YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
精 熙 國 際（開 曼）有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2788)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	2019	2018	Growth
	US$'000	*US$'000*	*%*
Revenue	**60,917**	69,703	(12.6)
Profit for the year	**5,036**	7,708	(34.7)
Earnings per share	**US0.61 cent**	US0.94 cent	

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Yorkey Optical International (Cayman) Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018. This financial report, which has been reviewed by the Company's audit committee, is prepared on a basis consistent with the accounting policies and methods adopted in the 2019 annual accounts.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** **US$'000**	2018 *US$'000*
Revenue	*3*	**60,917**	69,703
Cost of goods sold		**(46,455)**	(51,760)
Gross profit		**14,462**	17,943
Other income, other gains and losses		**3,384**	4,027
Distribution costs		**(1,591)**	(1,635)
Administrative expenses		**(8,874)**	(9,590)
Research and development expenses		**(1,555)**	(1,532)
Interest expense on lease liabilities		**(131)**	–
Profit before taxation	*4*	**5,695**	9,213
Taxation	*5*	**(659)**	(1,505)
Profit for the year		**5,036**	7,708
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
– exchange difference arising from translation of financial statements of foreign operation		**(734)**	(2,140)
Total comprehensive income for the year		**4,302**	5,568
Earnings per share			
– Basic	*7*	**US0.61 cent**	US0.94 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Notes	2019 US$'000	2018 US$'000
Non-current assets			
Investment properties	8	**5,540**	5,768
Property, plant and equipment		**6,029**	7,537
Right-of-use assets		**2,269**	–
Prepaid lease payments		**–**	197
Deposits paid for acquisition of property, plant and equipment		**183**	101
		14,021	13,603
Current assets			
Inventories		**3,011**	2,550
Trade and other receivables	9	**11,384**	13,512
Amount due from a related company		**–**	23
Bank balances and cash		**83,641**	93,945
		98,036	110,030
Current liabilities			
Trade and other payables	10	**17,798**	19,156
Contract liabilities		**366**	141
Lease liabilities		**1,102**	–
Taxation payable		**2,797**	3,505
		22,063	22,802
Net current assets		**75,973**	87,228
Total assets less current liabilities		**89,994**	100,831
Capital and reserves			
Share capital	11	**1,056**	1,057
Reserves		**87,866**	99,774
Total equity		**88,922**	100,831
Non-current liabilities			
Lease liabilities		**1,072**	–
		89,994	100,831

Notes:

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and Hong Kong Accounting Standards ("**HKASs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

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

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

HKFRS 16 "Leases" ("HKFRS 16")

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

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

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

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

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

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

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

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

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

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

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

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

As a lessor

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND OPERATING SEGMENT

Revenue

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

Disaggregation of revenue from contracts with customers by types of products

	2019	2018
	US$'000	*US$'000*
Components of optical and opto-electronic products		
– digital still cameras, action cameras and copiers	**44,327**	48,553
– surveillance cameras and projectors	**9,552**	10,561
– others	**7,038**	10,589
	60,917	69,703

The Group applies the practical expedient that information regarding the transaction prices allocated to the remaining performance obligation for contracts with customer is not disclosed as the original expected duration of the contracts are less than one year.

Operating segment

The chief executive officer ("**Chief Executive Officer**"), being the chief operating decision maker of the Group, regularly reviews revenue analysis of the components of optical and opto-electronic products and considers them as one single operating segment on an aggregate basis. Other than revenue analysis, no operating results and other discrete financial information are available for the assessment of performance of the respective business divisions. For these reasons, no separate segment information is presented.

The Chief Executive Officer reviews the profit for the year of the Group as a whole to make decisions about performance assessment and resource allocation. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information is prepared.

Other segment information

Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2019	2018	**2019**	2018
	US$'000	*US$'000*	***US$'000***	*US$'000*
Japan	**28,323**	37,192	**–**	–
PRC	**25,679**	26,046	**14,021**	13,603
Others	**6,915**	6,465	**–**	–
	60,917	69,703	**14,021**	13,603

Information about major customers

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

	2019	2018
	US$'000	*US$'000*
Customer A	**9,654**	9,359
Customer B	**8,654**	10,512
Customer C	**6,185**	7,369

4. PROFIT BEFORE TAXATION

	2019	2018
	US$'000	*US$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**232**	230
Staff's retirement benefits scheme contributions	**1,939**	1,781
Other staff costs	**19,739**	20,535
	21,910	22,546
Less: Staff costs capitalised in inventories	**(15,394)**	(16,196)
Less: Staff costs included in research and development expenses	**(670)**	(608)
	5,846	5,742
Amortisation of land use rights	**–**	6
Depreciation on property, plant and equipment	**2,130**	2,659
Depreciation on investment properties	**228**	234
Depreciation of right-of-use assets	**1,174**	–
Total depreciation and amortisation	**3,532**	2,899
Less: Depreciation capitalised in inventories	**(1,679)**	(2,106)
Less: Depreciation included in research and development expenses	**(169)**	(30)
	1,684	763
Allowance for obsolete inventories (included in cost of goods sold)	**–**	117
Auditor's remuneration	**297**	295
Cost of inventories recognised as an expense	**46,462**	51,643
Loss on disposal of property, plant and equipment	**–**	16
Operating lease rentals in respect of		
– motor vehicles	**–**	283
– rented premises	**–**	1,321
and after crediting:		
Exchange gain, net (included in other income, other gains and losses)	**968**	1,586
Gain on disposal of property, plant and equipment (included in other income, other gains and losses)	**15**	–
Interest income from bank deposits (included in other income, other gains and losses)	**1,827**	1,879
Property fixed rental income before deduction of negligible outgoings (included in other income, other gains and losses)	**492**	504
Reversal of allowance for obsolete inventories (included in cost of goods sold)	**7**	–
Reversal of impairment loss on trade receivables, net	**1**	39

5. TAXATION

	2019	2018
	US$'000	*US$'000*
The tax charge comprises:		
PRC income tax calculated at the applicable income tax rate on the estimated assessable profit for the year	**492**	1,547
Hong Kong Profits Tax	**125**	–
Under(over)provision in prior years	**42**	(42)
	659	1,505

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the current year.

No provision for Hong Kong Profits Tax had been made during the year ended 31 December 2018 as the Group's profit neither arises in nor was derived from Hong Kong in that year.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries from 1 January 2008 onwards of approximately US$6,927,000 (2018: US$6,282,000) as at the end of the reporting period because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

	2019	2018
	US$'000	*US$'000*
Profit before taxation	**5,695**	9,213
Tax at the PRC Enterprise Income Tax rate of 25% (2018: 25%)	**1,424**	2,303
Tax effect of expenses not deductible for tax purposes	**301**	328
Tax effect of income not taxable for tax purposes	**(482)**	(515)
Tax effect of different tax rates of subsidiaries	**(626)**	(569)
Under(over)provision in prior years	**42**	(42)
Tax charge for the year	**659**	1,505

6. DIVIDENDS

	2019	2018
	US$'000	*US$'000*
Dividends recognised as distribution during the year		
– Interim dividend for 2019 of HK1.9 cents (equivalent to US0.243 cent) (2018: HK3.5 cents; equivalent to US0.446 cent) per share	**1,995**	3,662
– Final dividend for 2018 of HK3.5 cents(equivalent to US0.447 cent) (2018: final dividend for 2017 of HK3.5 cents; equivalent to US0.448 cent) per share	**3,666**	3,676
– Special dividend for 2018 of HK10 cents (equivalent to US1.28 cents) (2018: special dividend for 2017 of HK10 cents; equivalent to US1.28 cents) per share	**10,476**	10,504
	16,137	17,842

A final dividend of HK2.5 cents (2018: HK3.5 cents) per share (which in aggregate amounts to approximately US$2,632,000 (2018: US$3,666,000)) and a special dividend of nil (2018: HK10 cents) per share (2018: US$10,476,000) have been proposed by the Board of 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 819,840,000 shares (2018: 820,540,000 shares) in issue at the date of issuance of these consolidated financial statements.

7. 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$5,036,000 (2018: US$7,708,000) and on the weighted average number of 820,363,835 (2018: 820,964,899) shares.

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

8. INVESTMENT PROPERTIES

	2019	2018
	US$'000	*US$'000*
COST		
At 1 January	**7,786**	7,860
Currency realignment	**(24)**	(74)
At 31 December	**7,762**	7,786
DEPRECIATION		
At 1 January	**2,018**	1,858
Currency realignment	**(24)**	(74)
Provided for the year	**228**	234
At 31 December	**2,222**	2,018
CARRYING VALUE		
At 31 December	**5,540**	5,768

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

	2019	2018
	US$'000	*US$'000*
Leasehold land and buildings in Hong Kong	**5,540**	5,767
Buildings in the PRC	**–**	1
	5,540	5,768

The fair value of the Group's investment properties, including leasehold land portion, at the end of the reporting period was US$8,696,000 (2018: US$8,560,000). The fair value has been arrived at based on a valuation at the end of the reporting period, determined by the Directors. No valuation has been performed by independent qualified professional valuers. The valuation performed by the Directors was carried out with reference to recent market prices for similar properties in similar locations and conditions, which was classified as level 3 under HKFRS 13 "Fair Value Measurement". There has been no change from the valuation techniques used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

All the Group's investment properties are held for rental purpose under operating leases and/or for capital appreciation.

The Group leases out factories and offices under operating leases with rentals receivable monthly. The leases typically run for an initial period of 3 to 5 years. The Group is not exposed to foreign currency risk as a result of the lease arrangement as the leases are denominated in the respective functional currency of the group entity or denominated in Hong Kong dollars which is pegged to respective functional currency of another group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The above investment properties are depreciated using the straight-line method, after taking into account their estimated residual value, over 10 – 30 years.

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	US$'000	*US$'000*
Trade receivables		
– companies over which certain shareholders of the Company have significant influence	**3**	2
– others	**9,738**	11,503
	9,741	11,505
Less: Allowance for credit losses	**–**	(1)
	9,741	11,504
Other receivables, prepayments and deposits	**1,643**	2,008
	11,384	13,512

As at 1 January 2018, trade receivables from contracts with customers amounted to US$12,680,000.

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 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.

	2019 *US$'000*	2018 *US$'000*
Age		
0 to 60 days	**8,308**	9,267
61 to 90 days	**1,327**	1,879
91 to 120 days	**45**	307
121 to 180 days	**61**	44
181 to 365 days	**–**	7
	9,741	11,504

Before accepting any new customers, the Group will assess the potential customer's credit quality and define credit limits by customer. More than 92% (2018: 89%) of the trade receivables are not past due.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$750,000 (2018: US$1,256,000) which are past due as at the reporting date. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 13.

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

	2019 *US$'000*	2018 *US$'000*
Japanese Yen	**49**	164
Hong Kong dollars	**1,910**	1,914

10. TRADE AND OTHER PAYABLES

	2019 *US$'000*	2018 *US$'000*
Trade payables		
– companies over which certain shareholders of the Company have significant influence	**3**	7
– companies controlled by shareholders of the Company which have significant influence over the Company	**1,035**	1,156
– others	**9,345**	10,512
	10,383	11,675
Payroll and welfare payables	**3,192**	3,227
Other payables and accruals	**4,223**	4,254
	17,798	19,156

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

	2019	2018
	US$'000	*US$'000*
Age		
0 to 60 days	**6,897**	7,873
61 to 90 days	**1,763**	2,036
91 to 180 days	**1,677**	1,721
181 to 365 days	**46**	45
	10,383	11,675

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

Accruals for rental payable as at 31 December 2018 were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

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

	2019	2018
	US$'000	*US$'000*
Japanese Yen	**47**	92
Hong Kong dollars	**62**	26

11. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*
Ordinary shares of HK$0.01 each				
At 1 January 2018	1,000,000	10,000	821,102	8,211
Repurchase and cancellation of shares	–	–	(562)	(6)
At 31 December 2018	1,000,000	10,000	820,540	8,205
Repurchase and cancellation of shares	–	–	(700)	(7)
At 31 December 2019	1,000,000	10,000	819,840	8,198

	US$'000
Shown in the consolidated statement of financial position	
At 31 December 2019	1,056
At 31 December 2018	1,057

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

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

During the year ended 31 December 2018, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchases	No. of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid
	'000	*HK$*	*HK$*	*HK$'000*
September	508	1.14	1.09	569
November	54	1.16	1.10	61
	562			630
				US$'000
Equivalent to				80

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 year.

12. 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 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 the prior year.

13. FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, amounts due from related companies, bank balances and cash and trade and other payables. 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.

Categories of financial instruments

	2019	2018
	US$'000	*US$'000*
Financial assets		
Financial assets at amortised cost	**94,845**	107,056
Financial liabilities		
Amortised cost	**10,656**	12,075

Credit risk and impairment assessment

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.

Trade receivables arising from contracts with customers

The Group's credit risk is primarily attributable to its trade receivables. 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 performs impairment assessment under expected credit losses ("**ECL**") model on trade receivables based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 13% (2018: 14%) and 51% (2018: 57%) 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 38% (2018: 39%) and 47% (2018: 52%) of the total trade receivables are due from customers located in Japan and the PRC, respectively.

Bank balances

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 assessed 12-month ECL ("**12m ECL**") for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Amount due from a related company and other receivables

The Directors make periodic individual assessment on the recoverability of amount due from a related company and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2019 and 2018, the Group assessed the ECL for amount due from a related company and other receivables were insignificant and thus no loss allowance was recognised.

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2019 US$'000	2018 US$'000
Financial assets at amortised cost						
Other receivables	*9*	N/A	(note a)	12-month ECL	**1,463**	1,584
Amount due from a related company		N/A	(note a)	12-month ECL	**–**	23
Bank balances		BBB – AAA	N/A	12-month ECL	**83,641**	93,945
Trade receivables	*9*	N/A	(note b)	Lifetime ECL (not credit-impaired)	**9,741**	11,505

Notes:

(a) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

(b) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, grouped by past due status.

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

Average loss rates of up to 0.22% were applied by the Group to the trade receivables with carrying amount of US$750,000 (2018: US$1,256,000) which are past due at the reporting period end.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL *US$'000*
As at 1 January 2018	40
Impairment losses recognised	1
Impairment losses reversed	(40)
As at 31 December 2018	1
Impairment losses reversed	(1)
At 31 December 2019	–

Changes in the loss allowance for trade receivables are mainly due to:

	2019	2018
	Decrease in lifetime ECL	Decrease in lifetime ECL
	US$'000	*US$'000*
Settlement in full of trade debtors with gross carrying amount of US$163,000 (2018: US$10,532,000)	**1**	40

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 12% (2018: 12%) 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. In addition, certain group entity whose functional currency is Renminbi, has intra-group transactions with its holding company, denominated in US$. 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. Although the Group currently does not use any derivative contracts to hedge against its exposure to currency risk, the Group actively utilises natural hedge technique, such as managing the currencies used in transactions, to manage its foreign currency exposures. 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, Japanese Yen and Renminbi. The following table details the Group's sensitivity to a 10% increase and decrease in US$ against Japanese Yen and Renminbi. Since Hong Kong dollars is pegged to US$, the management considers that the exchange rate fluctuation between Hong Kong dollars and US$ 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 rate used is the rate when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes trade receivables, trade payables and bank balances. The number below indicates an increase in post-tax profit for the year where US$ strengthens against Japanese Yen and Renminbi. If US$ weakens against Japanese Yen and Renminbi, there would be an equal and opposite impact on the post-tax profit.

	2019	2018
	Post-tax profit	Post-tax profit
	US$'000	*US$'000*
Japanese Yen	**150**	126
Renminbi	**3,223**	2,864

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and 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.

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 (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would increase/decrease by US$418,000 (2018: US$470,000).

Liquidity risk management

The Directors have 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 principal cash flows only as the financial liabilities are non interest-bearing.

	Weighted average interest rate	**Repayable on demand or less than 3 months**	**3 months to 1 year**	**1 – 5 years**	**Total undiscounted cash flows**	**Carrying amount**
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2019						
Trade and other payables	**–**	**10,656**	**–**	**–**	**10,656**	**10,656**
Lease liabilities	**4.75**	**201**	**935**	**1,100**	**2,236**	**2,174**
		10,857	**935**	**1,100**	**12,892**	**12,830**
At 31 December 2018						
Trade and other payables	–	12,075	–	–	12,075	12,075

14. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Dividend payables *US$'000*	**Lease liabilities** *US$'000*
At 1 January 2018	–	–
Dividends recognised as distribution	17,842	–
Financing cash flows	(17,842)	–
At 31 December 2018	–	–
Adjustments upon application of HKFRS 16	–	3,385
As at 1 January 2019 (restated)	–	3,385
Dividends recognised as distribution	16,137	–
Financing cash flows	(16,137)	(1,298)
Exchange realignment	–	(44)
Interest expenses	–	131
At 31 December 2019	–	2,174

IMPORTANT

The final results for the financial year ended 31 December 2019 ("**FY2019**") set out in this announcement are based on audited financial information prepared under 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 announcement 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Review

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

The Group recorded revenue of US$60,917,000 in FY2019, representing a decrease of approximately 12.6% as compared with US$69,703,000 in the previous financial year. The Group recorded net profit of US$5,036,000 in FY2019, representing a decrease of approximately 34.7% as compared with US$7,708,000 in the previous financial year. The change in net profit of the Group is due to multiple factors, which mainly include: (1) the decrease in revenue in FY2019 which was mainly due to the decrease in revenue derived from the sale of components for DSCs as a result of the weak state of DSCs industry and the sale of components for other opto-electronic products; (2) the decrease in gross profit in FY2019 as compared with that in the previous financial year, which was mainly attributable to the decrease in revenue and the reduced efficiency in economies of scale; and (3) the decrease in exchange gain in FY2019 was recorded compared to that in the financial year ended 31 December 2018 ("**FY2018**"), which was attributable to the rate of depreciation in the exchange rate of Renminbi against United States Dollars for FY2019 is less than for FY2018 and the functional currency of a subsidiary of the Company is Renminbi whilst certain financial assets of such subsidiary are denominated in United States Dollars.

In FY2019, 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.

Key Relationships with Customers, Suppliers and Employees

The Group places great importance on building a mutually beneficial relationship with its customers by offering competitively priced products to them, which in turn has helped to nurture a closer relationship with the Group's customers. The Group's largest customer and top five customers accounted for approximately 15.8% and 51.9% of its revenue for FY2019, respectively. The top five customers include internationally renowned brands which have had a long history of substantial business dealings with the Company. The Group offers credit terms ranging from an average of 60 days to 120 days to the top five customers, which is in line with those offered to other customers, except for a few customers who are offered longer credit term.

As of 31 December 2019, there was no allowance for credit losses for all customers as compared with US$1,000 as at 31 December 2018.

The Group cooperates with its suppliers and purchases various raw materials and materials from them at competitive prices. The aggregate purchases attributable to the Group's largest supplier and the top five suppliers accounted for approximately 5.9% and 19.3% of the Group's total purchases for FY2019, respectively.

The Group has implemented and maintained sound and effective systems of internal control and enterprise risk management to assess and monitor relevant potential risks.

Employment, Training and Development

As at 31 December 2019, the Group had a total of 1,592 employees (as at 31 December 2018: 1,960 employees). Staff costs incurred for FY2019 amounted to US$19,739,000 (FY2018: US$20,535,000).

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.

Revenue

The Group's revenue for FY2019 was US$60,917,000, representing a decrease of approximately 12.6% as compared with US$69,703,000 in the previous financial year. The decrease in revenue was mainly due to the decrease in revenue derived from the sale of components for DSCs as a result of the weak state of the DSCs industry and the sale of components for other opto-electronic products.

The Group's revenue for FY2019 was mainly derived from the sale of components for DSCs which contributed to approximately 56.6% of its revenue (excluding action cameras). However, according to statistics announced by the Camera & Imaging Products Association ("**CIPA**"), the shipment volume of DSCs for FY2019 decreased by approximately 21.7% as compared with that in the corresponding period in the previous year.

Gross profit

The Group's gross profit for FY2019 was US$14,462,000 and the gross profit margin was approximately 23.7% (FY2018: gross profit of US$17,943,000 and gross profit margin of approximately 25.7%), representing a decrease of US$3,481,000 or 19.4% as compared with those in the previous financial year. Such decrease was mainly attributable to the decrease in revenue and the reduced efficiency in economies of scale.

Other Income, Gains and Losses

In FY2019, other gains of the Group amounted to US$3,384,000 (comprised bank interest income of US$1,827,000, rental income of US$492,000, exchange gain of US$968,000, gain on disposal of fixed assets of US$15,000 and miscellaneous income of US$82,000). In the financial year ended 31 December 2018, other gains of the Group amounted to US$4,027,000 (comprised bank interest income of US$1,879,000, rental income of US$504,000, exchange gain of US$1,586,000, net reversal of impairment loss on trade receivables of US$39,000 and miscellaneous income of US$19,000). Bank interest income for FY2019 recorded a decrease as compared with that in the previous financial year, which was mainly attributable to the decrease of United States Dollars denominated deposit in the second half of 2019 as compared with that in the corresponding period in the previous year, and the gradual decline of United States Dollars denominated deposit rates as compared with those in the corresponding period in the previous year. The decrease in exchange gain for FY2019 compared to the exchange gain for the previous financial year which was attributable to the rate of depreciation in the exchange rate of Renminbi against United States Dollars for FY2019 is less than that for the previous financial year and the functional currency of a subsidiary of the Company is Renminbi whilst certain financial assets of such subsidiary are denominated in United States Dollars.

Operating Expenses

The operating expenses of the Group include distribution costs, administrative expenses and research and development expenses. The operating expenses of the Group for FY2019 amounted to US$12,020,000, representing a decrease of US$737,000 or 5.8% as compared with US$12,757,000 in the previous financial year. Such decrease was mainly due to the Group's active control on the operating expenses.

The administrative expenses of the Group for FY2019 has included a total fine of RMB3.3 million (equivalent to US$479,000) which is composed of the original fine of RMB110,000 and additional fine of RMB3.19 million, imposed on Dongguan Yorkey Optical Machinery Components Ltd. ("**Dongguan Yorkey**"), an indirect wholly-owned subsidiary of the Company, by Dongguan Municipal Ecology and Environment Bureau ("**Dongguan Municipal EEB**"). For further details, please refer to the announcement of the Company dated 31 December 2019.

Interest Expenses

The interest expenses of the Group are the interest expenses on lease liabilities amounting to US$131,000 after the adoption of HKFRS 16 since 1 January 2019.

Net Profit

The Group's net profit for FY2019 was US$5,036,000 and the net profit margin was approximately 8.3% (FY2018: net profit of US$7,708,000 and net profit margin of approximately 11.1%), representing a decrease of approximately 34.7% as compared with those in the previous financial year. Such decrease was mainly due to the decrease in revenue leading to the decrease in gross profit and decrease in other income and gains, but part of which was offset by the decrease in operating expenses and the decrease in PRC income tax expense.

Liquidity and Financial Resources

As at 31 December 2019, the Group had current assets of US$98,036,000 (as at 31 December 2018: US$110,030,000) and current liabilities of US$22,063,000 (as at 31 December 2018: US$22,802,000). The current ratio of the Group was approximately 444% (as at 31 December 2018: approximately 483%).

As at 31 December 2019, the Group had cash at bank and on hand of US$83,641,000 (as at 31 December 2018: US$93,945,000), and no bank borrowing. Net cash decreased by US$10,304,000 from 31 December 2018.

Net cash inflow from operating activities for FY2019 was US$6,915,000.

Net cash inflow from investing activities for FY2019 was US$1,034,000, which comprised (i) interest received of US$1,827,000; (ii) cash outflow from capital expenditure in various business divisions of the Group of US$929,000 and (iii) cash inflow from other investment activities of US$136,000.

Net cash outflow used in financing activities for FY2019 was US$17,509,000, which comprised (i) cash dividend paid during FY2019 of US$16,137,000; (ii) repayment of lease liabilities of US$1,167,000; (iii) interest paid on lease liabilities amounting to US$131,000 after the adoption of HKFRS 16 since 1 January 2019 and (iv) repurchase of shares of US$74,000.

Effect of foreign exchange rate changes for FY2019 was US$744,000.

Possible Risks and Uncertainties Facing the Group

Foreign Currency Risk

Foreign currency risk refers to the risks associated with the foreign exchange rate movements on the financial results and cash flows of the Group. The Group is mainly exposed to currencies of Hong Kong Dollars, Japanese Yen and Renminbi. The gains of the Group are mainly settled in United States Dollars, while others are in Renminbi, Hong Kong Dollars and Japanese Yen. The expenses of the Group are mainly paid in Renminbi, while others are in United States Dollars, Hong Kong Dollars and Japanese Yen. The exchange rate fluctuation between Hong Kong Dollars and United States Dollars is not significant as the exchange rates are pegged to each other. There was exchange gain associated with Japanese Yen denominated net assets due to appreciation of Japanese Yen against United States Dollars during FY2019, although the amount was minimal. As the functional currency of a subsidiary of the Company is Renminbi, during FY2019, the Group recorded exchange gain due to depreciation of Renminbi against United States dollars. In order to reduce foreign currency risk, the management of the Group will continue to monitor its foreign currency position, using natural hedge technique and managing its foreign currency risk by means such as management of transactional currencies.

Capital Risk

The capital risk management of the Group is set out in note 12 on page 14.

Financial Risk

The financial risk management of the Group is set out in note 13 on pages 15 to 18.

Business Risk

The Group's revenue is mainly generated from the sale of components for DSCs. The weak state of the DSCs industry during FY2019 resulted in the shrinkage in the scale of revenue, which led to the decrease in revenue generated from the sale of components for DSCs of the Group. The weak state of the DSCs industry may continue to have an adverse impact on revenue and profit. The Group's top five customers accounted for approximately 51.9% of its revenue for FY2019, and the Group's revenue and profit are affected by the performance of such customers. Therefore, the Group will strive to expand its customer base and develop the application of diversified products. Meanwhile, the Group will pay attention to and strengthen expenses control to enhance its competitiveness.

Apart from the aforesaid changes in the industry environment, there is still uncertainty on future development although Sino-US trade tensions conflict is expected to ease after the phase-one trade deal was signed by the PRC and the US. Moreover, the outbreak of the Epidemic has affected supply chain management across the industry, which put the Group under pressure in respect of both production and sales. The management of the Group will continue to monitor its impact on the Group's business operations and financial conditions.

Reference is made to the Company's announcement dated 11 February 2020 in relation to the impact of the outbreak of respiratory illness caused by novel coronavirus (COVID-19) ("**Epidemic**"). Based on a preliminary assessment of the information currently available to the Group, as a result of the impact caused by the Epidemic, which is beyond the control of the Group, it is currently expected that the Group's revenue for the six months ending 30 June 2020 will be adversely affected. At the current stage, the Group is unable to make a reasonable and meaningful estimate as to the magnitude of the possible adverse impact on the Group's revenue for the six months ending 30 June 2020 as it is affected by many factors. The Board would like to remind shareholders and potential investors that our view is based on a preliminary assessment on information currently available to the Group. Hence, our view is subject to possible adjustments upon further internal review. Further announcement will be made by the Company in accordance with the Listing Rules.

Regulation 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 revenues and profits.

References are made to the announcements of the Company dated 23 December 2019 and 31 December 2019. In order to reduce the exhaust gas from production discharged by the factory of Dongguan Yorkey to meet the air pollutant discharge standards, Dongguan Yorkey has set up a special project team to formulate rectification measures for the detected excessive pollution, and upgraded the exhaust gas treatment facilities. It has also suspended production of the spray painting process and entrusted other companies that met the standards to assist in processing until the exhaust gas treatment facilities were upgraded. During the second on-site visit, the implementation works of the rectification measures in response to the order made by Dongguan Municipal EEB were in progress. Upon the receipt of the decision on administrative penalty (Dong Huan Fa Zi [2019] No. 4169) (《行政處罰決定書》(東環罰字) [2019] 4169號) (the "**Decision**"), Dongguan Yorkey has commenced rectification measures in response to the Decision to ensure the exhaust gas from production in compliance with the pollutant discharge standards. In addition, Dongguan Yorkey has paid the fine within the prescribed period and seek legal advice in respect of the Decision.

The Group keeps monitoring regulatory developments and where necessary, will obtain professional advice in respect of the updated regulatory changes.

Contingent Liabilities

As at 31 December 2019, the Group had no significant or contingent liabilities.

Capital Commitment

As at 31 December 2019, the capital commitment of the Group was US$456,000 (as at 31 December 2018: US$11,000).

Significant Investment

The Group held no significant investment for FY2019.

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

The property is currently leased to an independent third party.

Material Acquisition and Disposal of Subsidiaries

The Group did not have any material acquisition or disposal of subsidiaries during FY2019 (2018: Nil).

Pledge of Assets

There was no pledge of the Group's assets as at 31 December 2019 and 2018, respectively.

Contributions to Pension Schemes

The Company did not adopt any retirement benefits scheme for Directors or past Directors. Hence, in FY 2019, the Company's contribution to such retirement benefits scheme is nil.

Outlook

According to statistics announced by CIPA, the shipment volume of DSCs for FY2019 decreased by approximately 21.7% as compared with that in the corresponding period in the previous year. The Group's revenue derived from sale of components for DSCs accounts for a high proportion of the overall revenue, whilst the operating environment continues to be challenging. The core competitiveness of the Group lies in its highly sophisticated module technology and its manufacturing technology and capabilities which earns its customers' trust. The Group provides "one-stop" services to maintain its competitive edge.

Looking ahead to 2020, the operating environment continues to be challenging.

Firstly, there is still uncertainty on future development although Sino-US trade tensions conflict is expected to ease after the phase-one trade deal was signed by the PRC and the U.S.

Secondly, the Epidemic has been expanded across the PRC and globally, and has affected supply chain management across the industry, which put the Group under pressure in respect of both production and sales. Governments around the world and international organizations have taken a series of prevention and control measures in an effort to contain the Epidemic. The Group follows instructions from the local government to appropriately practice prevention and control measures of the Epidemic.

Thirdly, the DSCs industry remains weak and large portion of the Group's revenue derived from the sale of components for DSCs products. Due to the impact from the shrinkage in the scale of the DSCs industry, the efficiency in economies of scale has increasingly reduced, and the Group is faced with considerable cost pressures.

Fourthly, the laws and regulations in the PRC for discharging air pollutants and factories activities became more stringent. As such, the Group continues to upgrade environmental protection treatment facilities to ensure the compliance of the laws and regulations.

In light of the challenging operating environment ahead, the Group will strengthen its financial structure. 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 as a guarantee for product quality and expenses control, and will diversify its product portfolio and develop products for other applications. The Group will also continue to comply with relevant regulations in respect of environmental protection and corporate governance.

Final Dividend

The Board proposed to declare and distribute to the shareholders a final dividend of HK$0.025 per share. It is expected that the final dividend will be paid on or before Tuesday, 4 August 2020.

Including the interim dividend of HK$0.019 per share paid to the shareholders on Thursday, 3 October 2019 and the final dividend to be paid in the future, total dividend paid to the shareholders for FY2019 will be HK$0.044 per share, bringing a dividend payout ratio of approximately 91.9%.

ANNUAL GENERAL MEETING

An annual general meeting (the "**AGM**") of the Company will be held on Thursday, 18 June 2020, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the requirements of the Company's Articles of Association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020, both days inclusive, during which period no transfer of shares will be registered, in order to determine the entitlement to attend and vote at the Company's forthcoming AGM to be held on 18 June 2020. In order to be entitled to attend and vote at the forthcoming AGM, unregistered holders of shares should ensure that all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 12 June 2020.

On the assumption that the resolution for declaring the final dividend is duly passed at the AGM, the register of members of the Company will be closed from Friday, 10 July 2020 to Tuesday, 14 July 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for entitlement to the above-mentioned proposed final dividend, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 9 July 2020.

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 financial year ended 31 December 2019.

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.

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 to all Directors regarding any non-compliance with the Model Code for FY2019 and they have all confirmed that they have fully complied with the required standards as set out in the Model Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

The repurchase of the Company's shares during FY2019 was effected by the Directors pursuant to the repurchase mandate granted by shareholders at the AGM of the Company held on 18 June 2019, with a view to benefiting shareholders as a whole by enhancing the earnings per share of the Group.

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the listed securities of the Company during FY2019.

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 audited financial results of the Group for FY2019.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

This announcement is published on the respective websites of the Stock Exchange and the Company on 20 March 2020. The annual report for FY2019 containing all information required by the Listing Rules will be despatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to express gratitude to all the shareholders and customers for their continued support and to thank all staff members of the Group for their dedication and contribution to the Group.

By order of the Board
YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
Kurihara Toshihiko
Executive Director and Chief Executive Officer

Hong Kong, 20 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Lai I-Jen and Mr. Kurihara Toshihiko; one non-executive Director, namely, Ms. Wu Shu-Ping; and three independent non-executive Directors, namely, Mr. Lin Meng-Tsung, Mr. Liu Wei-Li and Mr. Wang Yi-Chi.

* *For identification purpose only*