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Period.

Corporate Governance Practices

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

Ms. Cheng Choi Ha ("**Ms. Cheng**"), a manager of the Corporate Services Division of Tricor Services Limited, an external service provider, has been appointed as the company secretary of the Company with effect from 23 December 2019. The primary contact person at the Company with Ms. Cheng is Mr. Kurihara Toshihiko, an executive director of the Company. For further details, please refer to the announcement of the Company dated 23 December 2019. Ms. Cheng has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

The Company has adopted the Code as stated in Appendix 14 to the Listing Rules. The Board considers that the Company has complied with the Code throughout the Period.

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

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with the code provisions under the Code. The audit committee of the Company has reviewed the unaudited interim results of the Group for the Period.

Further, the unaudited interim results of the Group for the Period have been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the Period and they have all confirmed they have fully complied with the required standard as set out in the Model Code.

On behalf of the Board

LAI I-Jen

Chairman

6 August 2021