
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your independent licensed securities dealer, bank manager, solicitor, professional accountant or other independent professional adviser.

If you have sold or transferred all your shares in Yorkey Optical International (Cayman) Ltd., you should at once hand this Circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



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)

CIRCULAR

CONTINUING CONNECTED TRANSACTIONS UNDER SALE FRAMEWORK AGREEMENT (2022) AND PROCESSING FRAMEWORK AGREEMENT (2022)

AND

CONNECTED TRANSACTION UNDER LEASE AGREEMENT (SINTAI) (2022)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



川盟融資有限公司
Chanceton Capital Partners Limited

The Circular contains, among other things, a letter from the Board, a letter from the Independent Board Committee and a letter from Chanceton Capital Partners Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, all as referred to in the content page of this Circular. All capitalised terms used in this Circular shall have the meanings set out in the section headed "Definitions" on pages 3 to 8 of this Circular.

A notice convening the EGM of the Company to be held at 21/F-7, No. 282, Shizheng North 2nd Road, Xitun District, Taichung City, Taiwan as the principal place of meeting ("Principal Meeting Place") and electronic facilities for accessing to the Principal Meeting Place will be made available at ATLASPACE (Hong Kong) Limited, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong as a meeting location ("Meeting Location") on Wednesday, 23rd June 2021 at 11:00 a.m. (or as soon as the annual general meeting to be held at 10:00 a.m. on the same date and at the same place shall have been concluded or adjourned) is set out on pages EGM-1 to EGM-4 of this Circular. A proxy form for the EGM is enclosed with this Circular. The proxy form is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.yorkey-optical.com>).

If you are not able to attend and vote at the EGM in Taiwan or Hong Kong in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Monday, 21st June 2021) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof in person, if you so wish.

ARRANGEMENT AND PREVENTIVE MEASURES FOR THE EGM

Please refer to pages 1 to 2 of this Circular for the measures to be implemented at the EGM by the Company against the COVID-19 pandemic to protect the attendees from the risk of infection of the novel coronavirus, including:

- compulsory body temperature check
- compulsory wearing of surgical face mask
- no serving of refreshments or drinks or distribution of gifts to attendees

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company wishes to advise Shareholders that you may appoint the Chairman of the meeting as your proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

* For identification purpose only

CONTENTS

	<i>Pages</i>
Arrangement and Preventive Measures for the EGM	1
Definitions	3
Letter from the Board	9
Letter from the Independent Board Committee	28
Letter from the Independent Financial Adviser	30
Appendix – General Information	App-1
Notice of EGM	EGM-1
Accompanying document – Form of Proxy	

ARRANGEMENT AND PREVENTIVE MEASURES FOR THE EGM

Due to the outbreak of the respiratory disease caused by coronavirus (“**COVID-19 pandemic**”), local governments have implemented various preventive measures to combat the COVID-19 pandemic, including travel restrictions and guidance on public gathering. The Company has been actively monitoring the development of the COVID-19 pandemic and the guidelines issued by the relevant government authorities to ensure the EGM can be held as schedule while taking care of the health and safety of the Shareholders, our Directors, our employees and the public.

(I) VENUES IN TAIWAN AND HONG KONG

The EGM will be held at the Principal Meeting Place, i.e. 21/F-7, No. 282, Shizheng North 2nd Road, Xitun District, Taichung City, Taiwan and electronic facilities for accessing to the Principal Meeting Place will be made available at ATLASPACE (Hong Kong) Limited, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong as a Meeting Location for attendance by Shareholders who are unable to attend the Principal Meeting Place (as permitted by the Articles of Association of the Company), on Wednesday, 23 June 2021 at 11:00 a.m. (or as soon as the annual general meeting to be held at 10:00 a.m. on the same date and at the same place shall have been concluded or adjourned). Shareholders can attend, speak and vote in the venues in Taiwan and Hong Kong. Shareholders participating through the electronic facilities available at the venue in Hong Kong are deemed to be present at and shall be counted in the quorum of the EGM. Hong Kong is in the same time zone as Taiwan.

(II) VOTING ARRANGEMENT

In order to comply with the COVID-19 pandemic prevention and control measures imposed by the relevant government authorities and safeguard the health, safety and rights of the Shareholders, the Company strongly recommends the Shareholders to complete the enclosed form of proxy in accordance with the instructions printed thereon, appoint the chairman of the EGM as his/her proxy (instead of attending the EGM in person) to vote in accordance with the instructions on the form of proxy, and return the same to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event **not less than 48 hours before the time appointed for holding of the EGM (i.e. 11:00 a.m. on Monday, 21 June 2021)** or any postponement or adjournment thereof.

ARRANGEMENT AND PREVENTIVE MEASURES FOR THE EGM

PREVENTIVE MEASURES

Shareholders or proxies who intend to attend the EGM to be held in Taiwan or Hong Kong in person are specifically reminded to take personal protective measures and comply with the COVID-19 pandemic preventive and control requirements. In light of the current COVID-19 pandemic prevention and control and the consideration of protecting the life safety and health of the Shareholders and other participants, the Company will take a series of preventive and control measures at the venues, including but not limited to the following:

- (i) Shareholders and other participants are required to wear masks on their own to enter each of the venues in Taiwan and Hong Kong and wear masks throughout the meeting;
- (ii) Shareholders and participants must undergo hand sanitisation and mandatory temperature checking at the entrance of each of the venues in Taiwan and Hong Kong, and any person who has been recorded a body temperature of higher than 37.4 degrees Celsius will not be allowed to enter the venue;
- (iii) no refreshment or drinks will be provided and no gift will be distributed to attendees at each of the venues in Taiwan and Hong Kong; and
- (iv) if the number of Shareholders and other participants present in the venues in Taiwan or Hong Kong reaches the upper limit stipulated by the relevant government authorities on the date of the EGM, Shareholders or proxies will have to enter into the venues on a “first sign in, first enter” basis.

Notwithstanding the foregoing, the Board has the absolute discretion to change or cancel the venue in Hong Kong if the Board considers that it is not safe for the Shareholders to gather together in one place or in order to comply with relevant law or regulations, including but not limited to Hong Kong Prevention and Control of Disease (Prohibition on Group Gathering) Regulation. For the health and safety of all stakeholders, and in compliance with the recent guidelines for COVID-19 pandemic prevention and control, the Company reminds the Shareholders that it is not necessary to attend the EGM in person for exercising the voting rights. Instead, the Shareholders may submit the proxy form with voting instructions printed thereon to appoint the chairman of the EGM as his/her proxy to attend and vote on the relevant resolutions at the EGM in his/her stead. If there are any questions regarding the EGM and the business of the EGM that you would like to be addressed, the Shareholders are welcome to contact the Company by post to the Company Secretary’s office at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, or by email to ir@yorkey-optical.com.

Shareholders are reminded to keep track of the Company’s announcements on the Company’s website or the Stock Exchange’s website for any update.

DEFINITIONS

In this Circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“2020 Annual Report”	means annual report of the Company, enclosing audited financial statements of the Company, for the year ended 31 December 2020;
“Ability Enterprise BVI”	means Ability Enterprise (BVI) Co., Ltd., a company incorporated in BVI with limited liability, directly holds 17.58% of the equity interests in the Company, while 100% of the issued shares of Ability Enterprise BVI are held by Ability Enterprise Co., Ltd., whose shares are listed on Taiwan Stock Exchange;
“Agreements”	means Sale Framework Agreement (2022), Processing Framework Agreement (2022) and Lease Agreement (Sintai) (2022);
“Announcement”	means the announcement of the Company dated 18 March 2021 in respect of, inter alia, the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be));
“AOCI”	means Asia Optical Co. Inc. (亞洲光學股份有限公司), a company established in Taiwan on 9 October 1980 (listed on the Taiwan Stock Exchange trading under the stock code 3019), which indirectly holds approximately 27.73% of the equity interests in the Company as at the Latest Practicable Date and is therefore a substantial shareholder of the Company;
“AOCI Group”	means AOCI and its subsidiaries;
“AOIL”	means Asia Optical International Ltd., a company incorporated in BVI with limited liability, a wholly-owned subsidiary of AOCI and a substantial shareholder of the Company;
“Articles”	means the existing articles of association of the Company as amended, supplemented or otherwise modified from time to time and duly adopted by the Company;
“associate(s)”	has the meaning as ascribed to it under the Listing Rules;

DEFINITIONS

“Board”	means the board of Directors;
“BVI”	means the British Virgin Islands;
“Circular”	means this circular to the Shareholders in relation to the EGM containing, among other things, details of the Agreements and the Transactions;
“close associate”	has the meaning ascribed thereto in the Listing Rules;
“Company”	means Yorkey Optical International (Cayman) Ltd. (精熙國際(開曼)有限公司) (stock code: 2788), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	means (a) director(s) of the Company;
“Dongguan Sintai”	means Dongguan Sintai Optical Co., Ltd.*, a wholly foreign owned enterprise established under the laws of the PRC in June 1992, a wholly-owned subsidiary of AOIL and a connected person of the Company;
“Dongguan Yorkey”	means 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;
“DSCs”	means digital still cameras;
“EGM”	means the extraordinary general meeting of the Company to be held at 21/F-7, No. 282, Shizheng North 2nd Road, Xitun District, Taichung City, Taiwan (as the Principal Meeting Place) and electronic facilities for accessing the Principal Meeting Place to be made available at ATLASPACE (Hong Kong) Limited, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong (as Meeting Location) on Wednesday, 23 June 2021 at 11:00 a.m. (or as soon as the annual general meeting to be held at 10:00 am on the same date and at the same place shall have been concluded or adjourned), the notice of which is set out at the end of this Circular;

DEFINITIONS

“Group”	means the Company and its subsidiaries;
“HKFRS”	means Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong” or “HK”	means Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means an independent board committee comprising Mr. Lin Meng-Tsung, Mr. Liu Wei-Li and Mr. Wang Yi-Chi, established to review the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)) for each of the three years ending 31 December 2022, 2023 and 2024;
“Independent Financial Adviser”	means Chanceton Capital Partners Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be));
“Independent Shareholders”	means the Shareholders other than AOIL and its associates in respect of the resolutions relating as proposed at the EGM;
“independent third party(ies)”	means independent third party(ies) who is (are) not connected persons of the Company as defined in the Listing Rules and is (are) independent of the Company and the connected persons of the Company;
“Latest Practicable Date”	means 22 April 2021, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein;

DEFINITIONS

“Lease Agreement (Sintai) (2019)”	means the lease Agreement dated 23 March 2018 entered into between Dongguan Yorkey and Dongguan Sintai for the lease of property by Dongguan Yorkey from Dongguan Sintai for a term of three years commenced on 1 January 2019 and expiring on 31 December 2021;
“Lease Agreement (Sintai) (2022)”	means the lease Agreement dated 18 March 2021 entered into between entered into between Dongguan Yorkey and Dongguan Sintai for the lease of property by Dongguan Yorkey from Dongguan Sintai for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Meeting Location”	has the means ascribed to it in Article 64A;
“optical and opto-electronic products”	means optical and opto-electronic products, including but not limited to DSCs, photocopiers, multifunctional printers, projectors, portable consumer electronic products, aimers, binoculars, optical instruments, image sensors, microscopes, laser range finders, DVD drives, delicate optical instruments, laser printers, scanners, dedicated electronic equipment, automotive lens, light detection and ranging (LiDAR) products, optical communication components, mobile phone lens, AR/VR-related products, dedicated electronic testing equipment and printing devices, of which the related parts and components made with plastic and/or metallic materials, molds, coating and printed related products;
“PRC” or “China”	means the People’s Republic of China, for the purpose of this Circular, exclude Hong Kong, Macau Special Administrative Region and Taiwan;
“Principle Meeting Place”	has the means ascribed to it in Articles 59(2);
“Processing Agreement (2016)”	means the agreement dated 16 December 2015 entered into between Dongguan Yorkey and Shenzhen Sintai for engaging Shenzhen Sintai for plating and surface treatment processing;

DEFINITIONS

“Processing Agreement (2019)”	means the agreement dated 23 March 2018 entered into between Dongguan Yorkey and Shenzhen Sintai for engaging Shenzhen Sintai for plating and surface treatment processing;
“Processing Framework Agreement (2022)”	means the framework agreement dated 18 March 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and AOCI (for itself and on behalf of its subsidiaries) in respect of engaging AOCI Group for plating and surface treatment processing on Processing Products for the Group;
“Processing Products”	means the components and parts manufactured by the member(s) of the Group to be undergone the plating and surface treatment processing which to be conducted by the member(s) of AOCI Group as per the instructions made by member(s) of the Group;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Sale Framework Agreement (2022)”	means the framework agreement dated 18 March 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and AOCI (for itself and on behalf of its subsidiaries) in respect of the sale of Yorkey Products from the Group to AOCI Group;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shareholders”	means shareholder(s) of the Company;
“Shares”	means share(s) of HK\$0.01 each in the share capital of the Company;
“Shenzhen Sintai”	means Shenzhen Sintai Optical Co., Ltd., a wholly foreign owned enterprise established under the laws of the PRC in August 2002, a wholly-owned subsidiary of AOIL and a connected person of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules;

DEFINITIONS

“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Taiwan Stock Exchange”	means Taiwan Stock Exchange Corporation;
“Transactions”	means transactions contemplated under the Agreements;
“US\$”	means United States Dollars, the lawful currency of the United States of America;
“Yorkey Products”	means all plastic and metallic parts and components of optical and opto-electronic products to be manufactured by the Group for AOCI Group and tailor-made by the Group in accordance with the specific requirements from AOCI, including the design, specification and intended usage, which will be used by AOCI Group in the course of its business or for its business purposes from time to time; and
“%”	means per cent.

In this Circular, amounts denominated in RMB have been translated into US\$ at the rate of RMB1= US\$0.1541. Such conversion rate is for illustration purposes only and should not be construed as representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

In this Circular, the English translation of Chinese names of the companies incorporated in the PRC is included for information purposes only and should not be regarded as their official English translation.

LETTER FROM THE BOARD

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)

Executive Directors:

LAI I-Jen

KURIHARA Toshihiko

Non-executive Director:

WU Shu-Ping

Independent non-executive Directors:

LIN Meng-Tsung

WANG Yi-Chi

LIU Wei-Li

Registered office:

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head office and principal 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

30th April 2021

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS UNDER
SALE FRAMEWORK AGREEMENT (2022) AND
PROCESSING FRAMEWORK AGREEMENT (2022)
AND
CONNECTED TRANSACTION UNDER
LEASE AGREEMENT (SINTAI) (2022)**

INTRODUCTION

Reference is made to the Announcement in relation to, inter alia, the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)).

LETTER FROM THE BOARD

On 18 March 2021, the Company announced that, amongst others, (i) the Company (for itself and on behalf of its subsidiaries) and AOCI (for itself and on behalf of its subsidiaries) entered into Sale Framework Agreement (2022); (ii) the Company (for itself and on behalf of its subsidiaries) and AOCI (for itself and on behalf of its subsidiaries) entered into Processing Framework Agreement (2022); and (iii) Dongguan Yorkey and Dongguan Sintai entered into Lease Agreement (Sintai) (2022). Agreements are scheduled to cover the three financial years ending 31 December 2022, 2023 and 2024.

As at the Latest Practicable Date, (i) AOCI indirectly holds approximately 27.73% of the equity interests in the Company; (ii) AOIL is a wholly-owned subsidiary of AOCI and a substantial Shareholder of the Company holding approximately 22.84% of the equity interests in the Company; and (iii) Dongguan Sintai is a wholly-owned subsidiary of AOIL, and hence AOCI and Dongguan Sintai are connected persons of the Company for the purpose of the Listing Rules. Thus, the transactions under Sale Framework Agreement (2022) and Processing Framework Agreement (2022) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and Lease Agreement (Sintai) (2022) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules, as one or more of the applicable percentage ratios in respect of (i) the proposed annual caps for the transactions under Sale Framework Agreement (2022) for each of the three years ending 31 December 2022, 2023 and 2024; (ii) the proposed annual caps for the transactions under Processing Framework Agreement (2022) for each of the three years ending 31 December 2022, 2023 and 2024; and (iii) the estimated value of the right-of-use assets to be recognised by the Group under Lease Agreement (Sintai) (2022), are expected to exceed 5% and do not constitute exempt connected transaction under Rule 14A.73 of the Listing Rules and are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM at which ordinary resolutions will be proposed for the Independent Shareholders to consider, if thought fit, approve the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)). AOIL and its respective associates are required to abstain from voting on the resolutions as proposed at the EGM.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Agreements and as to how to vote at the EGM on the resolutions in relation to the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)), after taking into account the advice from the Independent Financial Adviser. No member of the Independent Board Committee has any material interest in the Agreements and Transactions.

LETTER FROM THE BOARD

Chanceton Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the matters in Rules 14A.45(1) to (4) of the Listing Rules, including its opinion as to whether the terms of the Agreements are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole.

PURPOSE OF CIRCULAR

The purpose of this Circular is to provide the Shareholders with the information required by the Listing Rules, including, among other things, (i) details of Sale Framework Agreement (2022) and the proposed annual caps; (ii) details of Processing Framework Agreement (2022) and the proposed annual caps; (iii) details of Lease Agreement (Sintai) (2022) and the estimated value of the right-of-use assets; (iv) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)); (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)); and (vi) a notice of the EGM in compliance with the Listing Rules.

SALE FRAMEWORK AGREEMENT (2022)

The Company (for itself and on behalf of its subsidiaries) and AOCI (for itself and on behalf of its subsidiaries) entered into Sale Framework Agreement (2022). The Sale Framework Agreement (2022) serves as a framework to govern the sale of Yorkey Products from the member(s) of the Group to the member(s) of AOCI Group. It sets out the principles and basis in particular with respect to the pricing of the sale of Yorkey Products may be conducted.

The principal terms of Sale Framework Agreement (2022) are set forth below:

Date	:	18 March 2021
Parties	:	(1) The Company (for itself and on behalf of its subsidiaries) (2) AOCI (for itself and on behalf of its subsidiaries)
Subject Matter	:	Sale Framework Agreement (2022) sets out the principles and basis on which the sale of Yorkey Products from the member(s) of the Group to the member(s) of AOCI Group.

LETTER FROM THE BOARD

Condition Precedent : Sale Framework Agreement (2022) is conditional upon the approval of the Independent Shareholders at the EGM.

If the approval is not granted on or before 30 June 2021 (or such later date as may be set by mutual agreement between the Company and AOCI), Sale Framework Agreement (2022) shall terminate and no party shall have any obligation thereunder.

Term : Subject to the satisfaction of the condition precedent, Sale Framework Agreement (2022) will be for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

Pricing basis : The price for sale of Yorkey Products will be determined after arm's length negotiation and taking into consideration of the following:

- (i) the price shall be, from the perspective of the Group, no less favourable than that offered by the Group to its independent third party customers for the sale of any products of similar quantity and specifications after taking into accounts the relevant bulk purchase discounts offered to independent third party;
- (ii) in terms of market comparable price, the Group will (a) first make reference to the average market price of the products with similar specification and use; (b) if the relevant market price is not available, the price will be determined on a "cost plus" basis that a certain percentage, which is generally not less than 12%, on the cost of producing a Yorkey Product will be added to the price of such Yorkey Product, such percentage is determined based on the gross profit margin derived from the Group's sales of similar products to independent third-party customers and other factors including but not limited to, the order volume, the existing idle production capacity of the Group, the then market trend and the then market competition; or (c) if the Group considers (a) and (b) are not relevant, the Group will take a holistic view and determine the price based on normal commercial principles, for example, a range of factors that a normal businessperson may take into consideration before entering into a certain transaction, for instance profitability, future business prospect, intangible benefits the Group may gain such as economies of scale, publicity and experience; and

LETTER FROM THE BOARD

In terms of the use of the pricing mechanism set out above:

1. When the Group makes the first offer of the Yorkey Products, the Group adopts the pricing mechanism set out in (a) and (b).
2. When a customer makes the first offer and specifies the price of a Yorkey Products (“**Customer Price**”), which is an exceptional situation, the Group will adopt the following two-prong pricing mechanism:
 - (i) the Group will takes a holistic view in accordance with the pricing mechanism set out in (c), i.e. by reference to normal commercial principles; and
 - (ii) if the Customer Price is acceptable according to the pricing mechanism as set out in (c), the Group will then compare the Customer Price to the price of products with similar specifications as transacted with other independent third party customers (“**Comparable Price**”).

If the Comparable Price is higher than the Customer Price, the Group will first negotiate with the customer; if the Comparable Price is not accepted by the customer, the Group will refuse the order.

- (iii) other factors including but not limited to the general sales condition, competition, quantity, potential workload imposes on the Group, and whether the transactions will help promote the business of the Group.

Credit terms and other terms : The product specifications, quantity, credit terms, settlement method, delivery arrangement and other terms will be determined by other project contracts or supply orders that will be signed and determined by the parties.

The Group normally receives payment for sales transactions within 60 to 120 days after the relevant invoice date.

LETTER FROM THE BOARD

Proposed annual caps for the transactions under Sale Framework Agreement (2022)

It is proposed that the annual caps for the transactions under Sale Framework Agreement (2022) be set at as follows:

	For the year ending 31 December		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Proposed annual cap for the transactions under Sale Framework Agreement (2022)	3,915	4,893	5,872

The member(s) of the Group sold Yorkey Products to the member(s) of AOCI Group previously and the last transaction was conducted in 2015. The transaction amount for the year ended 31 December 2015 was approximately US\$8.79 million. The proposed annual caps for the transactions under Sale Framework Agreement (2022) for the three years ending 31 December 2024 are determined by reference to various factors, including but not limited to, (i) the target percentage of the total sales of the Group to AOCI Group to the Group's annual turnover, (ii) the proposed annual cap for the transactions under Sale Framework Agreement (2022) for the three years ending 31 December 2024 to the audited revenue of the Group for the year ended 31 December 2020 and (iii) the inflation rate by reference to the target growth rate of gross domestic product as announced by the government authorities from time to time.

The percentage of the total sales of the Group to AOCI Group to the Group's annual turnover accounted for (i) approximately 11.08% to 13.64% of the total revenue of the Group during the three years ended 31 December 2013 to 2015, with an average of approximately 12.22%. The proposed annual cap for the transactions under Sale Framework Agreement (2022) for the three years ending 31 December 2024 to the Group's annual turnover Group for the year ended 31 December 2020 is approximately 8%, 10% and 12%, respectively. The Group expects the sales to AOCI Group would pick up gradually from a relatively lower level of 8% back to the then average level of approximately 12%. For the purpose of the said proposed annual cap, the Board sets the inflation rate at 5% upon considering the public information available and the then market condition.

The proposed annual caps for the transactions under Sale Framework Agreement (2022) are genuine and reasonable estimates by the Board based on information currently available. There is no commitment on the part of the parties to the transactions as to the future volume, pricing or frequency of the transactions for the relevant years.

LETTER FROM THE BOARD

Internal control in respect of the transactions under Sale Framework Agreement (2022)

The Group has adopted the following internal control measures to ensure that the transactions under Sale Framework Agreement (2022) will be conducted in accordance with the pricing policies and the principles set out in Sale Framework Agreement (2022), and in compliance with the Listing Rules:

- (a) sales and operation teams will oversee the transactions between the Group and AOCI Group and will draw up the price and the terms on which the Group will offer to AOCI Group against those offered by the Group to other third party customers ordering similar quantity and specifications of Yorkey Products and gather information as to the manufacturing cost;
- (b) any price adjustment will be conducted in accordance with the established internal procedures of the Group and to be approved by the sales supervisor and senior supervisor of the relevant plant;
- (c) sales and operation teams of the Group keep internal records of the pricing and payment terms offered to other customers and review the terms of each transaction with AOCI Group to ensure that such transactions will be conducted in accordance with the terms of Sale Framework Agreement (2022) and the relevant pricing shall be fair and reasonable and in accordance with the pricing policies to ensure the price and the terms are reasonable and, from the perspective of the Group, no less favourable than those offered by the Group to other third party customers;
- (d) the finance department of the Group will periodically prepare a ledger on the transaction amounts, aggregate the amount of connected transactions and compare such amount with the pre-approved annual cap to confirm whether the pre-approved annual cap has been exceeded and report to the management team of the Company periodically to ensure the pre-approved annual caps will not be exceeded;
- (e) the Board will continue to review the Group's internal control systems and their effectiveness periodically; and
- (f) the independent non-executive Directors shall, and the Group shall engage its external auditors to, conduct annual review on the said transactions and the pre-approved annual caps in accordance with the requirements of the Listing Rules.

Reasons for and benefits in respect of the transactions under Sale Framework Agreement (2022)

The Board considered (i) the Group's sales to AOCI Group can increase the utilisation rate of the Group's production capacity; (ii) such sales can increase sales profit and diversify the product mix; and (iii) the Group can benefit from the location proximity between the plants of the Group and AOCI Group to save transportation costs.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors whose views will be set out in the Letter from Independent Board Committee in this Circular) are of the view that the terms and conditions of Sale Framework Agreement (2022) and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

PROCESSING FRAMEWORK AGREEMENT (2022)

References are also made to the announcements of the Company dated 23 March 2018 and 4 April 2018 in relation to, among others, the engagement of Shenzhen Sintai for plating and surface treatment processing by Dongguan Yorkey.

As the existing Processing Agreement (2019) will expire on 31 December 2021, and leverage on the mutual cooperation and trust relationship built up by the efforts of the operation and management teams of both groups during the term of the Processing Agreement (2019), the Group intends to continue such relationship with AOCI Group.

On 18 March 2021, the Company (for itself and on behalf of its subsidiaries) and AOCI (for itself and on behalf of its subsidiaries) entered into Processing Framework Agreement (2022), which serves as a framework to govern the conducting of plating and surface treatment processing on Processing Products provided to the member(s) of the Group by the member(s) of AOCI Group. It sets out the principles and basis in particular with respect to the pricing of the fee for the plating and surface treatment processing on Processing Products may be conducted.

The principal terms of Processing Framework Agreement (2022) are set forth below:

Date	:	18 March 2021
Parties	:	(1) The Company (for itself and on behalf of its subsidiaries) (2) AOCI (for itself and on behalf of its subsidiaries)
Subject Matter	:	Processing Framework Agreement (2022) sets out the principles and basis on which the conducting of plating and surface treatment processing on Processing Products to be provided to the member(s) of the Group by the member(s) of AOCI Group and such Processing Products will be used for further processing.

LETTER FROM THE BOARD

Condition Precedent : Processing Framework Agreement (2022) is conditional upon the approval of the Independent Shareholders at the EGM.

If the approval is not granted on or before 30 June 2021 (or such later date as may be set by mutual agreement between the Company and AOCI), Processing Framework Agreement (2022) shall terminate and no party shall have any obligation thereunder.

Term : Subject to the satisfaction of the condition precedent, Processing Framework Agreement (2022) will be for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

Pricing basis : The processing fee for conducting of plating and surface treatment processing on Processing Products will be determined after arm's length negotiation and taking into consideration of the following:

(i) the processing fee paid by the Group to AOCI Group shall not be higher than the processing fee paid by the Group to other independent third party suppliers for conducting of plating and surface treatment processing or services of similar specification on its products after taking into account the relevant discounts offered by other independent third party suppliers; and

(ii) the quotations obtained by the Group from at least two qualified suppliers that meet the Group's requirements, including but not limited to quantity, quality, price and delivery time, if it is impossible to obtain quotation from at least two qualified suppliers, the Group will make reference to quotation from other qualified suppliers for services of similar specification.

Credit terms and other terms : The services specifications, quantity, credit terms, settlement method, delivery arrangement and other terms will be determined by other project contracts or supply orders that will be signed and determined by the parties.

The Group normally makes payment for processing services within 60 to 120 days after the relevant invoice date.

LETTER FROM THE BOARD

Proposed annual caps for the transactions under Processing Framework Agreement (2022)

The historical transaction amounts in respect of conducting of plating and surface treatment processing on Processing Products under Processing Agreement (2016) and Processing Agreement (2019) were as follows:

	For the year ended 31 December			For the two months ended on
	2018	2019	2020	28 February 2021
	<i>approximately</i> <i>US\$'000</i>	<i>approximately</i> <i>US\$'000</i>	<i>approximately</i> <i>US\$'000</i>	<i>approximately</i> <i>US\$'000</i>
Annual cap	3,975	3,943	3,943	3,943
Actual transaction amount	3,601	3,090	2,000	296
Utilisation rate	90.59%	78.37%	50.72%	45.04% (<i>Note</i>)

Note: The utilisation rate for the two months ended 28 February 2021 is calculated on annualised basis.

The historical downward trend shown in the actual transaction amount and the utilization rate of the annual cap for the years ended 31 December 2018 to 2020 was mainly attributable by the impact of COVID-19 pandemic and the weak performance of the digital still camera industry. Hence, the Group has decided to invest further efforts in the opto-electronic markets, where AOCI Group is specialised in.

It is proposed that the annual caps for the transactions under Processing Framework Agreement (2022) be set at as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Proposed annual cap for the transactions under the Processing Framework Agreement (2022)	2,400	2,880	3,456

The proposed annual caps for the transactions under Processing Framework Agreement (2022) for the three years ending 31 December 2024 are determined by reference to various factors, including but not limited to, (i) the historical transaction amounts; (ii) the potential rebound of relevant opto-electronic markets; and (iii) buffer for possible inflation in the raw material costs in connection with the cost of conducting of plating and surface treatment processing and other production costs.

LETTER FROM THE BOARD

The proposed annual cap for the transactions under Processing Framework Agreement (2022) for the three years ending 31 December 2024 is calculated based on the transaction amount under the Processing Agreement (2019) for the year ended 31 December 2020 with an assumption that the transaction amount under Processing Framework Agreement (2022) will increase by 20% in each financial year. Such growth rate represents the expected increase in transaction volume of plating and surface treatment processing service upon potential rebound of relevant opto-electronic markets at a rate of 15% and the expected inflation rate at the rate of 5%, which is expected to lead to a possible increase in the raw materials cost and the processing fees.

The proposed annual caps for the transactions under Processing Framework Agreement (2022) are genuine and reasonable estimates by the Board based on information currently available. There is no commitment on the part of the parties to the transactions as to the future volume, pricing or frequency of the transactions for the relevant years.

Internal control in respect of the transactions under Processing Framework Agreement (2022)

The Group has adopted the following internal control measures to ensure that the transactions under the Processing Framework Agreement (2022) will be conducted in accordance with the pricing policies and the principles set out in Processing Framework Agreement (2022), and in compliance with the Listing Rules:

- (a) purchase and operation teams will oversee the transactions between the Group and AOCI Group and will obtain quotations from at least two qualified suppliers and will compare the quotation of AOCI Group and those of the other qualified suppliers and such selection will be approved by the purchasing supervisor and senior supervisor of the factory (and if it is impossible to obtain quotation from at least two qualified suppliers, the Group will make reference to quotations from qualified suppliers for services of similar specification, use and quantity);
- (b) the Group will consider the price, credit terms, quality, delivery arrangements, etc. of different suppliers and will order from the suppliers with lowest quotation provided that other terms are comparable; and
- (c) the Group's finance department will aggregate the amounts of connected transactions by the end of each month and compare such amounts with the pre-approved annual cap to ascertain whether the annual cap has been exceeded.

LETTER FROM THE BOARD

Reasons for and benefits in respect of the transactions under Processing Framework Agreement (2022)

The Board considered that (i) AOCI Group is a reputable manufacturer, which principally engaged in the manufacturing, design and sales of a wide range of optical and opto-electronic products, which mainly include products like DSCs, laser range finders, image sensors, automotive lens, light detection and ranging (LiDAR) products, optical communication components, mobile phone lens, AR/VR-related products, etc.; (ii) the Group is satisfied with the services rendered by AOCI Group in the past years, including the quality of services and delivery time, and intends to continue to engage AOCI Group for conducting plating and surface treatment processing services on Processing Products; (iii) as the Group does not possess plating and surface treatment processing production line, the Group can benefit from the products and technique of AOCI Group and AOCI's plating and surface treatment processing production line that the Group can diversify its products mix; and (iv) the Group can benefit from the location proximity between the plants of the Group and AOCI Group to save transportation costs.

The Directors (excluding the independent non-executive Directors whose views will be set out in the Letter from Independent Board Committee in this Circular) are of the view that the terms and conditions of Processing Framework Agreement (2022) and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LEASE AGREEMENT (SINTAI) (2022)

References are made to the announcements of the Company dated 23 March 2018 and 4 April 2018 in relation to, among others, the lease of property by Dongguan Yorkey from Dongguan Sintai.

As the existing lease of property by Dongguan Yorkey from Dongguan Sintai will expire on 31 December 2021, on 18 March 2021, Dongguan Yorkey and Dongguan Sintai entered into Lease Agreement (Sintai) (2022), pursuant to which Dongguan Sintai will continue to lease to Dongguan Yorkey a property in Dongguan, Guangdong, the PRC for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

The principal terms of Lease Agreement (Sintai) (2022) are set forth below:

Date : 18 March 2021

Parties : (1) Dongguan Yorkey as tenant

(2) Dongguan Sintai as landlord

LETTER FROM THE BOARD

- Term : Lease Agreement (Sintai) (2022) will be for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.
- Condition Precedent : Lease Agreement (Sintai) (2022) is conditional upon the approval of the Independent Shareholders at the EGM.
- Nature of Transactions : Lease of a property for production, storage and dormitory uses.
- The relevant property is located at No. 1 Donghua Lane Shuanglong Road and No. 11 Xiaobian Beiyuan Street, Xiaobian, the Second Industrial Zone, Chang-an town, Dong-guan city, Guangdong, China.
- Rent : The rent payable by Dongguan Yorkey shall be negotiated on an arm's length basis between Dongguan Yorkey and Dongguan Sintai and on normal commercial terms. The rent has been arrived at by reference to (i) gross floor area and location of the property; (ii) the prevailing market conditions; (iii) the previous rental payment made by the Group under Lease Agreement (Sintai) (2019); and (iv) the fair rent letter issued by an independent valuer to the Company in respect of Lease Agreement (Sintai) (2022).
- Monthly rent is calculated based on actual space used by Dongguan Yorkey based on the parameters below:
- (1) maximum area of 13,984.13 square meters for production use at a rate of RMB35 (tax included) per square meter;
 - (2) maximum area of 6,581 square meters for storage use at a rate of RMB10 (tax included) per square meter; and
 - (3) maximum area of 4,653.38 square meters for dormitory use at a rate of RMB25 (tax included) per square meter;
- as such, the maximum monthly rental payable is RMB671,589 (tax included) and the maximum annual rental payable is RMB8.059 million (equivalent to approximately US\$1.242 million).
- Payment term : The rent payable by Dongguan Yorkey is on a monthly basis by way of telegraphic transfer with a credit period of 30 days.

LETTER FROM THE BOARD

Estimated value of the right-of-use assets to be recognised by the Group under the Lease Agreement (Sintai) (2022)

	For the year ended		For the
	31 December		two months
	2019	2020	ended on
	US\$'000	US\$'000	28 February
			2021
			US\$'000
Annual caps (<i>Note 1</i>)	1,305	1,305	1,305
Actual transaction amount (<i>Note 2</i>)	1,114	1,111	198
Utilisation rate	85.36%	85.13%	91.03% (<i>Note 3</i>)

Notes:

- The annual caps for the transactions under Lease Agreement (Sintai) (2019) are denominated in US\$. The applicable exchange rate is the median rate of US\$ against Renminbi published by the China Foreign Exchange Trading System as authorised by the People's Bank of China on 23 March 2018, which is 1:6.3272. As such, the equivalent amount of US\$1,305,000 is approximately RMB8,256,996.
- The rental fee was paid by Dongguan Yorkey in Renminbi and was recognised at the rates of exchange prevailing on the dates of the transactions.
- The utilisation rate for the two months ended 28 February 2021 is calculated on annualised basis.

The rate of the rental fee payable by Dongguan Yorkey under Lease Agreement (Sintai) (2022) are determined by reference to (i) rental fee per square metre for each type of use reached after arm's length negotiation and with reference to fair rent letter issued by an independent valuer; and (ii) the previous rental payment made by the Group under Lease Agreement (Sintai) (2019). Accordingly, the maximum annual rental fee payable by Dongguan Yorkey, under the Lease Agreement (Sintai) (2022) is RMB8.059 million (equivalent to approximately US\$1.242 million) for each of the years ending 31 December 2022, 2023 and 2024. The annual maximum rental fee payable by Dongguan Yorkey under Lease Agreement (Sintai) (2022) is a genuine and reasonable estimate by the Board based on information currently available.

In view of (i) the payment will be made by Dongguan Yorkey in Renminbi and (ii) the potential fluctuation in the exchange rate of US\$ against Renminbi, the maximum transaction amount under Lease Agreement (Sintai) (2022) will be calculated in Renminbi.

Accounting impact on the connected lease-right-of-use assets cap

The Group firstly adopted HKFRS 16 – “Leases” as at 1 January 2019, which forms part of the financial reporting standards applicable to the Group. Based on HKFRS 16, which is the latest applicable financial reporting standard, the Group as tenant shall recognise the lease under the Lease Agreement (Sintai) (2022) as right-of-use assets and lease liabilities in the consolidated financial statements of the Group. Accordingly, the lease transaction under the

LETTER FROM THE BOARD

Lease Agreement (Sintai) (2022) would be regarded as acquisition of asset by the tenant and is one-off in nature for the purpose of the Listing Rules. The total rent payable under the Lease Agreement (Sintai) (2022) is RMB23.026 million (tax excluded) (equivalent to approximately US\$3.548 million) while the aggregate value of the right-of-use assets to be recognized on its statement of financial position in connection with Lease Agreement (Sintai) (2022) is estimated to be RMB21.42 million (equivalent to approximately US\$3.301 million). The estimated right-of-use assets are determined by considering:

- (a) the maximum leased area and the rental per square meter; and
- (b) the value of the Group's right-of-use of the underlying leased assets during the lease term is initially measured on a present value basis and calculated by discounting the non-cancellable lease payment of the relevant connected lease using the incremental borrowing rate as discount rate.

Internal control in respect of the transactions under Lease Agreement (Sintai) (2022)

The Group has adopted the following internal control measures to ensure that the transactions under the Lease Agreement (Sintai) (2022) will be conducted in accordance with the pricing policies and the principles set out in Lease Agreement (Sintai) (2022), and in compliance with the Listing Rules:

- (a) Dongguan Yorkey may apply to Dongguan Sintai for any alteration in the area of actual space used according to its need for its production use, storage use or dormitory use from time to time and the designated team will ensure, upon agreement of the adjusted lease area, Dongguan Sintai will charge the rent based on the area being used after the adjustment, otherwise, Dongguan Sintai will continue to charge the rent based on the area used last agreed;
- (b) the Group's finance department will aggregate the amount of connected transactions each month and compare such amount with the maximum annual rental fee payable by Dongguan Yorkey, under the Lease Agreement (Sintai) (2022) to confirm whether the maximum annual rental fee has been exceeded; and
- (c) the Group would assess, on a regular basis, the sufficiency of the area of space actually used by Dongguan Yorkey and decide whether any reduction or additional of space is required to satisfy its actual need.

LETTER FROM THE BOARD

Reasons for and benefits in respect of the transactions under Lease Agreement (Sintai) (2022)

The Board considered that (i) the rental space can satisfy the Group's internal needs for production use space, storage use space and dormitory use space; and (ii) the rent charged by Dongguan Sintai is comparable to the market rent and the terms of the Lease Agreement (Sintai) (2022) are on commercial terms.

The Directors (excluding the independent non-executive Directors whose view will be set out in the Letter from Independent Board Committee in this Circular) are of the view that the terms and conditions of Lease Agreement (Sintai) (2022) and the transactions contemplated thereunder (including the estimated value of the right-of-use assets) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE GROUP

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 DSCs, action cameras, copier-based multifunction peripherals, surveillance cameras, projectors and advanced TVs, etc.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, (i) AOCI indirectly holds approximately 27.73% of the equity interests in the Company, (ii) AOIL is a wholly-owned subsidiary of AOCI and a substantial Shareholder of the Company holding approximately 22.84% of the equity interests in the Company, (iii) Dongguan Sintai is a wholly-owned subsidiary of AOIL and (iv) AOCI Group members (including, among others, AOCI, AOIL and Dongguan Sintai) are principally engaged in the manufacturing, design and sales of a wide range of optical and opto-electronic products. Hence, AOCI and Dongguan Sintai are connected persons of the Company for the purpose of the Listing Rules. Thus, the transactions under Sale Framework Agreement (2022) and Processing Framework Agreement (2022) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and Lease Agreement (Sintai) (2022) constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules:

- (1) as one or more of the applicable percentage ratios in respect of the proposed annual caps for the transactions under Sale Framework Agreement (2022) for each of the three years ending 31 December 2022, 2023 and 2024 are expected to exceed 5% and do not constitute exempt continuing connected transactions under Rule 14A.73 of the Listing Rules, the transactions are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules;

LETTER FROM THE BOARD

- (2) as one or more of the applicable percentage ratios in respect of the proposed annual caps for the transactions under Processing Framework Agreement (2022) for each of the three years ending 31 December 2022, 2023 and 2024 are expected to exceed 5% and do not constitute exempt continuing connected transactions under Rule 14A.73 of the Listing Rules, the transactions are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and
- (3) as one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under Lease Agreement (Sintai) (2022) are expected to exceed 5% and do not constitute exempt connected transactions under Rule 14A.73 of the Listing Rules, the transactions are subject to the reporting, announcement, circular, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. LAI I-Jen and Ms. WU Shu-Ping, who hold directorship in AOIL, respectively, had abstained from voting on the resolutions of the Board in respect of the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)).

The Company will convene the EGM at which ordinary resolutions will be proposed for the Independent Shareholders to consider, if thought fit, approve the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)). AOIL and its respective associates are required to abstain from voting on the resolutions as proposed at the EGM.

EGM, PROXY ARRANGEMENT AND CLOSURE OF REGISTER OF MEMBERS

Set out at the end of this Circular is a notice convening the EGM to be held at 21/F-7, No. 282, Shizheng North 2nd Road, Xitun District, Taichung City, Taiwan as the principal place of meeting and electronic facilities for accessing to the principal place of meeting to be made available at ATLASPACE (Hong Kong) Limited, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 23 June 2021 at 11:00 a.m. (or as soon as the annual general meeting to be held at 10:00 a.m. on the same date and at the same place shall have been concluded or adjourned). A form of proxy for use in connection with the EGM is enclosed with this Circular.

At the EGM, the Independent Shareholders will be asked to consider and, if thought fit, pass the ordinary resolutions in the terms set out in the notice of EGM to approve the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)). In compliance with Rule 13.39(4) of the Listing Rules, all resolutions to be proposed at the EGM will be voted by poll. The voting results of the EGM will be announced in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

In accordance with the Listing Rules, Shareholder with material interests and its associates must abstain from voting on the resolutions approving such matter at the EGM. AOIL and its respective associates are regarded to have a material interest in the Agreements and are required to abstain from voting on the resolutions approving the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)) at the EGM in accordance with Chapter 14A of the Listing Rules. As at the Latest Practicable Date, AOIL and its respective associates were holding a total of 226,833,000 Shares (representing approximately 27.73% of the issued shares of the Company). Further, as informed by Fortune Lands International Limited, the trustee of The Yorkey Employee's Trust and the registered owner of 112,990,000 shares in the Company (representing approximately 13.81% of the issued shares of the Company), it will abstain from voting in respect of the approval of the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)) at the EGM.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, other than AOIL and its respective associates, as at the Latest Practicable Date, no other Shareholders have material interests in the Agreement and the Transaction and are required to abstain from voting in respect of the approval of the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)).

Whether or not you are able to attend and vote at the EGM in Taiwan or Hong Kong in person, you are requested to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding of the EGM (i.e. 11:00 a.m. on Monday, 21 June 2021) or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 18 June 2021 to Wednesday, 23 June 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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, 17 June 2021.

LETTER FROM THE BOARD

RECOMMENDATIONS

Mr. Lin Meng-Tsung, Mr. Liu Wei-Li and Mr. Wang Yi-Chi, being all the independent non-executive Directors, have been appointed to establish the Independent Board Committee to advise the Independent Shareholders as to the fairness and reasonableness of the terms and conditions of the Agreements and as to how to vote at the EGM on the resolutions in relation to the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)), after taking into account the advice from the Independent Financial Adviser. The advice and recommendations to the Independent Shareholders on how to vote on the resolutions approving the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)) at the EGM are set out in the Letter from the Independent Board Committee in this Circular. No member of the Independent Board Committee has any material interest in the Agreements and the Transactions.

Chanceton Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the matters in Rules 14A.45(1) to (4) of the Listing Rules, including its opinion as to whether the terms of the Agreements are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole, are set out in the Letter from the Independent Financial Adviser in this Circular.

The Directors (excluding the independent non-executive Directors who have formed the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this Circular) are of the view that the Agreements and the Transactions including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be) (i) have been reached after arm's length negotiations among the parties; (ii) are fair and reasonable; (iii) are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iv) are in the interests of the Company and its Shareholders as a whole.

Consistent with the recommendation of the Independent Board Committee and the Independent Financial Advisers, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolutions regarding the Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)) as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this Circular.

By Order of the Board
Yorkey Optical International (Cayman) Ltd.
Kurihara Toshihiko
Chief Executive Officer and Executive Director



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)

30th April 2021

To the Independent Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS UNDER
SALE FRAMEWORK AGREEMENT (2022) AND
PROCESSING FRAMEWORK AGREEMENT (2022)
AND
CONNECTED TRANSACTION UNDER
LEASE AGREEMENT (SINTAI) (2022)**

We refer to the circular issued by Yorkey Optical International (Cayman) Ltd. (the “**Company**”) to the shareholders of the Company dated 30 April 2021 of which this letter forms part (the “**Circular**”) which contains the notice of the extraordinary general meeting. Terms defined in the Circular bear the same meanings herein, unless the context otherwise requires.

We have been appointed by the Board to advise you in respect of Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)). Chanceton Capital Partners Limited has also been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders on the matters in Rules 14A.45(1) to (4) of the Listing Rules, including its opinion as to whether the terms of the Agreements are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole. None of the members of the Independent Board Committee has any direct or indirect interest in any of the Agreements.

We wish to draw your attention to each of the Letter from the Board and the Letter from the Independent Financial Advisor which form parts of the Circular.

We have considered the principal factors and reasons considered by Chanceton Capital Partners Limited and its advice as set out in its letter. On such basis, it is our advice to you as the Independent Shareholders that Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)) are on normal commercial terms and in the ordinary and usual course of business of the Group. We also consider that the terms of Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve Agreements and the Transactions (including the respective proposed annual caps or the estimated value of the right-of-use assets (as the case may be)).

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Yorkey Optical International (Cayman) Ltd.
Lin Meng-Tsung
Wang Yi-Chi
Liu Wei-Li
Independent non-executive Directors

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser on connection with the Non-exempt CTs which has been prepared for inclusion in this circular.



川盟融資有限公司
Chanceton Capital Partners Limited

Flat C, 16/F., MG Tower
133 Hoi Bun Road
Kwun Tong, Hong Kong

30 April 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS UNDER
SALE FRAMEWORK AGREEMENT (2022) AND
PROCESSING FRAMEWORK AGREEMENT (2022)
AND
CONNECTED TRANSACTION UNDER
LEASE AGREEMENT (SINTAI) (2022)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the non-exempt continuing connected transactions under the Sale Framework Agreement (2022) and Processing Framework Agreement (2022) and the non-exempt connected transaction under the Lease Agreement (Sintai) (2022) (collectively, the “**Non-exempt CTs**”) and the relevant annual caps for the three years ending 31 December 2024 or the estimated value of the right-of-use assets (as the case may be). Details of the Non-exempt CTs and the terms of the Sale Framework Agreement (2022), Processing Framework Agreement (2022) and Lease Agreement (Sintai) (2022) (collectively, the “**Agreements**”) are set out in the “Letter from the Board” contained in the circular (the “**Letter from the Board**”) of the Company to the Shareholders dated 30 April 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

As stated in the Letter from the Board, the Company entered into, among others, (i) the Sale Framework Agreement (2022) with AOCI to govern the sale of Yorkey Products from the member(s) of the Group to the member(s) of AOCI Group; and (ii) the Processing Framework

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement (2022) with AOCI for plating and surface treatment processing of the Processing Products to be provided to the member(s) of the Group by the member(s) of AOCI Group; and Dongguan Yorkey entered into the Lease Agreement (Sintai) (2022) with Dongguan Sintai for which Dongguan Sintai will continue to lease Dongguan Yorkey a property in Dongguan, Guangdong, the PRC for production, storage and dormitory use of Dongguan Yorkey, all for a fixed period of three years from 1 January 2022 to 31 December 2024.

AOCI Group members (including, among others, AOCI, AOIL and Dongguan Sintai) are principally engaged in the manufacturing, design and sales of a wide range of optical and opto-electronic products. As at the Latest Practicable Date, (i) AOCI indirectly holds approximately 27.73% of the equity interests in the Company; (ii) AOIL is a wholly-owned subsidiary of AOCI and a substantial Shareholder of the Company holding approximately 22.84% equity interests in the Company; and (iii) Dongguan Sintai is a wholly-owned subsidiary of AOIL. Hence, AOCI and Dongguan Sintai are connected persons of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under Sale Framework Agreement (2022) and Processing Framework Agreement (2022) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the transaction contemplated under Lease Agreement (Sintai) (2022) constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profit ratio) as defined under Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the Sale Framework Agreement (2022) and Processing Framework Agreement (2022) (the “**Annual Caps**”) and the estimated right-of-use assets to be recognised under the Lease Agreement (Sintai) (2022) exceed 5%, each of the Non-exempt CTs (including the Annual Caps or the estimated value of the right-of-use assets (as the case may be)) under the Agreements is subject to the reporting, announcement, circular, annual review (as the case may be) and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lin Meng-Tsung, Mr. Wang Yi-Chi and Mr. Liu Wei-Li, has been established to advise the Independent Shareholders as to whether the Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, whether the terms of the Agreements and the Non-exempt CTs contemplated thereunder (including the Annual Caps or the estimated value of the right-of-use assets (as the case may be)) are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering of the Agreements and the Non-exempt CTs contemplated thereunder (including the Annual Caps or the estimated value of the right-of-use assets (as the case may be)) are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the resolutions to be proposed at the EGM to approve the Agreements and the Non-exempt CTs contemplated thereunder (including the Annual Caps or the estimated value of the right-of-use assets (as the case may be)). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. Save for this appointment as the Independent Financial Adviser in relation to the Agreements, there were no other engagements between us and the Group in the past two years. Apart from normal professional fee paid to us in connection with such appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the aforesaid transactions, and therefore we are considered to be eligible to give independent advice on the terms of the Agreements.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors and/or management of the Company were true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete in all material aspects as at the date of the Circular. We have reviewed, among others, the Agreements, the annual report of the Company for the year ended 31 December 2019, the annual results announcement of the Company for the year ended 31 December 2020 and the information contained in the Circular. We have discussed with Vincorn Consulting and Appraisal Limited, an independent valuer (the “**Valuer**”), the bases and assumptions for the fair rent opinion letters regarding the Lease Agreement (Sintai) (2022) (the “**Fair Rent Letter**”). We have also relied on our discussion with the Directors and/or the management of the Company regarding the Company and the terms of the Agreements. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and/or the management of the Company respectively in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or management of the Company. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the AOCI Group, and their respective associates nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Agreements for the Non-exempt CTs (including the Annual Caps and the estimated value of the right-of-use assets), we have considered the following principal factors and reasons:

1. Information on the Group, AOCI and Dongguan Sintai

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 DSCs, action cameras, copier-based multifunction peripherals, surveillance cameras, projectors and advanced TVs, etc.

AOCI is a company established in Taiwan on 9 October 1980 (listed on the Taiwan Stock Exchange trading under the stock code 3019), which is indirectly holding approximately 27.73% of the equity interests in the Company as of the Latest Practicable Date. AOIL is a wholly-owned subsidiary of AOCI and a substantial Shareholder of the Company holding approximately 22.84% equity interests in the Company as of the Latest Practicable Date. Dongguan Sintai is a wholly-owned subsidiary of AOIL. AOCI Group (including, among others, AOCI, AOIL and Dongguan Sintai) is a reputable manufacturer which principally engaged in the manufacturing, design and sales of a wide range of optical and opto-electronic products, which mainly include products like DSCs, laser range finders, image sensors, automotive lens, light detection and ranging (LiDAR) products, optical communication components, mobile phone lens, AR/VR-related products, etc.

2. Reasons and benefits for the Agreements

As stated in the Letter from the Board, the Directors consider that selling products to AOCI Group will benefit the Group by increasing the utilisation rate of the Group's production capacity, increasing sales profit and form a more diversified product mix. Besides that, the Group can benefit from the location proximity between the plants of the Group and AOCI Group to save transportation costs.

Based on our review of the prospectus and annual reports of the Group and the discussion with the management of the Company, we understand that the Group had been selling products to AOCI Group prior to the listing of the Group in 2006 and up until the end of 2015. The total revenue of the Group decreased from approximately US\$87.3 million for the year ended 31 December 2017 to approximately US\$60.9 million for the year ended 31 December 2019, representing a negative compound annual growth rate of approximately -16.5%. Due to the impact of COVID-19 epidemic and poor performance of the digital camera market, the Group recorded a decrease in revenue of approximately 35.4% during the first half of 2020 and approximately 19.7% for the year ended 31 December 2020. In order to enhance the sales of the Group's products and in view of the historical transaction volume and amount with the AOCI Group and the long-term business relationship established with the AOCI Group, the management of the Company decided to enter into the Sale Framework Agreement (2022) for a term of three years commencing from 1 January 2022 till 31 December 2024 to resume the sale of Yorkey Products to AOCI Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that the sales transactions contemplated under the Sale Framework Agreement (2022) could enhance the business performance of the Group under the impact of COVID-19 epidemic and benefit the Group from (i) the additional sales channel, revenue and enhancement of the Group's sales portfolio from the sales of the optical and opto-electronic product related parts and components to the AOCI Group on top of its current list of customers; (ii) better control over the relevant sale and operating costs such as freight due to geographical convenience; (iii) the non-exclusive nature of the Sale Framework Agreement (2022) which provide flexibility but no sales obligation to the Group; and (iv) AOCI is a listed company in Taiwan and was a long term customer of the Group with good credit history in the past, we are of the view that there is a strong commercial rationale for the Group to enter into the Sale Framework Agreement (2022) and we concur with the Directors that the entering into the Sale Framework Agreement (2022) is in the interests of the Company and the Shareholders as a whole and within the ordinary course of businesses of the Company.

In relation to the engagement of AOCI Group for plating and surface treatment processing services, the Directors consider that since (i) AOCI Group is a reputable manufacturer principally engaged in the manufacturing, design and sales of a wide range of optical and opto-electronic products; (ii) the Group does not possess plating and surface treatment processing production line; (iii) the Group is satisfied with the services rendered by AOCI Group in the past years, including the quality of products and delivery time; and (iv) relevant members of the AOCI Group are located closely to the surrounding area of the Group, such engagement can strengthen the cooperation between the Group and AOCI Group, save transportation costs and improve efficiency. We noticed that similar to the sales of products to AOCI Group, the Group has been engaging AOCI Group on plating and surface treatment processing services for many years. The entering into the Processing Framework Agreement (2022) is in substance the renewal of existing agreement of the Company.

Having considered (i) the strong and stable business relationship between AOCI Group and the Group; (ii) the AOCI Group's production facilities are in the vicinity of the production plants of the Group; (iii) the non-exclusive nature of the Processing Framework Agreement (2022) which provide no obligation to the Group in case there are better offers from other independent plating and surface treatment processing agents, we are of the view that the Group can enjoy a stable plating and surface treatment processing services at reasonable price by entering into the Processing Framework Agreement (2022) and we concur with the Directors that the entering into the Processing Framework Agreement (2022) is in the interests of the Company and the Shareholders as a whole and within the ordinary course of businesses of the Company.

As set out in the Letter from the Board, the property subject to the Lease Agreement (Sintai) (2022) comprise maximum area of 13,984.13 square metres for production use, a maximum area of 6,581 square metres for storage use and a maximum area of 4,653.38 square metres for dormitory use, all of which are essential for the production and daily operation of the subsidiaries of the Group in Dongguan, the PRC. As advised by the Company, the property currently occupied by the Group as production plant, warehouse and dormitory for staff. Since the change of operating address of the Group will incur additional renovation costs and cause interruption to the business operation of the Group, we concur with the view of the Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to continue the pre-existing tenancy between the Group and Dongguan Sintai upon expiry and that the entering into of the Lease Agreement (Sintai) (2022) is in the interest of the Company and the Shareholders as a whole and within the ordinary course of businesses of the Company.

3a. Principal terms of the Sale Framework Agreement (2022)

Pursuant to the Sale Framework Agreement (2022), the major terms are as follows:

Date of the agreement	:	18 March 2021
Parties involved	:	(i) the Company (for itself and on behalf of its subsidiaries) (ii) AOCI (for itself and on behalf of its subsidiaries)
Subject Matter	:	Sale Framework Agreement (2022) sets out the principles and basis on which the sale of Yorkey Products from the member(s) of the Group to the member(s) of AOCI Group.
Condition Precedent	:	Sale Framework Agreement (2022) is conditional upon the approval of the Independent Shareholders at the EGM. If the approval is not granted on or before 30 June 2021 (or such later date as may be set by mutual agreement between the Company and AOCI), Sale Framework Agreement (2022) shall terminate and no party shall have any obligation thereunder.
Term	:	Subject to the satisfaction of the condition precedent, Sale Framework Agreement (2022) will be for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Pricing basis : The price for sale of Yorkey Products will be determined after arm's length negotiation and taking into consideration of the following:
- (i) the price shall be, from the perspective of the Group, no less favourable than that offered by the Group to its independent third party customers for the sale of any products of similar quantity and specifications after taking into account the relevant bulk purchase discounts offered to independent third party;
 - (ii) in terms of market comparable price, the Group will (a) first make reference to the average market price of the products with similar specification and use; (b) if the relevant market price is not available, the price will be determined on a "cost plus" basis; or (c) if the Group consider (a) and (b) are not relevant, the Group will determine the price based on normal commercial principles; and
 - (iii) other factors including but not limited to the general sales condition, competition, quantity, potential workload imposes on the Group, and whether the transactions will help promote the business of the Group.
- Credit terms and other terms : The product specifications, quantity, credit terms, settlement method, delivery arrangement and other terms will be determined by other project contracts or supply orders that will be signed and determined by the parties.

The Group normally receives payment for sales transactions within 60 to 120 days after the relevant invoice date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under the Sale Framework Agreement (2022), the Group shall not offer sale terms to AOCI Group that are more favourable than terms available to independent customers of the Group after taking into accounts the relevant bulk purchase discounts offered to independent third party of similar quantity and specifications. As set out in the Sale Framework Agreement (2022), in determining the selling price for the sale of Yorkey Products, the Group will first make reference to the average market price of the products with similar specifications and uses sold to independent customers. If the relevant market price is not available, the price will be determined on a “cost plus” basis. If both of these references are not applicable, the Group will determine the price based on normal commercial principles. As discussed with the management of the Company, we understand that under cost-plus basis the Group would apply the same principle and factors in setting the internal target gross profit margin on the orders from both independent customers and AOCI Group which is generally not less than 12%, including but not limited to, the order volume, the existing idle production capacity, whether such transaction would stabilise the long-term purchase orders from the customer, whether it is a major customer and the then market competition. We are also given to understand that in some occasions the intended prices of products would be firstly offered and specified by AOCI Group or independent third party customers. In such case, the Group will compare the price offered by AOCI Group to the price of products with similar specifications as transacted with other independent third party customers. Based on our review of the disclosure in the circulars of certain listed companies which are principally engaged in manufacturing of electronic, optical and semi-conductor products, parts and components, we notice that the pricing mechanism with reference to prevailing market price and cost-plus basis are not uncommon. Given that there has been no sales of Yorkey Products to AOCI Group since the end of 2015, there are no recent sales transaction sample for review. However, based on our review of the terms of the Sale Framework Agreement (2022) and the previous master agreement dated 10 April 2013 between the Group and AOCI Group which also govern, among others, the sales of optical and opto-electronic products by the Group to AOCI Group, the pricing mechanism are similar under both agreements. Therefore, for due diligence purpose we have obtained and reviewed certain samples of historical transactions carried out (i) between the Group and the AOCI Group on one hand; and (ii) between the Group and independent customers on the other hand in the financial year of 2015 and noticed that the selling prices of products offered to the AOCI Group under the pricing basis of average market price, cost-plus and normal commercial principles were no more favourable than those available to independent third-party customers for similar types of products which we consider to be fair and reasonable.

We also understand that as internal control measures, the Group would keep internal records of the pricing and payment terms of other customers. Before accepting the orders of the sales transactions under Sale Framework Agreement (2022), the Group would retrieve relevant records of sale transactions of similar products with independent customers. This is to ensure that future prices of the products supplied to AOCI Group will be on terms no more favourable than those provided to independent third parties in determining prices for the relevant products. In view that (i) the price determination of Yorkey Products under the Sale Framework Agreement (2022) is benchmarked with the price charged to independent customers; and (ii) the Group has established internal control procedures to monitor the selling prices of Yorkey Products sold to AOCI Group, we consider that the pricing policy under the Sale Framework Agreement (2022) is fair and reasonable to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3b. Principal terms of the Processing Framework Agreement (2022)

Pursuant to the Processing Framework Agreement (2022), the major terms are as follows:

- Date of the agreement : 18 March 2021
- Parties involved : (i) the Company (for itself and on behalf of its subsidiaries)
- (ii) AOCI (for itself and on behalf of its subsidiaries)
- Subject Matter : Processing Framework Agreement (2022) sets out the principles and basis on which the conducting of plating and surface treatment processing on Processing Products to be provided to the member(s) of the Group by the member(s) of AOCI Group and such Processing Products will be used for further processing.
- Condition Precedent : Processing Framework Agreement (2022) is conditional upon the approval of the Independent Shareholders at the EGM.
- If the approval is not granted on or before 30 June 2021 (or such later date as may be set by mutual agreement between the Company and AOCI), Processing Framework Agreement (2022) shall terminate and no party shall have any obligation thereunder.
- Term : Subject to the satisfaction of the condition precedent, Processing Framework Agreement (2022) will be for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Pricing basis : The processing fee for conducting of plating and surface treatment processing on Processing Products will be determined after arm's length negotiation and taking into consideration of the following:
- (i) the processing fee paid by the Group to AOCI Group shall not be higher than the processing fee paid by the Group to other independent third party suppliers for conducting of plating and surface treatment processing or services of similar specification on its products after taking into account the relevant discounts offered by other independent third party suppliers; and
 - (ii) the quotations obtained by the Group from at least two qualified suppliers that meet the Group's requirements, including but not limited to quantity, quality, price and delivery time, if it is impossible to obtain quotation from at least two qualified suppliers, the Group will make reference to quotation from other qualified suppliers for services of similar specification.
- Credit terms and other terms : The service specifications, quantity, credit terms, settlement method, delivery arrangement and other terms will be determined by other project contracts or supply orders that will be signed and determined by the parties.

The Group normally makes payment for processing services within 60 to 120 days after the relevant invoice date.

Based on our review of the existing Processing Agreement (2019) and the Processing Framework Agreement (2022), we noticed that the pricing mechanism under both agreements are similar. As advised by the management of the Company, the processing fee would be initially set by the suppliers and the Group normally obtains quotations from the qualified suppliers and in general select the one offering the lowest price before making an order unless the order amount is too small to obtain quotation. As part of the internal control measures, the Group would keep internal records of the pricing and payment terms of other suppliers and would compare such terms with the terms of AOCI Group under the Processing Framework Agreement (2022). This is to ensure that transactions will be on terms no less favourable to the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group than those with independent third parties. Upon reviewing certain samples of historical transactions between the Group and AOCI Group and comparing to the quotations available from independent processing agents, we noticed that the pricing terms from AOCI Group are no less favourable to the Group than those available from independent service providers. As such, we consider that the pricing policy under the Processing Framework Agreement (2022) is fair and reasonable to the Group and the Group is capable to follow the said procedures in accordance with the relevant pricing policy during the course of sourcing plating and surface treatment processing services.

3c. Principal terms of the Lease Agreement (Sintai) (2022)

Pursuant to the Lease Agreement (Sintai) (2022), the major terms are as follows:

Date of the agreement	:	18 March 2021
Parties involved	:	(i) Dongguan Yorkey as tenant (ii) Dongguan Sintai as landlord
Term	:	The Lease Agreement (Sintai) (2022) will be for a term of three years commencing on 1 January 2022 and expiring on 31 December 2024.
Condition Precedent	:	Lease Agreement (Sintai) (2022) is conditional upon the approval of the Independent Shareholders at the EGM.
Nature of Transactions	:	Lease of a property for production, storage and dormitory uses.

The relevant property is located at No. 1 Donghua Lane Shuanglong Road and No. 11 Xiaobian Beiyuan Street, Xiao-bian, the Second Industrial Zone, Chang-an town, Dong-guan city, Guangdong, the PRC (the “**Property**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Rent : Monthly rent is calculated based on actual space used by Dongguan Yorkey based on the parameters below:

- (i) maximum area of 13,984.13 square meters for production use at a rate of RMB35 (tax included) per square meter;
- (ii) maximum of 6,581 square meters for storage use at a rate of RMB10 (tax included) per square meter; and
- (iii) maximum of 4,653.38 square meters for dormitory use at a rate of RMB25 (tax included) per square meter;

as such, the maximum monthly rental payable is RMB671,589 (tax included) and the maximum annual rental payable is RMB8.059 million (equivalent to approximately US\$1.242 million).

Payment term : The rent payable by Dongguan Yorkey is on a monthly basis by way of telegraphic transfer with a credit period of 30 days.

As set out in the Letter from the Board, the rent payable by Dongguan Yorkey has been arrived at by reference to (i) gross floor area and location of the Property; (ii) the prevailing market conditions; (iii) the previous rental payment made by the Group under the Lease Agreement (Sintai) (2019); and (iv) the Fair Rent Letter issued by the Valuer to the Company in respect of the Lease Agreement (Sintai) (2022).

We have reviewed the Fair Rent Letter issued by the Valuer dated 18 March 2021 and noted that the Valuer is in the opinion that the monthly rent payable under the Lease Agreement (Sintai) (2022) is consistent with the market rental level and it is fair and reasonable. According to the Fair Rent Letter, in order to assess the fairness and reasonableness of the terms of the Lease Agreement (Sintai) (2022), the Valuer has identified comparable lease offering and transactions for the Lease Agreement (Sintai) (2022) relating to properties of similar uses in the PRC. We have obtained and reviewed the list of comparables identified by the Valuer for the Property and noted that the Valuer has identified 4 rental offering and transactions of industrial complexes. We have also reviewed and discussed with the Valuer on (i) the criteria in selecting the comparable rental transactions (the “**Comparables**”), including location, property usage, floor size, floor level and building quality; (ii) the sources of the Comparables; and (iii) the valuation approach adopted. We are given to understand that each Comparable is analysed on the basis of its unit rent; each attribute of the Comparables is then

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

compared with the subject and where there are any differences, the unit rent is adjusted in order to arrive at the appropriate unit rent for the subject. This is done by making percentage adjustments to the unit rent for various factors, such as time, location, building age, building quality, etc.

We have also enquired on the Valuer's qualification and experience in relation to the Valuation. We understand that the Valuer has performed rental valuation for other listed companies in Hong Kong. The fair rent letter is prepared by the Valuer's professional team which is led by Mr. Vincent Cheung, a chartered surveyor with over 23 years of experience in valuation and appraisal of assets in Hong Kong and China who is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong and a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People's Republic of China. The Valuer confirmed that they are not connected with and are independent to the Group. We have also reviewed the terms of the Valuer's engagement with the Group, and noted that its scope of work is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the fair rent letters.

According to the above, we are of the view that the Lease Agreement (Sintai) (2022) is carried out in the ordinary and normal course of business for the Group and we concur with the Board that the terms of the Lease Agreement (Sintai) (2022) are on normal commercial terms, and they are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

4a. The transactions contemplated under the Sale Framework Agreement (2022) and the proposed annual caps

The following table sets out the annual caps of the Sale Framework Agreement (2022):

	Year ending 31 December		
	2022	2023	2024
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Annual caps	3,915	4,893	5,872

As set out in the Letter from the Board, the proposed annual caps for the transactions under Sale Framework Agreement (2022) for the three years ending 31 December 2024 are determined by reference to various factors, including but not limited to, (i) the target percentage of the total sales made by the Group to AOCI Group to the Group's turnover targets for the years ending 31 December 2022, 2023 and 2024; (ii) the audited revenue of the Group for the year ended 31 December 2020; and (iii) the relevant inflation rate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the computations of the annual caps in respect of Sale Framework Agreement (2022) for the three years ending 31 December 2024 and noticed that the Company has adopted a percentage ratio of 8%, 10% and 12% to the audited revenue of approximately US\$48.93 million of the Group for the year ended 31 December 2020 in each of the annual caps for the three years ending 31 December 2024, respectively. In order to assess the fairness and reasonableness of the estimated sale transaction amount in the proposed annual caps, we have performed the following analysis. Given that there were no sale transactions from the Group to AOCI Group after 2015, we have reviewed the sale transaction amount during the period from 1 January 2013 to 31 December 2015 under the term of the previous framework agreement entered between the Group and the AOCI Group. The table below illustrates (i) the historical transaction amount of the sales made by the Group to AOCI Group; (ii) the total revenue of the Group; and (iii) the total revenue of AOCI Group for the three years ended 31 December 2015:

	Year ended 31 December		
	2013	2014	2015
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
Sale amount to AOCI Group	10,064	11,520	8,594
Total revenue of the Group	84,288	84,454	77,553
Total revenue of AOCI Group*	600,767	560,204	555,474
Percentage of total revenue of the Group	11.94%	13.64%	11.08%
Percentage of total revenue of AOCI Group	1.68%	2.06%	1.55%

Note: For illustrative purpose, the total revenue of AOCI Group was presented in US\$ adopting the exchange rates of New Taiwan dollar (“TWD”) to US\$ as at the respective year end dates.

As set out in the table above, the sales transaction made to AOCI Group accounted for (i) approximately 11.08% to 13.64% of the total revenue of the Group during the three years ended 31 December 2015, with an average of approximately 12.22%; and (ii) approximately 1.55% to 2.06% of the total revenue of AOCI Group during the three years ended 31 December 2015, with an average of approximately 1.77%. Upon our enquiries, we are given to understand that the management of the Group expect the sales to AOCI Group would pick up gradually from a relatively lower level of 8% back to an ordinary average level of 12% which is comparable to the historical average portion of the Group’s total sales with reference to historical average of 12.22% during the three years ended 31 December 2015. On the other hand, based on the unaudited financial information published by AOCI Group on its website (www.asia-optical.com/investor_quartersales.php?serial=250&lang=tc&year=2020), the total revenue of AOCI Group was approximately TWD15,761 million (equivalent to approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

US\$561.13 million) for the year ended 31 December 2020. The proposed annual caps for the three years ending 31 December 2024 under the Sale Framework Agreement (2022) only represent approximately 0.70%, 0.87% and 1.05% to the unaudited total revenue of AOCI Group for the year ended 31 December 2020 which was lower than the historical average proportion as shown in the table above.

For the two years ending 31 December 2023 and 2024, the proposed annual caps was set with a growth rate of approximately 25% year-on-year from 2022 to 2023 and 20% year-on-year from 2023 to 2024 which have both included a 5% inflation rate in such growth rates. Upon our enquiries, we are given to understand that such growth rates were adopted taking into account the expected increase in sales to AOCI Group due to the potential growth in opto-electronic components market fuelled by the rapid development of 5G technologies, artificial intelligence as well as the advanced technology in automotive industry in coming years. Based on our due diligence research, we noticed that according to a summary of the research report “Optoelectronics Market – Forecast (2021 – 2026)” published by IndustryARC (www.industryarc.com/Report/15031/optoelectronics-market.html), a leading provider of market research report and consulting services primarily focus on cutting edge technologies, it is expected that the demand for opto-electronic devices in various sectors is estimated to observe a compound annual growth rate (“CAGR”) of 16.59% from 2019 to 2025. Due to the anticipated dominance of electric vehicles, self-driving trucks and autonomous vehicles, it is expected that there will also be significantly increase in the use of opto-electronic devices that will further drive the market in the application segment.

Also, based on the data and forecast published by Trading Economics (www.tradingeconomics.com/china/producer-prices), an internet data provider who provides its users with accurate information for 196 countries including historical data for more than 20 million economic indicators, exchange rates, stock market indexes, government bond yields and commodity prices, the producer price index (the “PPI”) of the PRC, an index on the average change in price of goods and services sold by manufacturers and producers in the wholesale market which reflect the cost of production, is estimated to stand at 105.82 points in 12 months time. In the long-term, the PPI of the PRC is projected to trend around 105.82 points in 2022 and 104.04 points in 2023 which is comparable to the inflation rate built-in under the proposed annual caps of the Sale Framework Agreement (2022).

Having considered that (i) the proposed annual caps under the Sale Framework Agreement (2022) account for a much lower portion to the total sales of both the Group and AOCI Group as compared to historical average percentage; (ii) the potential growth in the demand from AOCI Group on Yorkey Products due to the sound prospects of the opto-electronic market; and (iii) the potential increase in the prices of Yorkey Products which is in line with the forecasted PPI of the PRC, we are of the view that the proposed annual caps for the Sale Framework Agreement (2022) are justifiable and will ultimately generate more revenue for the Group, and hence, are in the interest of the Company and Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4b. The transactions contemplated under the Processing Framework Agreement (2022) and the proposed annual caps

The following tables set out the historical transaction amounts and annual caps in respect of plating and surface treatment processing services under Processing Agreement (2016), Processing Agreement (2019) and the proposed annual caps of the Processing Framework Agreement (2022):

	For the year ended			For the
	31 December			two months
	2018	2019	2020	ended
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	28 February
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	2021
				<i>approximately</i>
				<i>US\$'000</i>
Annual cap	3,975	3,943	3,943	3,943
Actual transaction amount	3,601	3,090	2,000	296
Utilisation rate	90.59%	78.37%	50.72%	45.04%*

	For the year ending		
	31 December		
	2022	2023	2024
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Annual cap	2,400	2,880	3,456

Note: The utilisation rate for the two months ended 28 February 2021 is calculated on annualised basis.

As set out in the table above, the historical transaction amount on plating and surface treatment processing services engaged by the Group from AOCI Group decreased from approximately US\$3.09 million for the year ended 31 December 2019 to approximately US\$2.00 million for the year ended 31 December 2020, with a utilisation rate of approximately 50.72% as compared to the respective annual cap for the year. The utilisation rate of the annual cap decreased further to approximately 45.04% on annualised basis for the two months ended 28 February 2021. As advised by the management of the Group, such decrease was mainly attributable to the impact of the COVID-19 epidemic on supply chain management across the industry, which has led to a global recession and the weak market demand, and the continuous weak performance of the DSCs industry. According to statistics announced by the Camera & Imaging Products Association (“CIPA”) (www.cipa.jp/stats/dc-2020_e.html), the total worldwide shipment volume of DSCs for the year ended 31 December 2020 decreased by approximately 41.6% as compared with that of the corresponding period in the previous year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the proposed annual caps for the transactions under the Processing Framework Agreement (2022) for the three years ending 31 December 2024 are determined by reference to various factors, including but not limited to, (i) the historical transaction amounts; and (ii) buffer for possible increase in the raw material costs in connection with the cost of conducting of plating and surface treatment processing and other production costs. We noticed that the proposed annual caps for the year ending 31 December 2022 under the Processing Framework Agreement (2022) represents a growth rate of 20% to the historical transaction amount of approximately US\$2.00 million for the year ended 31 December 2020, while the growth rate on the annual caps for each of the two years ending 31 December 2023 and 2024 are also approximately 20%, among which approximately 15% is the growth rate due to expected increase in transaction volume of plating and surface treatment processing services and the remaining 5% accounts for the possible increase in the processing fee of such services.

Upon our enquiries, we are given to understand that the expected growth rates for the transaction amount on plating and surface treatment processing services are set taking into consideration on the potential rebound of DSCs market upon recovery from the influence of COVID-19 epidemic as well as the potential growth in opto-electronic components market. Besides the CAGR of 16.59% in the demand for opto-electronic components market estimated by IndustryARC, we also noticed that according to a press release “2021 Outlook on the Shipment by Product-Type Concerning Cameras and Related Goods” published by CIPA on 1 February 2021 (www.cipa.jp/documents/e/PRESSRELEASE20210201_e.pdf), although the 2020 year-end DSCs shipment figure is low, the recovery has been progressing at a rapid pace since Fall 2020, and monthly shipments of interchangeable lens digital cameras have continued to exceed 80% in volume and 100% in value since October 2020 as compared to those of 2019. Therefore, the transaction amount on plating and surface treatment processing services is expected to gradually resume to historical ordinary level under the rebound of the DSCs market and the drivers due to technological advancement and development. Also, based on the data and forecast published by Trading Economics, the PPI of the PRC is estimated to stand at 105.82 points in 12 months time. In the long-term, the PPI of the PRC is projected to trend around 105.82 points in 2022 and 104.04 points in 2023 which is comparable to the inflation factor built-in in the growth rates of the annual caps of the Processing Framework Agreement (2022).

In view of (i) the possible rebound of the DSCs market which will drive the Group’s demand in plating and surface treatment processing services; (ii) the potential increase in the cost of plating and surface treatment processing services which is in line with the forecasted PPI of the PRC; and (iii) the proposed annual caps for the transactions under the Processing Framework Agreement (2022) for the three years ending 31 December 2024 have been set at a gradually increasing trend back to historical normal level as compared to the historical transaction amount for the two years ended 31 December 2019 of approximately US\$3.60 million and US\$3.09 million, we are of the view that the proposed annual caps for the Processing Framework Agreement (2022) are justifiable and are in the interest of the Company and Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4c. The transactions contemplated under the Lease Agreement (Sintai) (2022) and the acquisition of right-of-use asset

Pursuant to the Lease Agreement (Sintai) (2022), the maximum annual rent payable for each of the year ended 31 December 2022, 2023 and 2024 is RMB8.059 million, respectively.

Pursuant to HKFRS 16, which is effective for financial statements with annual period beginning on or after 1 January 2019, entering into a lease agreement as a lessee will require the Group to recognise the right-of-use asset in its financial statements. In view of the adoption of HKFRS 16 by the Company, the Lease Agreement (Sintai) (2022) constitute a connected transaction of the Company and the aggregated present value of the rent payable will be recognised as right-of-use asset. A resultant lease liability will be recognised by the Group at the same time. After initial recognition of the right-of-use asset and lease liability, the Group will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases over the lease term. The lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. It is estimated that the right-of-use asset to be recognised under the Lease Agreement (Sintai) (2022) is approximately RMB21.42 million.

In assessing the reasonableness of size of the right-of-use asset, we have reviewed the calculation of the right-of-use asset which mainly comprise of discounting the total monthly rents of the Property payable during the term of the Lease Agreement (Sintai) (2022) with the incremental borrowing rate. We also reviewed the discount rate adopted by the Group in calculating the right-of-use asset. According to Paragraph 26 of the HKFRS 16, lease payments are required to be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If not, a lessee is required to use its incremental borrowing rate, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. We noticed that the discount rate for the lease payment is determined with reference to the 1-5 year benchmark borrowing rate of 4.75% promulgated by the People's Bank of China (the "PBOC"). Based on our review on the calculation of the right-of-use asset, we are of the view that the adoption of such discount rate with reference to the 1-5 year benchmark borrowing rate of 4.75% promulgated by the PBOC is fair and reasonable and the right-of-use asset arising from the Lease Agreement (Sintai) (2022) is determined by the Company after due and careful consideration.

5. Internal control measures

The Company have implemented internal control measures to govern the Non-exempt CTs, details of which are set out in the Letter from the Board. For our due diligence purpose, we have obtained and reviewed internal control measures regarding the management of connected transactions and understand that the Company established an internal control procedures including, (i) the recognition of connected persons and connected transactions; (ii) the approval processes of continuing connected transactions; (iii) the monitoring of the continuing connected transactions; and (iv) the annual review of the continuing connected transactions system. We note from the annual reports of the Company for the years ended 31 December 2018 and 2019 that the independent non-executive Directors of the Company confirmed that the continuing connected transactions were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In light of the result of our review and taking into account the measures taken by the Group in relation to transactions contemplated under the Agreements, in particular (i) the restriction by way of setting the respective annual caps; (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review by the independent non-executive Directors and the auditors of the Company on the actual execution of the transactions contemplated under the Sale Framework Agreement (2022) and the Processing Framework Agreement (2022)); (iii) purchase and operation teams will oversee the transactions between the Group and AOCI Group and will obtain quotations from at least two qualified suppliers and will compare the quotation of AOCI Group and those of the other qualified suppliers (and if it is impossible to obtain quotation from at least two qualified suppliers, the Group will make reference to quotations from qualified suppliers for products of similar specification, use and quantity) and such selection will be approved by the purchasing supervisor and senior supervisor of the factory to ensure the price for plating and surface treatment processing services offered by the AOCI Group are on normal commercial terms and no less favourable to the Company; (iv) sales and operation teams of the Group would keep internal records Group and compare the price charged to independent customers to ensure the selling price charged by the Group to the AOCI Group are on normal commercial terms and no less favourable to the Company; and (v) the Group and AOCI Group have been compiling with the pricing mechanism on the sale transactions and plating and surface treatment processing services during the term of their respective existing or previous agreements, we consider that the Company has taken appropriate measures to govern the Group in carrying out the transactions under the Agreements, thereby safeguarding the interests of the Company and the Shareholders thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors discussed above, we are of the view that the entering into of the Agreements and the Non-exempt CTs contemplated thereunder are conducted in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and that the terms of the Agreements (including the Annual Caps or the estimated value of the right-of-use assets (as the case may be)) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Non-exempt CTs under the Agreements (including the Annual Caps or the estimated value of the right-of-use assets (as the case may be)).

Yours faithfully

For and on behalf of

Chanceton Capital Partners Limited

Wong Kam Wah

Managing Director

Note: Mr. Wong is licensed person registered with the SFC and responsible officers of Chanceton Capital Partners Limited to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 17 years of experience in the corporate finance industry, and have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors' and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be 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 be interested in under such provision of the SFO), or as recorded in the register required to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

Interests of Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other persons (other than Directors or chief executive of the Company) who had any interests or short positions in Shares or underlying Shares of the Company, which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each such person's interest in such securities, together with particulars of any options in respect of such share capital, or as otherwise recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange:

(I) Long positions in Shares and underlying Shares of the Company

Name of Shareholder of the Company	Type of interest	Total number of Shares/underlying Shares in the Company	Percentage of issued share capital in the Company
Asia Optical International Ltd.	Beneficial owner	186,833,000	22.84%
Asia Optical Co., Inc.	Interest of a controlled corporation	226,833,000 (Note 1)	27.73%

Name of Shareholder of the Company	Type of interest	Total number of Shares/underlying Shares in the Company	Percentage of issued share capital in the Company
Ability Enterprise (BVI) Co., Ltd.	Beneficial owner	143,817,000	17.58%
Ability Enterprise Co., Ltd.	Interest of 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 of 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 of a controlled corporation; beneficial owner	41,022,000 (Note 6)	5.02%

Notes:

1. Asia Optical Co., Inc. holds 100% direct interest in the issued share capital of Asia Optical International Ltd. (“**AOIL**”) and Richman International Group Co., Ltd. (“**Richman**”), and AOIL and Richman hold 186,833,000 Shares and 40,000,000 Shares of the Company, respectively. Therefore, Asia Optical Co., Inc. is taken to be interested in an aggregate of 226,833,000 Shares held by AOIL and Richman.
2. Ability Enterprise Co., Ltd. holds 100% direct interest in the issued share 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 held by Ability Enterprise BVI.
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 which it holds as trustee of The Yorkey Employee’s Trust.
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 held by Fortune Lands.
5. Ms. Wu Bo-Yan, the spouse of Mr. Chan, is taken to be interested in an aggregate of 112,990,000 Shares of the Company in which Mr. Chan is interested in.
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 of the Company) and therefore is taken to be interested in an aggregate of 24,690,037 Shares of the Company held by Preferable Situation. Mr. Webb also holds 16,331,963 Shares of the Company as beneficial owner.

3. COMPETING INTERESTS

As at the Latest Practicable Date,

- (1) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up;
- (2) no contract or arrangement in which any of the Directors was materially interested, directly or indirectly, and which was significant in relation to the business of the Group subsisted; and
- (3) none of the Directors or their respective close associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the employer within one (1) year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, except as disclosed on page 10 of 2020 Annual Report, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert (“**Expert**”) whose advice and/or report(s) are contained in this Circular:

Name	Qualification
Chanceton Capital Partners Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

The Expert has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the text of its letter dated the date of this Circular and/or the references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Expert:

- (1) did not have any shareholding, directly or indirectly, in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (2) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. GENERAL

- (1) The company secretary of the Company is Ms. CHENG Choi Ha (鄭彩霞), a manager of the Corporate Services Division of Tricor Services Limited, which is an Asia's leading business expansion specialist specializing in integrated business, corporate and investor services. She is a Chartered Secretary, a chartered governance professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (2) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (3) The registered office of the Company is situated at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (4) The head office and principal place of business of the Company in Hong Kong is Workshops 1-2, 6th Floor, Block A, Goldfield Industrial Centre, 1 Sui Wo Road, Shatin, New Territories, Hong Kong.
- (5) The principal place of business of the Company in the PRC is situated at No. 2 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, the PRC.
- (6) The English text of this Circular and the accompanying form of proxy shall prevail over its Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company Secretary's office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this Circular up to and including the date of the EGM and at the EGM:

- (1) Sale Framework Agreement (2022) dated 18 March 2021;
- (2) Processing Framework Agreement (2022) dated 18 March 2021; and
- (3) Lease Agreement (Sintai) (2022) dated 18 March 2021.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Yorkey Optical International (Cayman) Ltd. (the “**Company**”) will be held at 21/F-7, No. 282, Shizheng North 2nd Road, Xitun District, Taichung City, Taiwan as the principal place of meeting (“**Principal Meeting Place**”) and electronic facilities for accessing to the Principal Meeting Place will be made available at ATLASPACE (Hong Kong) Limited, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong as a meeting location (“**Meeting Location**”) on Wednesday, 23 June 2021 at 11:00 a.m. (or as soon as the annual general meeting to be held at 10:00 a.m. on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** Sale Framework Agreement (2022) (as defined in the circular of the Company dated 30 April 2021 issued in respect thereof (the “**Circular**”)) entered into between the Company (for itself and on behalf of its subsidiaries) and Asia Optical Co. Inc (亞洲光學股份有限公司) (for itself and on behalf of its subsidiaries) (a copy of which has been produced to the Meeting marked “**A**” and signed by the chairman of the Meeting for the purpose of identification), the transactions contemplated thereunder and the proposed annual caps under Sale Framework Agreement (2022) (as described in the paragraph headed “Proposed annual caps for the transactions under Sale Framework Agreement (2022)” in the Circular) be and are hereby approved; and the execution of Sale Framework Agreement (2022) and any other agreements and documents and the actions taken in connection therewith by any director of the Company (“**Director**”) be and are hereby approved, confirmed and ratified; and any Director(s) be and is/are hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she/they may determine to be appropriate, necessary or desirable to give effect to or in connection with Sale Framework Agreement (2022), the transactions contemplated thereunder and the proposed annual caps thereof and, subject to and in accordance with the applicable laws and regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating thereto in the interests of the Company and its shareholders as a whole.”
2. “**THAT** Processing Framework Agreement (2022) (as defined in the circular of the Company dated 30 April 2021 issued in respect thereof (the “**Circular**”)) entered into between the Company (for itself and on behalf of its subsidiaries) and Asia Optical Co. Inc (亞洲光學股份有限公司) (for itself and on behalf of its subsidiaries) (a copy of which has been produced to the Meeting marked “**B**” and signed by the

NOTICE OF EGM

chairman of the Meeting for the purpose of identification), the transactions contemplated thereunder and the proposed annual caps under the Processing Framework Agreement (2022) (as described in the paragraph headed “Proposed annual caps for the transactions under the Processing Framework Agreement (2022)” in the Circular) be and are hereby approved; and the execution of Processing Framework Agreement (2022) and any other agreements and documents and the actions taken in connection therewith by any director of the Company (“**Director**”) be and are hereby approved, confirmed and ratified; and any Director(s) be and is/are hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she/they may determine to be appropriate, necessary or desirable to give effect to or in connection with the Processing Framework Agreement (2022), the transactions contemplated thereunder and the proposed annual caps thereof and, subject to and in accordance with the applicable laws and regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating thereto in the interests of the Company and its shareholders as a whole.”

3. “**THAT** Lease Agreement (Sintai) (2022) (as defined in the circular of the Company dated 30 April 2021 issued in respect thereof (the “**Circular**”)) entered into between Dongguan Yorkey Optical Machinery Components Ltd.* and Dongguan Sintai Optical Co., Ltd.* (a copy of which has been produced to the Meeting marked “**C**” and signed by the chairman of the Meeting for the purpose of identification), the transactions contemplated thereunder and the estimated value of the right-of-use assets under Lease Agreement (Sintai) (2022) (as described in the paragraph headed “The estimated value of the right-of-use assets under Lease Agreement (Sintai) (2022)” in the Circular) be and are hereby approved; and the execution of Lease Agreement (Sintai) (2022) and any other agreements and documents and the actions taken in connection therewith by any director of the Company (“**Director**”) be and are hereby approved, confirmed and ratified; and any Director(s) be and is/are hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she/they may determine to be appropriate, necessary or desirable to give effect to or in connection with Lease Agreement (Sintai) (2022), the transactions contemplated thereunder and the estimated value of the right-of-use assets thereof and, subject to and in accordance with the applicable laws and regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating thereto in the interests of the Company and its shareholders as a whole.”

By Order of the Board
Yorkey Optical International (Cayman) Ltd.
Kurihara Toshihiko
Chief Executive Officer and Executive Director

Hong Kong, 30th April 2021

NOTICE OF EGM

Principal 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

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

* *For identification purpose only*

Notes:

1. Due to the outbreak of the respiratory disease caused by coronavirus (“COVID-19 pandemic”), local governments have implemented various preventive measures to combat the COVID-19 pandemic, including travel restrictions and guidance on public gathering. The Company has been actively monitoring the development of the COVID-19 pandemic and the guidelines issued by the relevant government authorities to ensure the EGM can be held as schedule while taking care of the health and safety of the Shareholders, our Directors, our employees and the public.

(i) Venues in Taiwan and Hong Kong

The EGM will be held at the Principal Meeting Place, i.e. 21/F-7, No. 282, Shizheng North 2nd Road, Xitun District, Taichung City, Taiwan and electronic facilities for accessing to the Principal Meeting Place will be made available at ATLASPACE (Hong Kong) Limited, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong as a Meeting Location for attendance by Shareholders who are unable to attend the Principal Meeting Place (as permitted by the Articles of Association of the Company), on Wednesday, 23 June 2021 at 11:00 a.m. (or as soon as the annual general meeting to be held at 10:00 a.m. on the same date and at the same place shall have been concluded or adjourned). Shareholders can attend, speak and vote in the venues in Taiwan and Hong Kong. Shareholders participating through the electronic facilities available at the venue in Hong Kong are deemed to be present at and shall be counted in the quorum of the EGM. Hong Kong is in the same time zone as Taiwan.

(ii) Voting arrangement

In order to comply with the COVID-19 pandemic prevention and control measures imposed by the relevant government authorities and safeguard the health, safety and rights of the Shareholders, the Company strongly recommends the Shareholders to complete the enclosed form of proxy in accordance with the instructions printed thereon, appoint the chairman of the EGM as his/her proxy (instead of attending the EGM in person) to vote in accordance with the instructions on the form of proxy, and return the same to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event **not less than 48 hours before the time appointed for holding of the EGM (i.e. 11:00 a.m. on Monday, 21 June 2021)** or any postponement or adjournment thereof.

2. A form of proxy for use at the EGM is enclosed.
3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 18 June 2021 to Wednesday, 23 June 2021, both days inclusive, during which no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, 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 Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 17 June 2021.

NOTICE OF EGM

4. A member of the Company who is entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a member of the Company but must attend in person to represent the member. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.
5. Where there are joint registered holders of any share(s), any one of such joint holders may vote at the meeting, either in person or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
6. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of authority, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM (i.e. 11:00 a.m. on Monday, 21 June 2021) or any postponement or adjournment thereof.
7. Pursuant to Rule 13.39(4) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the voting on the above resolutions at the EGM will be conducted by way of poll.
8. The translation into Chinese language of the notice convening the EGM is for reference only. In case of any inconsistency, the English version shall prevail.
9. As at the date hereof, the Board comprises Mr. Lai I-Jen and Mr. Kurihara Toshihiko as executive Directors; Ms. Wu Shu-Ping as non-executive Director; and Mr. Lin Meng-Tsung, Mr. Liu Wei-Li and Mr. Wang Yi Chi as independent non-executive Directors.
10. Shareholders or proxies who intend to attend the EGM in Taiwan or in Hong Kong are specifically reminded to take personal protective measures and comply with the COVID-19 pandemic preventive and control requirements. In light of the current COVID-19 pandemic prevention and control and the consideration of protecting the life safety and health of the Shareholders and other participants, the Company will take a series of preventive and control measures at the venues, including but not limited to the followings:
 - (i) Shareholders and other participants are required to wear masks on their own to enter each of the venues in Taiwan and Hong Kong and wear masks throughout the meeting;
 - (ii) each Shareholder and participant must undergo hand sanitisation and mandatory temperature checking at the entrance of each of the venues in Taiwan and Hong Kong, and any person who has been recorded a body temperature of higher than 37.4 degrees Celsius will not be allowed to enter the venue;
 - (iii) no refreshment or drinks will be provided and no gift will be distributed to attendees at both venues in Taiwan and Hong Kong; and
 - (iv) if the number of Shareholders and other participants present in any of the venues reached the upper limit stipulated by the relevant government authorities on the date of the EGM, Shareholders or proxies will have to enter into the relevant venue on a "first sign in, first enter" basis.
11. Notwithstanding the foregoing, the Board has the absolute discretion to change or cancel the venue in Hong Kong if the Board considers that it is not safe for the Shareholders to gather together in one place or in order to comply with relevant law or regulations, including but not limited to Hong Kong Prevention and Control of Disease (Prohibition on Group Gathering) Regulation. For the health and safety of all stakeholders, and in compliance with the recent guidelines for COVID-19 pandemic prevention and control, the Company reminds the Shareholders that it is not necessary to attend the EGM in person for exercising the voting rights. Instead, the Shareholders may submit the proxy form with voting instructions printed thereon to appoint the chairman of the EGM as his/her proxy to vote on the relevant resolutions at the EGM in his/her stead.
12. If there are any questions regarding the EGM and the business of the EGM that you would like to be addressed, the Shareholders are welcome to contact the Company by post to the Company Secretary's office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or by email to ir@yorkey-optical.com.
13. Shareholders are reminded to keep track of the Company's announcements on the Company's website or Stock Exchange's website for any update.