SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED
舜宇光學科技(集團)有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2382)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Sunny Optical Technology (Group) Company Limited ("Sunny" or the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008, together with the comparative figures for the corresponding period for 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	**2008** *RMB'000*	2007 *RMB'000*
Revenue	*3*	**1,267,057**	1,381,865
Cost of sales		**(1,016,210)**	(1,005,268)
Gross profit		**250,847**	376,597
Other income	*4*	**41,164**	46,063
Selling and distribution expenses		**(30,950)**	(32,942)
Research and development expenditure		**(56,146)**	(28,535)
Administrative expenses		**(108,009)**	(121,093)
Impairment loss on goodwill		**(8,006)**	–
Loss on partial disposal of interest in a subsidiary		**(216)**	–
Finance costs	*5*	**(15)**	(3,795)
Profit before tax		**88,669**	236,295
Income tax charge	*6*	**(12,097)**	(10,424)
Profit for the year	*7*	**76,572**	225,871
Attributable to:			
Equity holders of the Company		**78,377**	225,436
Minority interests		**(1,805)**	435
		76,572	225,871
Dividends	*8*	**21,000**	–
Earnings per share – Basic	*9*	**RMB0.08**	RMB0.25

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**496,579**	401,142
Prepaid lease payments		**19,762**	20,264
Available-for-sale investments		**–**	7,511
Goodwill		**12,168**	12,077
Intangible asset		**8,796**	–
Deferred tax assets		**1,432**	–
Deposits for acquisition of property, plant and equipment		**4,001**	–
		542,738	440,994
CURRENT ASSETS			
Inventories		**126,351**	134,988
Trade and other receivables and prepayment	*10*	**257,606**	378,252
Prepaid lease payments		**502**	502
Tax recoverable		**2,246**	–
Amounts due from related parties		**–**	2,298
Available-for-sale investments		**4,000**	66,188
Financial assets designated as at fair value through profit or loss ("FVTPL")		**291,070**	–
Pledged bank deposits	*11*	**–**	1,690
Bank balances and cash		**387,536**	543,689
		1,069,311	1,127,607
CURRENT LIABILITIES			
Trade and other payables	*12*	**190,400**	265,225
Amounts due to related parties		**8,015**	5,661
Amount due to a minority shareholder of a subsidiary		**2,475**	–
Tax payable		**306**	2,670
Borrowings		**18,284**	–
		219,480	273,556
NET CURRENT ASSETS		**849,831**	854,051
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,392,569**	1,295,045
NON-CURRENT LIABILITIES			
Borrowings		**17,226**	–
Deferred tax liabilities		**7,996**	–
Deferred income		**1,023**	–
		26,245	–
		1,366,324	1,295,045
CAPITAL AND RESERVES			
Share capital	*13*	**97,520**	97,520
Reserves		**1,245,199**	1,191,295
Attributable to:			
Equity holders of the Company		**1,342,719**	1,288,815
Minority interests		**23,605**	6,230
		1,366,324	1,295,045

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

1. GENERAL

The Company was incorporated in the Cayman Islands on 21 September 2006 as an exempted company under the Companies Law Chapter 21 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands and its shares have been listed on the Stock Exchange of Hong Kong Limited with effect from 15 June 2007. Its ultimate holding and parent company is Sun Xu Limited, a private limited company incorporated in the British Virgin Islands. The address of the registered office is located at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681 GT, George Town, Grand Cayman, British West Indies and its place of business is located at Unit 603, 6th Floor, Grand City Plaza, 1-17 Sai Lau Kok Road, Tsuen Wan, New Territories, Hong Kong.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the Company and its principal subsidiaries).

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for goods sold to outside customers, less returns and discount, if any, and net of value-added tax during the year.

Business segments

For management purposes, the Group is currently organised into three operating divisions – optical components, optoelectronic products and optical instruments. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2008

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
REVENUE					
External sales	**579,953**	**557,105**	**129,999**	**–**	**1,267,057**
Inter-segment sales	**84,746**	**998**	**207**	**(85,951)**	**–**
Total	**664,699**	**558,103**	**130,206**	**(85,951)**	**1,267,057**
RESULT					
Segment result	**42,636**	**26,874**	**5,058**	**(258)**	**74,310**
Unallocated corporate expenses					**(12,414)**
Unallocated income					**26,788**
Finance costs					**(15)**
Profit before tax					**88,669**
Income tax charge					**(12,097)**
Profit for the year					**76,572**

Balance Sheet

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Consolidated *RMB'000*
ASSETS				
Segment assets	**625,245**	**206,741**	**92,368**	**924,354**
Unallocated corporate assets				**687,695**
Consolidated total assets				**1,612,049**
LIABILITIES				
Segment liabilities	**116,593**	**54,229**	**26,098**	**196,920**
Unallocated corporate liabilities				**48,805**
Consolidated total liabilities				**245,725**

Other Information

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Consolidated *RMB'000*
Capital additions	**109,250**	**25,333**	**6,071**	**140,654**
Depreciation and amortisation	**59,114**	**9,561**	**4,908**	**73,583**
Loss on disposal of property,plant and equipment	**1,742**	**–**	**34**	**1,776**
Allowance for inventories	**3,879**	**4,874**	**693**	**9,446**
Allowance for bad and doubtful debts	**101**	**2,501**	**180**	**2,782**
Impairment loss on goodwill	**–**	**–**	**8,006**	**8,006**

2007

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
REVENUE					
External sales	515,219	738,194	128,452	–	1,381,865
Inter-segment sales	101,363	148	414	(101,925)	–
Total	616,582	738,342	128,866	(101,925)	1,381,865
RESULT					
Segment result	100,724	116,870	26,202	(2,062)	241,734
Unallocated corporate expenses					(47,707)
Unallocated income					46,063
Finance costs					(3,795)
Profit before tax					236,295
Income tax charge					(10,424)
Profit for the year					225,871

Balance Sheet

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Consolidated *RMB'000*
ASSETS				
Segment assets	567,203	267,864	114,315	949,382
Unallocated corporate assets				619,219
Consolidated total assets				1,568,601
LIABILITIES				
Segment liabilities	141,327	94,330	33,167	268,824
Unallocated corporate liabilities				4,732
Consolidated total liabilities				273,556

Other Information

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Consolidated *RMB'000*
Capital additions	104,393	28,624	22,004	155,021
Depreciation and amortisation	47,547	3,700	3,461	54,708
(Gain) loss on disposal of property, plant and equipment	(121)	7	(12)	(126)
Allowance for inventories	18	2,851	765	3,634
(Reversal of) allowance for bad and doubtful debts	(1,888)	697	124	(1,067)

The following table provides an analysis of the Group's sales by geographical markets based on location of customers, irrespective of the origin of the goods:

	2008 *RMB'000*	2007 *RMB'000*
The PRC (excluding Hong Kong)	**718,359**	746,480
Hong Kong	**294,183**	406,527
Japan	**108,009**	117,626
Korea	**45,633**	44,696
Taiwan	**13,303**	8,442
Unallocated reconciling item	**87,570**	58,094
	1,267,057	1,381,865

Over 90% of the Group's assets are located in the PRC. Accordingly, no geographical segment analysis of segment assets and cost incurred to acquire segment assets are presented.

4. OTHER INCOME

	2008 *RMB'000*	2007 *RMB'000*
Bank interest income	**8,496**	14,212
Change in fair value of financial assets designated as at FVTPL	**7,856**	–
Change in fair value of financial assets classified as held for trading	**7,248**	3,036
Recycling of gain from equity on disposal of investments classified as available-for-sale investments	**3,188**	–
Net gain on sales of scrap materials	**588**	610
Waiver of long outstanding payables	**1,811**	–
Government grants *(Note 1)*	**7,742**	5,795
Interests income from share subscription *(Note 2)*	**–**	20,408
Gain on disposal of mould	**2,384**	–
Subcontracting service income	**1,193**	878
Others	**658**	1,124
Total	**41,164**	46,063

Notes:

1. Government grants are received from the local government unconditionally to recognise the eminence of development of new products and export business of the Group.

2. Interest income from share subscription represents deposit interest income arising from the application for subscribing the Company's share under global offering that took place in June 2007.

5. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**15**	3,103
Loans from a related party	**–**	572
Discounted bills	**–**	120
Total	**15**	3,795

6. INCOME TAX CHARGE

	2008	2007
	RMB'000	*RMB'000*
The charge comprises:		
Current tax	**7,609**	10,424
Deferred tax	**4,488**	–
	12,097	10,424

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2008	2007
	RMB'000	*RMB'000*
Directors' emoluments	**2,420**	2,146
Other staff's salaries and allowances	**200,041**	164,896
Other staff's discretionary bonuses	**23,617**	27,050
Other staff's contribution to retirement benefit scheme	**19,527**	10,496
Total staff costs	**245,605**	204,588
Auditor's remuneration	**2,129**	2,500
Depreciation of property, plant and equipment	**72,976**	54,355
Release of prepaid lease payments	**502**	353
Amortisation of an intangible asset	**105**	–
Initial global offering expenses	**–**	16,623
Allowance for inventories	**9,446**	3,634
Foreign exchange gain	**(29,512)**	(3,770)
Foreign exchange losses	**31,267**	25,087
Net foreign exchange losses	**1,755**	21,317
Loss (gain) on disposal of property, plant and equipment	**1,776**	(126)

8. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2007 final dividend – RMB0.021 per share (2006: nil)	**21,000**	–

Subsequent to the balance sheet date, a final dividend of RMB0.020 (equivalent to approximately HK$0.022) (2007: RMB0.021, equivalent to approximately HK$0.022) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting. The final dividends proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the year attributable to equity holders of the Company)	**78,377**	225,436

	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,000,000**	915,616

No diluted earnings per share is presented as the Company did not have any potential ordinary shares in issue during both years or at each of the balance sheet date.

For the year ended 31 December 2007, the weighted average number of ordinary shares has been adjusted to reflect the weighted average effect of the 1,000,000,000 shares in issue (note 13(1)), comprising 1,000,000 shares in issue before the capitalisation issue, 799,000,000 shares issued pursuant to the capitalisation issue as more fully described in note 13(2) and 200,000,000 shares issued in global offering (note 13(3)).

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**184,552**	277,566
Less: allowance for doubtful debts	**(5,587)**	(3,057)
	178,965	274,509
Bill receivables	**45,440**	72,207
Other receivables and prepayment	**33,201**	31,536
Total trade and other receivables and prepayment	**257,606**	378,252

The Group allows a credit period from 60 to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
0-90 days	**165,830**	259,672
91-180 days	**12,220**	13,259
Over 180 days	**915**	1,578
	178,965	274,509

The ageing analysis of bill receivables at the balance sheet date is as follow:

	2008	2007
	RMB'000	*RMB'000*
0-90 days	**42,155**	47,604
91-180 days	**3,285**	24,603
	45,440	72,207

11. PLEDGED BANK DEPOSITS/BANK BALANCES

The balance of pledged bank deposits at 31 December 2007 represented deposits pledged to banks for obtaining letter of credit facilities granted to the Group. The deposits carried prevailing market interest rate at 0.72% per annum. The pledged bank deposits have been released during the year ended 31 December 2008.

Bank balances carry floating interest at market rates which range from 0.5% to 1.0% (2007: 0.72% to 1.15%) per annum.

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	2008	2007
	RMB'000	*RMB'000*
Trade payables		
Within 90 days	**112,409**	173,700
91 to 180 days	**6,374**	10,164
Over 180 days	**1,056**	756
Total trade payables	**119,839**	184,620
Payable for purchase of property, plant and equipment	**5,137**	11,029
Staff salaries and welfare payables	**41,685**	41,407
Advance from customers	**6,896**	6,327
Value added tax payables and other tax payables	**7,190**	6,831
Others	**9,653**	15,011
	70,561	80,605
	190,400	265,225

13. SHARE CAPITAL

	Number of shares	Amount HK$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK$1 each as of 1 January 2007	380,000	380	
Sub-division of shares *(note 1)*	3,420,000	–	
Increased on 25 May 2007 *(note 1)*	99,996,200,000	9,999,620	
Ordinary shares of HK$0.1 each as of 31 December 2007, 1 January 2008 and 31 December 2008	100,000,000,000	10,000,000	
Issued & fully paid:			
Ordinary shares of HK$1 each as of 1 January 2007	100,000	100	101
Sub-division of shares *(note 1)*	900,000	–	
Capitalisation issue *(note 2)*	799,000,000	79,900	
Issue of new shares *(note 3)*	200,000,000	20,000	
Ordinary shares of HK$0.1 each as of 31 December 2007, 1 January 2008 and 31 December 2008	1,000,000,000	100,000	97,520

Notes:

(1) On 25 May 2007, resolutions of all the shareholders were passed pursuant to which each share of HK$1.00 in the share capital of the Company was sub-divided into 10 shares of HK$0.10 each so that the authorised share capital of the Company became HK$380,000 comprising 3,800,000 shares and 100,000 issued shares of HK$1.00 each became 1,000,000 issued shares and the authorised share capital of the Company was then increased from HK$380,000 to HK$10,000,000,000 by the creation of additional 99,996,200,000 shares which rank pari passu in all respects with the shares then in issue.

(2) During the year ended 31 December 2007, the Board of Directors authorised to capitalise HK$79,900,000 standing to the credit of the special reserve account of the Company by applying such sum in paying up in full at par of 799,000,000 shares.

(3) In June 2007, the Company issued 200,000,000 shares with a nominal value of HK$0.1 each, at a price of HK$3.82 per share by way of a global offering to Hong Kong and overseas investors.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

For the year under review, the global economy was sluggish due to the economic crisis, which inevitably brought adverse impact on our major segments.

In general, the unit sales volume of global handset market increased compared with 2007, but the average selling price ("ASP"), the revenue and profit declined substantially, driving down the prices of parts and components, such as handset camera lens sets and camera modules. Nevertheless, sales of smartphones and handsets manufactured by telecom operators, especially Chinese telecom operators, experienced significant growth. This trend is expected to continue in 2009.

The global digital camera ("DC") market approached its maturity during the year. Thus the growth of DC market slowed down and the products were more concentrated within the top five manufacturers. The digital single lens reflex ("DSLR") cameras segment grew most rapidly among all and this trend is expected to continue in 2009.

Markets of microscopes, surveying and optical analytical instruments have more obvious disparities. Shipment of industrial microscopes for traditional market dropped due to the decline in operations of factories. However, as the government increased its expenditure, there was a strong demand of optical instruments for public health, environmental protection and education purposes. This trend is expected to continue in 2009.

For other fields of the Group, such as security surveillance, vehicle imaging, infrared imaging, industrial and medical endoscope, the demand remained stable. It is expected the comparatively fast growth rate will be sustained in the coming years.

The Group will adopt appropriate strategies according to the future performance of different segments to improve its overall income.

Business Review

In 2008, the Group's revenue was approximately RMB1,267.1 million, representing a decrease of 8.3% over the previous year. It was mainly because major customers of our handset related products except Samsung were domestic handset manufacturers. Their mainstream products were targeted to the mid-low-end market and the ASP of their products were dropped by certain extent. Revenue from handsets related products accounted for around 50% of the Group's revenue. Given the factors of decreases in ASP and utilization of facilities, as well as increases in labour cost, increase in research and development ("R&D") expenses, rise in effective tax rate, appreciation of RMB and impairment loss on goodwill, the Group recorded net profit of approximately RMB76.6 million, representing 66.1% decline over 2007. For the downturn in 2008 results, the Group has already taken and will continue to take effective measures to reverse the situation. Specific strategies are detailed in the section "Outlook and Future Strategies".

Optical Components

Thanks to the growth of DC business, the optical components remained the main revenue driver of the Group for the year. Revenue generated from optical components for the financial year 2008 surged by 12.6% over the previous financial year to approximately RMB580.0 million. This business accounted for approximately 45.8% of Group's revenue versus approximately 37.3% in the previous financial year.

The client base of optical components was further improved during the year. Nikon, Canon, Pentax, NEC, Konica-Minolta, Olympus, Panasonic, Topcon Optical and others have become our major customers. Moreover, we achieved good progress in R&D of optical components segment during the year.

During the year, the Group obtained three invention patents, two of which were optical engines for projectors and the remaining one was ultra-small two point zoom lens sets for handsets. The new 3.0 Mega and 5.0 Mega 3X zoom handset lens sets were successfully developed and mass production is expected to begin in 2009. 2.0 Mega, 3.0 Mega and 5.0 Mega autofocus ("AF") handsets lens sets were recognised by customers. Meanwhile, various types of vehicle lens sets with advanced know-how have been recognized by 2 of top 5 automobile devices manufacturers and have started mass production.

Mass production of copy machine lens modules and the chalcogenide infrared glass materials and lens sets have begun. Chalcogenide infrared lens sets feature a new moulding press technology, which is more cost effective than the extensively used precision machine technology.

Other major projects in the optical components business including the development of aspheric glass lenses and security surveillance lens sets also achieved remarkable progress.

Optoelectronic Products

Owing to the decline in growth of demand and average selling prices of handsets, revenue from optoelectronic products recorded a decrease of 24.5% over the previous financial year to approximately RMB557.1 million for the year ended 31 December 2008. This business accounted for approximately 43.9% of the Group's revenue compared to approximately 53.4% in the previous financial year.

Despite the current challenging environment in handset market, the Group has made further inroads in exploring high-end markets. We have successfully developed extended depth-of-field ("EDOF") handset camera modules, 3.0 Mega and 5.0 Mega 3X zoom and AF camera modules, striving to widen the gap with the domestic competitors.

In addition, optoelectronic products segment actively developed the non-handset related products, including industrial and medical endoscopes, laptop camera modules, security surveillance camera modules, etc. Apart from medical endoscopes, other products have started mass production during the year.

Optical Instruments

Benefited from the increases in national expenditure for food safety, environmental protection and education, optical instruments business continued to deliver growth in the financial year 2008 with revenue increased by 1.2% over the previous financial year to approximately RMB130.0 million. This business accounted for approximately 10.3% of the Group's revenue versus approximately 9.3% in the previous financial year.

During the year, various new microscopes, surveying and analytical instruments were developed successfully, including the metallurgical microscopes, jewelry microscopes, and the KDS level as well as large-screen scanning ratio beam UV-Vis spectrophotometers, gas chromatographs etc. In February 2008, the Group set up a new company in Singapore primarily for the R&D of high-end optical instruments. 3D optical vision measuring machines and microscopic interferometers were developed successfully at the end of the year.

Production

The Group currently operates three production bases in Yuyao of Zhejiang province, Zhongshan of Guangdong province and Shanghai in the PRC respectively.

Our manufacturing and production figures in 2008 is positioned amongst the leading companies in the sector. Production capacity attributable to each segment as follows:

	2008	2007	Change
Lenes	**180.0 mn units**	168.0 mn units	7.1%
Lens sets	**144.0 mn units**	144.0 mn units	0%
Optoelectronic products	**72.0 mn units**	72.0 mn units	0%
Optical instruments	**199.2 k sets**	199.2 k sets	0%

Financial Review

Revenue

The Group's revenue for the year ended 31 December 2008 decreased by approximately 8.3% over the previous financial year to approximately RMB1,267.1 million as a result of the decrease in revenue from the handset related products.

Revenue generated from optical components business increased by approximately 12.6% to approximately RMB580.0 million. The increase was driven by the increased sales orders for the consumer electronic products from various notable brands and the growth of the DC lens business.

The optoelectronic products business recorded a decline of 24.5% to approximately RMB557.1 million. Such decline was mainly attributable to the decrease in ASP and the shipment of handset camera modules caused by the declining growth in demand and market price for domestic handsets.

For the optical instruments business, revenue slightly increased by 1.2% over the previous financial year, reaching approximately RMB130.0 million. The growth driver was the increase in national expenditure for medical, public health, food safety, education etc.

Gross Profit and Margin

The gross profit for the financial year 2008 was approximately RMB250.8 million, a decrease of approximately RMB125.8 million as compared to approximately RMB376.6 million for the previous financial year. Gross margin for the year also declined from 27.3% to 19.8%. This was mainly due to the decreased ASP of products, inadequate capacity utilization, rising labour costs and appreciation of RMB.

Selling and Distribution Expenses

Selling and distribution expenses was approximately RMB31.0 million for the year ended 31 December 2008, a decrease of approximately RMB2.0 million as compared to the previous financial year. It was mainly because the Group has implemented stringent control on selling expenses. The expenses accounted for 2.4% of the Group's revenue, more or less the same as that in the previous financial year.

R&D Expenditure

For the financial year 2008, R&D expenditure accounted for 4.4% of the Group's revenue and increased to approximately RMB56.1 million. Such increase was mainly attributable to the increased spending in major R&D projects for the year that included the development of aspheric glass lenses, security surveillance lens sets and camera modules, 3X zoom handset lens sets, mid-high end microscopes and the capacity expansion of the chip-on-board ("COB") technology, as well as the construction of the high precision mould centre.

Administrative Expenses

Administrative expenses decreased from approximately RMB121.1 million in the previous financial year to approximately RMB108.0 million in the financial year 2008. The expenses as a percentage of the Group revenue slightly decreased by 0.3% from 8.8% in the previous financial year to 8.5% in the financial year 2008. It was because the Group has strengthened the budget management on administrative expenses.

Income Tax

Income tax for the financial year 2008 increased to approximately RMB12.1 million from approximately RMB10.4 million in the previous financial year. Such increase came from the elapse of tax free periods of the first 2 years that some of the Company's subsidiaries in the PRC had enjoyed in the previous year under the applicable laws of the PRC as sino-foreign equity joint ventures and jointly foreign owned enterprises. The effective tax rate for the Group for the year was approximately 13.6%.

Tax rates attributable to the Group's subsidiaries in the PRC are as follows:

	2007	2008	2009	2010
#Zhejiang Sunny Optics Co., Ltd. ("Sunny Optics")	13.2%	12.5%	12.5%	25.0%
*Ningbo Sunny Instruments Co., Ltd. ("Sunny Instruments")	13.2%	12.5%	12.5%	15.0%
*Sunny Optics (Zhongshan) Co., Ltd. ("Sunny Zhongshan Optics")	–	–	12.5%	12.5%
*Ningbo Sunny Opotech Co., Ltd. ("Sunny Opotech")	–	12.5%	12.5%	12.5%
Ningbo Sunny Infrared Technologies Company Ltd. ("Sunny Infrared")	33.0%	25.0%	25.0%	25.0%
Nanjing Sunny Optical Instruments Co., Ltd. ("Nanjing Instruments")	33.0%	25.0%	25.0%	25.0%
*Shanghai Sunny Hengping Scientific Instrument Co., Ltd. ("Sunny Hengping")	15.0%	15.0%	15.0%	15.0%
Ningbo Sunny Automotive Optech Co., Ltd. ("Sunny Automotive Optech")	–	25.0%	25.0%	25.0%
Jiang Su Sunny Medical Instruments Co., Ltd. ("Sunny Medical")	–	25.0%	25.0%	25.0%

* Companies are approved as Hi-Tech Enterprise and obtained the approvals before the balance sheet date.

\# Application of a Hi-Tech Enterprise is in progress on the announcement date.

Profit for the Year and Margin

Profit for the year decreased by approximately 66.1% from approximately RMB225.9 million for the year ended 31 December 2007 to approximately RMB76.6 million for the financial year 2008. The decrease in net profit was attributable to the decrease in revenue and gross profit, increases in R&D expenses, rise in effective tax rate and impairment loss on goodwill.

Net profit margin decreased from 16.3% for the year ended 31 December 2007 to 6.0% for the financial year 2008. The decline in net profit margin was mainly attributable to decrease in gross profit margin, increase in R&D expenses, increase in effective tax rate and impairment loss on goodwill of approximately RMB8.0 million arising from non-recurring activities.

Profit Attributable to the Equity Holders of the Company

The profit attributable to the equity holders of the Company decreased by approximately 65.2% from approximately RMB225.4 million for the year ended 31 December 2007 to approximately RMB78.4 million for the financial year 2008.

Final Dividend

For the year ended 31 December 2008, the dividend proposed by the Board was RMB0.020 (equivalent to approximately HK$0.022) per share, with payout ratio 26.1% of the Group's net profit for the year.

Liquidity and Financial Resources

Cash Flows

The table below summaries the Group's cash flows for the year ended 31 December 2007 and 31 December 2008:

	2008 ***RMB million***	2007 *RMB million*
Net cash from operating activities	**202.7**	160.1
Net cash used in investing activities	**(354.6)**	(208.9)
Net cash (used in) from financing activities	**(4.5)**	432.2

The Group, being a self-sufficient company, has its working capital mainly coming from net cash generated from operating activities. The Directors expect that the Group will rely on net cash from operating activities and the net proceeds from the global offering of the Company's shares in the year 2007 ("Global Offering") to meet its working capital and other capital expenditure requirements in the near future. In the long run, the Group will be funded by net cash from operating activities and, if necessary, by additional equity financing or bank borrowings.

The Group recorded a net decrease in cash and cash equivalent of approximately RMB156.4 million for the year ended 31 December 2008.

Operating Activities

Cash inflow from operations is mainly derived from cash receipt from sales of the Group's products. Cash outflow from operations is principally generated for the purchase of raw materials, staff costs, selling and distribution expenses and administrative expenses. Net cash from operating activities was approximately RMB160.1 million and RMB202.7 million for the financial year 2007 and 2008 respectively. The increase in net cash generated from operating activities was mainly because of the decreased trade receivables balance.

The trade receivable turnover decreased from 73 days in 2007 to 52 days in 2008. The Group implemented more stringent measure on trade receivable collection in time of financial crisis, especially on the non-branded customers. Therefore, this increased the ability to collect trade receivables on time and further improving the Group's trade receivable turnover days.

The trade payable turnover decreased from 67 days in 2007 to 43 days in 2008. It was because there was a bulk purchase of sensors from one of major suppliers by the Group at the year ended 2007. It resulted in the increase in trade payables balance and thus the trade payable turnover days by a longer than normal level. In 2009, the Company adapts the just-in-time purchases based on actual demand, no bulk purchase is planned.

The inventory turnover decreased from 49 days in 2007 to 45 days in 2008. The Group adopted minimum inventory level policy for manufacturing and stringent measures in inventory management, the inventory turnover days decreased accordingly.

Investing Activities

The Group recorded a net cash outflow from investing activities of approximately RMB354.6 million for the financial year 2008, mainly for the purchase of property, plant and equipment and the financial assets designated as at fair value through profit and loss.

Financing Activities

The Group also recorded a net cash outflow from financing activities of approximately RMB4.5 million for the financial year 2008. The inflow mainly came from new bank borrowings raised of approximately RMB15.1 million. Major outflow was the payment of dividend to shareholders of approximately RMB21.0 million as declared in the previous years.

Capital Expenditure

For the year ended 31 December 2008, capital expenditure of the Group amounted to approximately RMB146.2 million in the purchase of property, plant, equipment and other tangible assets. All of the capital expenditure was financed by internal resources.

Capital Structure

Indebtedness

Borrowings

Bank loans of the Group as of 31 December 2008 amounted to approximately RMB35.5 million (2007: 0), all of which were secured bank loans. During the year, one of the loans in the amount of approximately RMB15.1 million which bears a fixed interest rate of 2.55% and will be repayable in 2009. The proceed was used to finance the acquisition of equity interests in Power Optics. No pledged bank deposit was arranged for the year 2008.

As of 31 December 2008, among all of the bank loans, approximately RMB14.8 million were denominated in Korean Won, approximately RMB5.6 million were denominated in Japanese Yen, while approximately RMB15.1 million were denominated in U.S. Dollars. Its total debt to total book capitalization ratio (with total book capitalization representing the sum of total liabilities and shareholders' equity) was 2.2% reflecting the Group's financial position was at a sound level.

Bank facilities

As of 31 December 2008, the Group had unutilised banking facilities of RMB330.0 million with Yuyao Branch of Agricultural Bank of China.

Debt securities

As of 31 December 2008, the Group did not have any debt securities.

Contingent liabilities

As of 31 December 2008, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

The Group did not have any pledge or charge on assets as of 31 December 2008.

Capital Commitments and Contingencies

As of 31 December 2008, the future aggregate minimum lease payments under non-cancellable operating lease in respect of rental properties amount to approximately RMB7.7 million (2007: approximately RMB8.3 million). The Group had capital commitment in respect of acquisition of equipment amounted to approximately RMB22.9 million (2007: approximately RMB31.7 million).

As of the financial year end date, the Group had no material contingent liabilities or guarantees.

Performance of Investments Made and Future Investment

The Group's investing activities mainly include the purchase of property, plant and equipment and of several contracts of structured deposits designated as at financial asset designated as fair value through profit and loss ("FVTPL").

During the year ended 31 December 2008, the Group used approximately RMB146.2 million in investing activities, mainly in relation to the purchase of plants and equipment and the setting up the capacity for new products and new projects.

The Group entered into several contracts of structured deposits with banks for period from 3 months to 1 year amounting to RMB283.2 million during the year. The expected return rates stated in the contracts are fixed and ranged from 2.4% to 7.0% per annum. The value of FVTPL was approximately RMB291.1 million as of 31 December 2008. Subsequent to year end and up to the date of this report, the principal of structured deposits amounting to RMB139.0 million have been received. The remaining will be settled during the year of 2009. For the outstanding financial products, the Company has obtained all banks to issue supplementary agreements to guarantee the safety of the capital fund and to ensure the security of capital and the expected yield. In the future, the Company will continue to work with reputable local China banks to develop the management of the Company's financial assets. We will ensure that all of the financial products are principal-protected.

In February 2008, the Group had set up a new company in Singapore, namely Sunny Instruments Singapore PTE. Ltd., which mainly focuses on the research and development of high-end optical instruments such as 3D optical vision measuring machines and microscopic interferometers. These products are mostly used for industrial measurement and inspection. All the projects have been proceeded as planned.

The Group had set up a PRC company namely Jiang Su Sunny Medical Instruments Co., Ltd in the year of 2008. Its principal activity is the production and sale of medical endoscopes.

In December 2008, the Group had acquired additional equity interests of Power Optics Company Limited for consideration of approximately RMB20.7 million. The equity interest held by the Group had increased from 8.56% to 54.92%. The acquisition of Power Optics would enhance the Group's R&D capability in hi-end optical lens sets and enlarge the market share of hi-end handset lens sets and camera modules.

The Company intended to invest approximately RMB275.0 million from its Global Offering for the expansion of production capability and capacity; approximately RMB173.0 million for the enhancement of research and development activities and facilities; approximately RMB28.0 million for the acquisition of land and the buildings erected thereon, which were previously leased by Sunny Group Limited for the manufacture and research and development of optical instruments; approximately RMB25.0 million for the enhancement of information systems; approximately RMB130.0 million for the repayment of short-term bank loans for working capital. The remaining amount will provide funding for working capital and other general corporate purposes.

To the extent that any part of the net proceeds to the Company from the Global Offering are not immediately used for the above purposes, the Directors may allocate such proceeds to short-term interest-bearing deposits and/or money-market instruments with authorised financial institutions and/or licensed banks in the PRC and Hong Kong.

The proceeds from the Global Offering amounted to approximately RMB745.1 million, of which approximately RMB434.1 million were used by the Company and the unutilised proceeds was placed with financial institutions as short term deposits. No intention for substantial acquisition and large investment plan is noted for the year of 2009.

Off-balance Sheet Transactions

As of 31 December 2008, the Group did not have any material off-balance sheet transactions.

Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

The Group is exposed to interest rate risks on its bank borrowings for working capital and capital expenditures that are associated with our expansion and for other uses. Upward fluctuations in interest rates increase the cost of both existing and new debts. During the year ended 31 December 2008, the effective interest rates on fixed-rate bank loans and variable-rate bank loans were approximately 2.63% and 7.65% per annum respectively. The Group has entered into any type of interest rate agreements or derivative transactions to hedge against the changes in interest rates.

Foreign Exchange Rate Fluctuation Risk

The Group exports a significant portion of its products to and makes purchases from international markets where transactions are denominated in U.S. dollars or other foreign currencies. To reduce the risk, the Group has entered into certain foreign exchange trading facilities to hedge against its currency risks.

Credit Risk

The Group's financial assets are bank balances and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimize the credit risk in relation to trade receivables, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the management based on prior experience, their assessment of the current economic environment and future discounted cash flow to receive.

The Group has no significant concentration of credit risk for its trade receivables which spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Cash Flow Interest Rate Risk

The Group's cash flow interest rate risk relates primarily to variable-rate for bank deposits which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Liquidity Risk

The Group manages liquidity risk by maintaining adequate level of cash and cash equivalents by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities.

Employee and Remuneration Policy

The Group had a total of 7,110 dedicated full time employees as of 31 December 2008, including 956 management and administrative staffs, 5,997 production staffs and 157 operation supporting staffs.

In line with the the Group's and individual performance, a competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund scheme for employees in Hong Kong and state-managed retirement benefit scheme for employees in the PRC. The Group has also adopted a share option scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution. For the financial year ended 31 December 2008, no share options were granted or agreed to be granted under the scheme.

Dividend

The Directors recommended a payment from the distributable reserves of the Company a final dividend of RMB0.020 (equivalent to approximately HK$0.022) per share in respect of the year ended 31 December 2008 to the shareholders whose names appear on the register of members of the Company at the close of business on 11 May 2009. The final dividend, payable on 22 May 2009, is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 15 May 2009.

Closure of Register of Members

The register of members of the Company will be closed from 12 May 2009 to 15 May 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 11 May 2009.

Outlook and Future Strategies

Given the uncertainties in global economy, the Group considers that market demand in 2009 will be more unpredictable than in the past. The Group will closely monitor the changes in the market and take appropriate strategy to create more business opportunities.

With advanced R&D capabilities, a strong and diversified clientele base and premium quality products, the Group is poised to further strengthen its core competency while achieving operational excellence. The Group will also continue to pursue its "Mingpeijiao" strategy of acting as a key supplier of various renowned brands while striving to become the leading global integrated optical products manufacturer. In spite of the current challenging operating environment, the Group is well positioned to capture new opportunities based on the following five core strategies:

1. **Developing new customers while reinforcing relationships with existing customers**

   Looking ahead, the Group will enhance business relationships with existing customers by providing products and services of best quality, thus capturing larger supply ratio. On the other hand, the Group will focus on developing new customers, especially well-known customers in various target markets. With our marketing channels in China, Japan, Korea, Singapore, the United States and Europe, we believe that the above mentioned objectives can be achieved.

2. **Increasing investment in R&D to expand product portfolio**

   Product innovation and quality are of paramount importance to the Group's sustainable development.

   The Group will continue to expand its investment in R&D in the year of 2009, with focus in the following two aspects:

   (1) Upgrade the existing products of the three business segments to meet the demand of high-end customers, so as to maintain and improve the gross profit margins of products.

(2) Integrate optical, mechanical, electronic and software technologies to develop new products. By applying them to new areas, the Group will be able to enhance its product portfolio and further enlarge its non-handset related business, preparing for the next round of market growth.

3. Seizing business opportunities with China's 3G

The issue of 3G licenses in the PRC during 2008 is expected to spark the demand for 3G handsets. Since a 3G handset usually has two camera modules, of which the high resolution one is responsible for photo shooting while the low resolution one is for image transmission during the calls, the development of 3G handset market will increase the demand for camera modules significantly. With the capability of carrying out mass production of handset camera modules at 2.0 mega pixels or above with AF or Zoom function, the Group is fully prepared to capture the future growth potential as well as improve its revenue.

4. Refining the management and reducing production costs

In 2009, the Group will promote the "lean production" in Manufacturing Execution Systems (MES) to improve the overall operational efficiency, reduce wastage and reduce production costs, thereby enhance the competitiveness of the Group.

5. Implementing sound financial policies and maintaining a solid financial position

In 2009, the Group will implement sound financial policies, and continue to strengthen its day-to-day management of accounts receivable, accounts payable and inventory. At the same time, in order to maintain a solid overall financial position of the Group, a more cautious approach to capital expenditure and investment activities will be adopted.

SHARE OPTION SCHEME

On 25 May 2007, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company. Eligible participants of Scheme include, without limitation, employees, Directors and shareholders of the Group. Up to 31 December 2008, no share option has been granted or agreed to be granted to any person or exercised by any person under the Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable Companies Law of the Cayman Islands and the Articles of the Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale, redemption or cancellation by the Company or any of its subsidiaries, of the Company's listed shares during the period from the Company's Global Offering to 31 December 2008.

DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS

As of 31 December 2008, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who is directly and/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:

Name	Long/short Position	Type of interest	Number of Share	Approximate percentage of shareholding
Sun Xu Limited ("Sun Xu")	Long position	Beneficial owner	421,460,060	42.15%
Sun Ji Limited ("Sun Ji") *(Note 1)*	Long position	Interest in a controlled corporation	421,460,060	42.15%
Mr. Wang Wenjian *(Note 2)*	Long position	Interest in a controlled corporation, trustee of a trust and trustee and one of beneficiaries of a trust	479,401,000	47.94%
Mr. Ye Liaoning *(Note 3)*	Long position	Beneficiary of a trust	421,460,060	42.15%
Mr. Wu Jinxian *(Note 4)*	Long position	Beneficiary of a trust	421,460,060	42.15%
Summit Optical Holdings Inc ("Summit")	Long position	Beneficial owner	171,174,508	17.12%
Chengwei Ventures Evergreen Fund, L.P. *(Note 5)*	Long position	Interest in a controlled corporation	207,715,208	20.77%
Sun Zhong Limited ("Sun Zhong")	Long position	Beneficial owner	57,940,940	5.79%

Notes:

(1) As Sun Ji owns more than one-third of the voting power of general meetings of Sun Xu, Sun Ji is deemed to be interested in the 421,460,060 shares held of and in the Company by Sun Xu under the provisions of SFO.

(2) As Mr. Wang Wenjian is the sole shareholder of Sun Guang Limited and the trustee and one of the beneficiaries of the Sunny Employee Trust, Mr. Wang Wenjian is deemed to be interested in the 421,460,060 shares held by Sun Xu under the provisions of SFO. As Mr. Wang Wenjian is the trustee of the PRC Investor Trust, Mr. Wang Wenjian is deemed to be interested in the 57,940,940 shares held by Sun Zhong under the provisions of SFO.

(3) Mr. Ye Liaoning is a beneficiary under the Sunny Employee Trust, under which he is entitled to 6.20% of the beneficial interest. As a beneficiary of the trust, he is deemed to be interested in all the equity interest that Sunny Employee Trust owns under the SFO. Sun Ji owns 92.32% equity interest in Sun Xu, which in turn owns 421,460,060 shares of the Company. As a controlling shareholder, Sun Ji is deemed to be interested in all the shares that Sun Xu owns under the SFO. Accordingly, Mr. Ye Liaoning is deemed to be interested in 421,460,060 shares under the SFO.

(4) Mr. Wu Jinxian is a beneficiary under the Sunny Employee Trust, under which he is entitled to 2.81% of the beneficial interest. As a beneficiary of the trust, he is deemed to be interested in all the equity interest that Sunny Employee Trust owns under the SFO. Sun Ji owns 92.32% equity interest in Sun Xu, which in turn owns 421,460,060 shares of the Company. As a controlling shareholder, Sun Ji is deemed to be interested in all the shares that Sun Xu owns under the SFO. Accordingly, Mr. Wu Jinxian is deemed to be interested in 421,460,060 shares under the SFO.

(5) CWI Optical Holdings, Inc. ("CWI") is interested in 36,540,700 shares. As Chengwei Ventures Evergreen Fund, L.P. owns more than one-third of the voting power of general meetings of each of CWI and Summit, Chengwei Ventures Evergreen Fund, L.P. is deemed to be interested in the 207,715,208 shares held by CWI and Summit in aggregate under the SFO.

Chengwei Ventures Evergreen Management, LLC is the general partner of Chengwei Ventures Evergreen Fund, L.P., accordingly, Chengwei Ventures Evergreen Management, LLC is deemed to be interested in 207,715,208 shares under the SFO.

EXL Holdings LLC owns more than one-third of the voting power of general meetings of Chengwei Ventures Evergreen Management, LLC and EXL Holdings, LLC is a company controlled by Mr. Li Eric Xun, accordingly, each of EXL Holdings, LLC and Mr. Li Eric Xun is deemed to be interested in 207,715,208 shares under the SFO.

Definition of terms:

– "PRC Investor Trust" refers to a trust established on 28 July 2006 on the entire issued share capital of Sun Zhong

– "Sunny Employee Trust" refers to a trust established on 28 July 2006 on the entire issued share capital of Sun Ji

– "PRC Investors" refers to the beneficiaries of the PRC Investor Trust

Save as disclosed above, as of 31 December 2008, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES

As of 31 December 2008, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Name of Corporation	Long/short position	Capacity/Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Wang Wenjian	The Company	Long position	Trustee *(Note 1)*	57,940,940	5.79%
	The Company	Long position	Trustee and Beneficiary of a trust *(Note 2)*	421,460,060	42.15%
Mr. Ye Liaoning	The Company	Long position	Beneficiary of a trust *(Note 3)*	421,460,060	42.15%
Mr. Wu Jinxian	The Company	Long position	Beneficiary of a trust *(Note 4)*	421,460,060	42.15%

DIRECTORS AND KEY EXECUTIVES

The Board comprises 10 Directors, including 4 independent non-executive Directors. The Directors are all well-educated, have extensive experience in different areas and professionals and are appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

The Board acts collectively by majority decisions in accordance with the Articles and the laws, and no single Director is supposed to make important decisions unless authorised by the Board.

The key executives of the Company include Mr. Wang Wenjian, Executive Director and Chairman of the Board, Mr. Ye Liaoning, Executive Director and Chief Executive Officer of the Company, Mr. Xie Minghua, Executive Director and Mr. Wu Jinxian, Executive Director.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference. The Group's audited final results for the year ended 31 December 2008 were reviewed by all the Audit Committee members, namely, Mr. Zhang Yuqing (Chairman of the Audit Committee), Dr. Chang Mei Dick, Dr. Liu Xu, Mr. Michael David Ricks and Mr. Shao Yang Dong.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference. The Remuneration Committee comprises of 3 members, namely, Mr. Koji Suzuki and Mr. Zhang Yuqing (both are independent non-executive Directors) and Mr. Shao Yang Dong (who is a non-executive Director). Mr. Koji Suzuki was appointed as the Chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee, with written terms of reference, is comprised of 3 members, namely, Dr. Chang Mei Dick and Dr. Liu Xu (both are independent non-executive Directors) and Mr. Wang Wenjian (an executive Director). Dr. Chang was appointed as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company complied with all the principles and code provisions and most of the recommended best practices of the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2008.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, and after having made specific enquiry with regard to securities transactions after the Global Offering by the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the year ended 31 December 2008.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 15 May 2009. A notice of the annual general meeting will be published on the Company's website at www.sunnyoptical.com and the Stock Exchange of Hong Kong Limited's website at www.hkex.com.hk, on or about 14 April 2009 and will be dispatched to the shareholders together with the Company's annual report 2008.

APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to our shareholders, distributors, customers and various co-organizers for their continued support, and to our employees for their dedication and hard work.

By order of the Board of
Sunny Optical Technology (Group) Company Limited
Wang Wenjian
Chairman

China, 30 March 2009

As at the date of this announcement, the Board comprises Mr. Wang Wenjian, Mr. Ye Liaoning, Mr. Xie Minghua and Mr. Wu Jinxian, who are Executive Directors, and Mr. Micael David Ricks, Mr. Shao Yang Dong, who are Non-executive Directors, and Dr. Chang Mei Dick, Mr. Koji Suzuki, Dr. Liu Xu and Mr. Zhang Yuqing, who are independent Non-executive Directors.