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YORKEY

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)

CONTINUING CONNECTED TRANSACTION SECOND TENANCY AGREEMENT AND REVISION OF ANNUAL CAPS

Reference is made to the announcements of the Company dated 1 August 2013.

On 1 August 2013, an indirect wholly-owned subsidiary of the Company, Dongguan Yorkey Optical Machinery Components Ltd. as the tenant, entered into the First Tenancy Agreement with Dongguan Sintai Optical Co., Ltd. as the landlord. On 17 March 2014, an indirect wholly-owned subsidiary of the Company, Dongguan Yorkey Optical Machinery Components Ltd. as the tenant, entered into the Second Tenancy Agreement with Dongguan Sintai Optical Co., Ltd. as the landlord, in respect of the leasing of the Premises for a rental period from 1 April 2014 to 31 December 2015. Since the Landlord is a connected person of the Company, the Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the Second Tenancy Agreement and the First Tenancy Agreement were similar in nature and entered into by the Group with the same counter party, pursuant to Rule 14A.25 of the Listing Rules, the Second Tenancy Agreement and the First Tenancy Agreement would have to be aggregated for the purpose of considering the Company's compliance obligations. The original annual caps of the continuing connected transactions under the First Tenancy Agreement for the two years ending 31 December 2015 will not be sufficient and needs to be revised.

As the highest applicable percentage ratio in respect of the revised annual caps under the Second Tenancy Agreement and the First Tenancy Agreement, on an aggregated basis, is at least 0.1% but below 5%, the entering into of the New Tenancy Agreement and also the revised annual caps are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements, under Rule 14A.34 of the Listing Rules.

THE SECOND TENANCY AGREEMENT

The Principal terms of the Second Tenancy Agreement are summarised as follows:

Date : 17 March 2014

Landlord : Dongguan Sintai Optical Co., Ltd., a wholly owned subsidiary of AOIL which is a substantial shareholder of the Company

Tenant : Dongguan Yorkey Optical Machinery Components Ltd., an indirect wholly-owned subsidiary of the Company

Premises : The property leased to the Group under the Second Tenancy Agreement is located in Xiao-bian, the Second Industrial Zone, Chang-an town, Dong-guan city, Guangdong, China with a gross floor area of approximately 7,419 square metres which is for the usage as manufacturing plant only.

Term : Commencing from 1 April 2014 and expiring on 31 December 2015 and automatically renewed for one year if no objection is raised by either party three months before the expiry date.

Rental : RMB74,190 (approximately USD15,000) per month

HISTORICAL FIGURES

The historical amounts paid by the Group under the First Tenancy Agreement for the year ended 31 December 2013 and for the two months ended 28 February 2014 were approximately:

	For the year ended 31 December 2013 (USD)	For the two months ended 28 February 2014 (USD)
Amounts paid under the First Tenancy Agreement	473,000	192,000

REVISION OF 2014 AND 2015 ANNUAL CAPS

Due to the entering into of the Second Tenancy Agreement, the original annual caps for the lease contemplated under the First Tenancy Agreement for the two years ending 31 December 2015 will not be sufficient and needs to be revised.

According to the terms of and based on the Second Tenancy Agreement and the First Tenancy Agreement, the Company estimates that the revised annual caps of the continuing connected transactions under the Second Tenancy Agreement and the First Tenancy Agreement for the two years ending 31 December 2015 are summarized as follows:

For the year ending 31 December			
2014		2015	
Original Cap (USD)	Revised Cap (USD)	Original Cap (USD)	Revised Cap (USD)
1,152,000	1,467,000	1,152,000	1,572,000

The above Annual Caps are determined with reference to the monthly rental stated in the First and the Second Tenancy Agreements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND TENANCY AGREEMENT

As the Group consider that (i) the Premises are suitable for the usage as a manufacturing plant; and (ii) reasonable rental terms were agreed, the Tenant entered into the Second Tenancy Agreement with the Landlord.

The terms of the Second Tenancy Agreement have been negotiated on an arm's length basis between the Tenant and the Landlord and are on normal commercial terms. The monthly rental of the Premises have been arrived at by reference to (i) gross floor area and location of the Premises; and (ii) the prevailing market conditions.

The Directors, including the independent non-executive Directors, consider that the Second Tenancy Agreement is entered into after arm's length negotiations, in the usual and ordinary course of business of the Group and on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the proposed revised annual caps set out above for each of the two years ending 31 December 2015 are also fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Lai I-Jen and Ms Wu Shu Ping are directors of Asia Optical by which AOIL is wholly owned. To avoid any possible conflict of interest, the abovementioned directors have abstained from voting on the relevant Board resolutions approving the Second Tenancy Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Tenancy Agreement and was required to abstain from voting on the relevant Board resolutions approving the Tenancy Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As the Landlord is a wholly-owned subsidiary of AOIL, a substantial shareholder of the Company holding approximately 22.57% of the equity interests and hence a connected person of the Company under the Listing Rules, the Tenancy Agreement constitutes a continuing connected transaction of the Company for the purpose of the Listing Rules.

The Second Tenancy Agreement and the First Tenancy Agreement are similar in nature and entered into by the Group with the same counter party. Pursuant to Rule 14A.25 of the Listing Rules, the Second Tenancy Agreement and the First Tenancy Agreement would have to be aggregated for the purpose of considering the Company's compliance obligations. The original annual caps of the continuing connected transactions under the First Tenancy Agreement for the two years ending 31 December 2015 will not be sufficient and needs to be revised.

As the highest applicable percentage ratio in respect of the revised annual caps under the Second Tenancy Agreement and the First Tenancy Agreement, on an aggregated basis, is at least 0.1% but below 5%, the entering into of the New Tenancy Agreement and also the revised annual caps are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements, under Rule 14A.34 of the Listing Rules.

GENERAL

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

The Landlord is principally engaged in the production of optical products and parts and components.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“AOIL”	Asia Optical International Ltd., a wholly-owned subsidiary of Asia Optical
“Asia Optical”	Asia Optical Co., Inc.
“Board”	the board of Directors
“Company”	Yorkey Optical International (Cayman) Ltd., a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“DSCs”	digital still cameras
“First Tenancy Agreement”	the tenancy agreement dated 1 August 2013 entered into between the Landlord and the Tenant in respect of the Premises
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Landlord”	Dongguan Sintai Optical Co., Ltd., a wholly owned subsidiary of AOIL, the Company’s substantial shareholder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC” or “China”	People’s Republic of China. Unless the context otherwise requires, references in this announcement to the PRC or China do not apply to Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
“Premises”	A property located in Xiao-bian, the Second Industrial Zone, Chang-an town, Dong-guan city, Guangdong, China with a gross floor area of approximately 7,419 square metres which is for the usage as manufacturing plant only
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Second Tenancy Agreement”	the tenancy agreement dated 17 March 2014 entered into between the Landlord and the Tenant in respect of the leasing of the Premises from the Landlord to the Tenant
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	Dongguan Yorkey Optical Machinery Components Ltd., a wholly foreign owned enterprise established under the laws of the PRC on 11 December 1995 and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.
Nagai Michio
Executive Director and CEO

Hong Kong, 17 March 2014

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Lai I-Jen and Mr. Nagai Michio, two non-executive Directors, namely, Mr. Liao Kuo-Ming and Ms. Wu Shu-Ping, and three independent non-executive Directors, namely, Mr. Chiang Hsiang-Tsai, Mr. Chou Chih-Ming and Mr. Wang Yi-Chi.

** For identification purpose only*