SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED

舜宇光學科技（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2382)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

RESULT HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2010 was approximately RMB1,818.1 million, representing an increase of approximately 38.8% as compared with the previous year. The increase was a result of the growing market demand driven by economic recovery and the proactive capitalizing on opportunities by all business segments.

- The gross profit for the financial year 2010 was approximately RMB392.0 million, representing an increase of approximately 43.1% as compared with the previous year. The gross margin improved to approximately 21.6%.

- Profit attributable to owners of the Company increased by approximately 56.4% to approximately RMB143.8 million as compared with the previous year.

- Basic earnings per share increased by approximately 60.0% to approximately RMB0.147 as compared with the previous year.

- The Board of Directors has proposed a final dividend of approximately RMB0.0435 per share.

FINANCIAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sunny Optical Technology (Group) Company Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2010, together with the comparative figures for the year 2009 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	NOTES	**2010** **RMB'000**	2009 *RMB'000*
Revenue	*3*	**1,818,067**	1,309,565
Cost of sales		**(1,426,090)**	(1,035,611)
Gross profit		**391,977**	273,954
Other income	*4(a)*	**42,637**	34,727
Other gains and losses	*4(b)*	**(1,564)**	(4,946)
Selling and distribution expenses		**(43,867)**	(31,933)
Research and development expenditure		**(99,575)**	(75,929)
Administrative expenses		**(107,410)**	(88,579)
Impairment loss on goodwill		**(8,097)**	–
Loss on partial disposal of interests in subsidiaries		**–**	(5,754)
Share of result of an associate		**(5,096)**	–
Finance costs	*5*	**(4,129)**	(1,850)
Profit before tax		**164,876**	99,690
Income tax expense	*6*	**(26,651)**	(12,755)
Profit for the year	*7*	**138,225**	86,935
Other comprehensive income			
Exchange differences arising on translation		**694**	2,467
Reclassification of exchange differences to profit or loss upon disposal of a subsidiary		**1,110**	–
Other comprehensive income for the year		**1,804**	2,467
Total comprehensive income for the year		**140,029**	89,402
Profit for the year attributable to:			
Owners of the Company		**143,826**	91,934
Non-controlling interests		**(5,601)**	(4,999)
		138,225	86,935
Total comprehensive income attributed to:			
Owners of the Company		**145,396**	93,455
Non-controlling interests		**(5,367)**	(4,053)
		140,029	89,402
Earnings per share – Basic (RMB cents)	*9*	**14.70**	9.19
– Diluted (RMB cents)	*9*	**14.63**	N/A

Consolidated Statement of Financial Position
At 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**465,259**	486,213
Prepaid lease payments		**18,758**	19,260
Goodwill		**4,071**	12,168
Intangible assets		**19,313**	14,946
Interest in an associate		**14,954**	–
Deferred tax assets		**873**	2,007
Deposits for acquisition of property, plant and equipment		**7,235**	3,210
		530,463	537,804
CURRENT ASSETS			
Inventories		**220,598**	148,431
Trade and other receivables and prepayment	*10*	**454,371**	375,574
Entrusted loan receivables	*11*	**585,000**	–
Prepaid lease payments		**502**	502
Tax recoverable		**195**	–
Amount due from a related party		**926**	12
Amount due from an associate		**1,136**	–
Pledged bank deposits	*12*	**76,180**	19,185
Bank balances and cash	*12*	**188,278**	740,320
		1,527,186	1,284,024
CURRENT LIABILITIES			
Trade and other payables	*13*	**397,683**	294,027
Amounts due to related parties		**6,650**	6,765
Amount due to a non-controlling interest of a subsidiary		**487**	519
Tax payable		**3,545**	3,816
Borrowings		**87,548**	28,888
		495,913	334,015
NET CURRENT ASSETS		**1,031,273**	950,009
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,561,736**	1,487,813
NON-CURRENT LIABILITIES			
Borrowings		**25,412**	27,011
Deferred tax liabilities		**6,908**	8,031
Deferred income		**1,469**	3,368
		33,789	38,410
		1,527,947	1,449,403
CAPITAL AND RESERVES			
Share capital	*14*	**97,520**	97,520
Reserves		**1,398,415**	1,318,654
Equity attributable to owners of the Company		**1,495,935**	1,416,174
Non-controlling interests		**32,012**	33,229
		1,527,947	1,449,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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. Its ultimate controlling party is Mr. Wang Wenjian, also a director of the Company. 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 Nos. 66-68, Shunyu Road, Yuyao, Zhejiang Province, PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following revised Standards, amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the revised Standards, amendments and Interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards, amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. The application of HKFRS 9 might affect the consolidated financial statements of the Group.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations issued but not yet effective will have no material effect on consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold to outside customers, less returns and discount, if any, during the year.

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered because the chief operating decision maker has chosen to organise the Group around differences in products.

Specifically, the Group's operating segments under HKFRS 8 Operating Segments are as follows:

1. Optical components
2. Optoelectronic products
3. Optical instruments

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2010

	Optical components *RMB'000*	**Optoelectronic products** *RMB'000*	**Optical instruments** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
REVENUE					
External sales	**903,341**	**720,046**	**194,680**	**–**	**1,818,067**
Inter-segment sales	**101,000**	**4,261**	**163**	**(105,424)**	**–**
Total	**1,004,341**	**724,307**	**194,843**	**(105,424)**	**1,818,067**
Segment profit	**134,208**	**37,427**	**34,188**	**(647)**	**205,176**
Share of result of an associate					**(5,096)**
Unallocated expenses					**(35,204)**
Profit before tax					**164,876**

For the year ended 31 December 2009

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External sales	637,312	545,646	126,607	–	1,309,565
Inter-segment sales	78,427	1,672	116	(80,215)	–
Total	715,739	547,318	126,723	(80,215)	1,309,565
Segment profit	64,420	36,070	17,460	(585)	117,365
Unallocated expenses					(17,675)
Profit before tax					99,690

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, certain non-recurring items, share of result of an associate and finance costs. There was asymmetrical allocations to operating segments because the Group allocates interest income, depreciation and amortisation and loss on disposal of property, plant and equipment to each segment without allocating the related bank balances, depreciable assets, property, plant and equipment, and those relevant financial instruments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31 December 2010

	Optical components *RMB'000*	**Optoelectronic products** *RMB'000*	**Optical instruments** *RMB'000*	**Total** *RMB'000*
Assets				
Trade receivables	**168,693**	**111,421**	**21,890**	**302,004**
Inventories	**97,914**	**91,994**	**30,690**	**220,598**
Segment assets	**266,607**	**203,415**	**52,580**	**522,602**
Unallocated assets				**1,535,047**
Total assets				**2,057,649**
Liabilities				
Segment liability – trade payables	**164,828**	**101,961**	**33,744**	**300,533**
Unallocated liabilities				**229,169**
Total liabilities				**529,702**

As at 31 December 2009

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Total *RMB'000*
Assets				
Trade receivables	142,879	91,106	22,848	256,833
Inventories	62,600	63,393	22,438	148,431
Segment assets	205,479	154,499	45,286	405,264
Unallocated assets				1,416,564
Total assets				1,821,828
Liabilities				
Segment liability – trade payables	120,204	66,610	25,439	212,253
Unallocated liabilities				160,172
Total liabilities				372,425

For the purposes of monitoring segment performances and allocating resources between segments:

- trade receivables and inventories are allocated to respective operating segments. All other assets are unallocated assets, which are not regularly reported to chief operating decision maker.

- trade payables are allocated to respective operating segments. All other liabilities are unallocated liabilities, which are not regularly reported to chief operating decision maker.

Other segment information

For the year ended 31 December 2010

	Optical components *RMB'000*	**Optoelectronic products** *RMB'000*	**Optical instruments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation	**70,814**	**15,955**	**4,346**	**–**	**91,115**
Allowance for (reversal of allowance for) bad and doubtful debts	**162**	**620**	**(27)**	**–**	**755**
(Gain) loss on disposal of property, plant and equipment	**(655)**	**6**	**(50)**	**–**	**(699)**
Impairment loss on goodwill	**8,097**	**–**	**–**	**–**	**8,097**
Share award scheme expense	**4,817**	**1,361**	**1,481**	**272**	**7,931**
Bank interest income	**6,781**	**1,076**	**557**	**10**	**8,424**
Interest income from entrusted loan	**14,524**	**1,811**	**1,936**	**–**	**18,271**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:					
Addition to non-current assets *(Note)*	**63,344**	**7,419**	**5,463**	**–**	**76,226**

For the year ended 31 December 2009

	Optical components *RMB'000*	Optoelectronic products *RMB'000*	Optical instruments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation	66,635	14,517	4,742	–	85,894
Allowance for (reversal of allowance for) bad and doubtful debts	534	140	(610)	–	64
Loss on partial disposal of interests in subsidiaries	1,814	–	3,940	–	5,754
(Gain) loss on disposal of property, plant and equipment	(212)	3	(95)	–	(304)
Bank interest income	10,751	1,607	7,284	44	19,686
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:					
Addition to non-current assets *(Note)*	58,223	18,941	2,215	–	79,379

Note: Non-current assets excluded deposits for acquisition of property, plant and equipment, assets acquired from business combination and through capital injection and deferred tax assets.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products:

	2010	2009
	RMB'000	*RMB'000*
Mobile phone related products	**708,806**	578,896
Digital camera related products	**493,380**	320,581
Optical instruments	**172,751**	109,750
Digital video lens	**50,381**	32,305
Other lens sets	**116,566**	75,154
Other spherical lens and plane products	**70,529**	37,033
Industrial endoscope	**12,331**	23,982
Other products	**193,323**	131,864
	1,818,067	1,309,565

Geographical information

The Group's operations are located in the PRC, Korea, Japan and Singapore.

The Group's revenue from external customers based on the locations of goods physically delivered to and information about its non-current assets by the geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (excluding Hong Kong) (country of domicile)	**1,159,142**	803,482	**434,820**	452,414
Japan	**246,335**	172,083	**14**	41
Hong Kong	**184,244**	171,081	**–**	–
Korea	**79,051**	62,892	**78,842**	82,907
Taiwan	**12,523**	19,902	**–**	–
Others	**136,772**	80,125	**960**	435
	1,818,067	1,309,565	**514,636**	535,797

Note: Non-current assets excluded deferred tax assets and interest in an associate.

Information about major customers

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

	2010	2009
	RMB'000	*RMB'000*
Customer A, revenue from optical components	**156,527**	149,474

4(a). OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Bank interest income	**8,424**	19,686
Interest income from entrusted loans	**18,271**	–
Government grants *(Note)*	**8,717**	10,754
Income from sales of moulds, net	**2,559**	1,786
Income from sales of scrap materials	**584**	538
Rental income	**1,131**	–
Others	**2,951**	1,963
Total	**42,637**	34,727

Note: This relates to government grants received from the local government unconditionally in recognition of the eminence of development of new products and export business of the Group.

4(b). OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**699**	304
Net foreign exchange loss	**(642)**	(5,250)
Loss on deregistration of a subsidiary	**(1,621)**	–
Total	**(1,564)**	(4,946)

5. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on:		
Bank loans wholly repayable within five years	**3,473**	1,850
Bank loans not wholly repayable within five years	**656**	–
	4,129	1,850

6. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
Current tax	**26,430**	12,855
Underprovision in prior years	**210**	440
	26,640	13,295
Deferred tax	**11**	(540)
	26,651	12,755

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, except as described below.

Zhejiang Sunny Optics Co., Ltd. ("Sunny Optics") and Ningbo Sunny Instruments Co., Ltd. ("Sunny Instruments") were sino-foreign equity joint ventures of manufacturing nature established in coastal economic open zone in the PRC. Sunny Optics and Ningbo Instruments were approved to be exempted from EIT for two years starting from their first profit making year, followed by a 50% tax relief for the next three years ("Tax Holidays"). The PRC income taxes for these two entities were under 50% relief from the applicable EIT tax rate of 25% for the year ended 31 December 2009. During the year, these two entities were approved by local tax authorities as Hi-tech Enterprises and entitled to a preferential tax rate of 15% for three years with effect from 1 January 2010.

Sunny Optics (Zhongshan) Co., Ltd. ("Sunny Zhongshan Optics") and Ningbo Sunny Opotech Co., Ltd. ("Sunny Opotech") were established as sino-foreign equity joint ventures of manufacturing nature established in coastal economic open zone in the PRC with applicable EIT tax rate of 25%. Sunny Zhongshan and Sunny Opotech are also entitled to the Tax Holidays. These two entities were under 50% relief for both years ended 31 December 2010 and 2009.

Shanghai Sunny Hengping Scientific Instrument Co., Ltd. ("Sunny Hengping") was domestic limited liability company and approved as a Hi-Tech Enterprise of Shanghai, PRC with preferential tax rate of 15% for three years commencing on 1 January 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit before tax	**164,876**	99,690
Tax at PRC EIT tax rate of 25%	**41,219**	24,923
Tax effect of share of result of an associate	**1,274**	–
Tax effect of expenses not deductible for tax purpose	**2,818**	992
Tax effect of concession any tax rates under Tax Holidays	**(9,674)**	(18,269)
Tax effect of preferential tax rates for certain subsidiaries	**(14,320)**	–
Tax effect of tax losses not recognised	**3,194**	3,424
Utilisation of tax losses not previously recognised	**(1,000)**	(318)
Tax effect of withholding tax on undistributable profits of PRC subsidiaries	**(738)**	413
Withholding tax levied	**738**	1,150
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**2,930**	–
Underprovision in prior years	**210**	440
Income tax expense for the year	**26,651**	12,755

7. PROFIT FOR THE YEAR

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

	2010	2009
	RMB'000	*RMB'000*
Directors' emoluments	**6,491**	3,683
Other staff's salaries and allowances	**271,685**	195,277
Other staff's discretionary bonuses	**36,647**	27,987
Other staff's contribution to retirement benefit scheme	**19,698**	19,169
Other staff's share award scheme expense	**6,843**	–
Total staff costs	**341,364**	246,116
Auditor's remuneration	**2,441**	2,003
Depreciation of property, plant and equipment	**87,235**	82,566
Release of prepaid lease payments	**502**	502
Amortisation of intangible assets (included in research and development expenditure)	**3,880**	3,328
Release of deferred income	**(1,899)**	–
Reversal of allowance for inventories (included in cost of sales) *(Note)*	**(2,273)**	–

Note: Reversal of allowance for inventories was recognised because of subsequent usage.

8. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2009 final dividend – RMB0.02 (2009: 2008 final dividend – RMB0.02) per share	**20,000**	20,000

Subsequent to the end of reporting period, a final dividend of HK$0.051 per share, equivalent to approximately RMB0.0435 per share, amounting to a total of RMB43,500,000 (2009: HK$0.0227 per share, equivalent to approximately RMB0.020 per share, amounting to a total of RMB20,000,000) 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 end of reporting period has not been recognised as a liability at the end of reporting period.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for both periods is based on the profit for the year attributable to the owners of the Company and the weighted average number of shares of 978,117,000 (2009: 1,000,000,000). The number of shares for the current year has been arrived at after eliminating the shares of the Company held under the share award scheme as detailed in note 15.

The calculation of diluted earnings per share for the current year assumes the effect of unvested awarded shares under the Company's share award scheme since the date of grant would result in a decrease in earnings per share. The calculation is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary share for the purpose of diluted earnings per share for the current year increases by 4,854,713 to approximately 982,972,000.

No diluted earnings per share is presented in 2009 as the Company did not have any potential ordinary shares in issue during prior year or at the end of prior reporting period.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**306,584**	261,272
Less: allowance for doubtful debts	**(4,580)**	(4,439)
	302,004	256,833
Bill receivables	**114,489**	85,331
Other receivables and prepayment	**37,878**	33,410
Total trade and other receivables and prepayment	**454,371**	375,574

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 presented based on the invoice date at the end of reporting period.

	2010	2009
	RMB'000	*RMB'000*
0-90 days	**289,114**	243,661
91-180 days	**12,001**	10,684
Over 180 days	**889**	2,488
	302,004	256,833

Ageing of bill receivables at the end of reporting period is as follow:

	2010	2009
	RMB'000	*RMB'000*
0-90 days	**92,367**	52,801
91-180 days	**22,122**	32,530
	114,489	85,331

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits of the customer. Limits attributed to customers are reviewed once a year. 96% (2009: 95%) of the trade receivables that are neither past due nor impaired have the best credit attributes assessed by the Group.

The Group has made specific allowance for certain receivables which are past due but with ageing less than 365 days based on the evaluation of collectability of each accounts and provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

After assessment of impairment on individual balances, included in the Group's trade receivables are debtors with aggregate carrying amount of RMB12,890,000 (2009: RMB13,172,000) which are past due at the end of the reporting period but not considered impaired. The Group does not hold any collateral over these balances. The average age of these receivables is as follow.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	RMB'000	*RMB'000*
91-180 days	**12,001**	10,684
Over 180 days	**889**	2,488
Total	**12,890**	13,172

Movement in the allowance for doubtful debts

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**4,439**	5,587
Impairment losses recognised on receivables	**863**	674
Amounts written off as uncollectible	**(614)**	(1,212)
Impairment losses reversed	**(108)**	(610)
Balance at end of the year	**4,580**	4,439

Included in the allowance for doubtful debts made for the year are individually impaired trade receivables with a balance of RMB4,580,000 (2009: RMB4,439,000) which might be in financial difficulties. The Group does not hold any collateral over these balances.

11. ENTRUSTED LOAN RECEIVABLES

During the year, the Group entered into entrusted loan arrangements with banks, in which the subsidiaries acted as the entrusting parties and the banks acted as the lenders to provide funding to specified borrowers. All of the entrusted loans are current and due within one year, bearing fixed interest rates ranged from 4.6% to 17.5% per annum.

At 31 December 2010, no entrusted loan receivables have been past due or impaired. In the opinion of directors, the entrusted loan borrowers have good credit quality and accordingly, no impairment is made.

The entrusted loan receivables are fully guaranteed by respective banks. At the date of the consolidated financial statements are authorised for issue, approximately RMB275,000,000 has been repaid.

12. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank balances, represent saving accounts and deposits, carry interest at market saving rates at 0.36% (2009: 0.36% to 3.8%) per annum while pledged bank deposits carry fixed interest rate of 2.25% (2009: 2.25%) per annum. Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Pledged bank deposits have been pledged to secure short-term bank loans and they are therefore classified as current assets and will be released upon the settlement of relevant bank borrowings.

13. TRADE AND OTHER PAYABLES

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

	2010	2009
	RMB'000	*RMB'000*
Trade payables		
Within 90 days	**283,481**	204,052
91 to 180 days	**16,397**	7,971
Over 180 days	**655**	230
Total trade payables	**300,533**	212,253
Payable for purchase of property, plant and equipment	**3,769**	5,764
Staff salaries and welfare payables	**62,673**	47,414
Advance from customers	**9,227**	5,163
Value added tax payables and other tax payables	**5,404**	7,403
Deferred income	**1,000**	1,000
Others	**15,077**	15,030
	97,150	81,774
	397,683	294,027

14. SHARE CAPITAL

	Number of shares	**Amount**	**Equivalent to**
		HK$'000	*RMB'000*
Authorised:			
Ordinary shares of HK$0.1 each as of 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	100,000,000,000	10,000,000	
Issued & fully paid:			
Ordinary shares of HK$0.1 each as of 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	1,000,000,000	100,000	97,520

15. SHARE AWARD SCHEME

The Company adopted The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme ("Share Award Scheme") on 22 March 2010 ("Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme is to provide the selected participants including directors, employees, agents or consultants of the Company and its subsidiaries (the "Selected Participants") with an opportunity to acquire a proprietary interest in the Company; to encourage and retain such individuals to work with the Group; and to provide additional incentive for them to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Selected Participants directly to be the owners of the Company through ownership of shares. The Group has set up The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme Trust ("Trust") to administer and hold the Company's shares before they are vested and transferred to Selected Participants. Upon granting of shares to selected participants, the Trust purchases the Company's shares being awarded from the open market with funds provided by the Company by way of contributions. Restricted Shares granted under the Share Award Scheme are subject to a vesting scale in tranches of one-third to one-fifth each (as the case may be) on every anniversary date of the grant date starting from the first anniversary date until the third to the fifth anniversary (as the case may be). The vested shares are transferred to Selected Participants at no cost except that the expenses attributable or payable in respect of the transfer of such shares of the Company shall be borne by the Selected Participants.

The grant of Restricted Shares is subject to acceptance by the Selected Participants. Restricted Shares granted to but not accepted by the Selected Participants shall become unaccepted shares. The Trustee may use any remainder of cash and non-cash income received by the Trust in respect of the Shares held upon trust to purchase additional Shares after defraying all expenses incurred by the Trust prior to the purchase of additional shares. The Trust shall hold the additional shares, unaccepted shares and unvested shares upon trust and may make any grant to existing or new Selected Participants after receiving instructions from the Administration Committee of the Group. The fair value of Restricted Shares awarded was determined based on the market value of the Company's shares at the grant date.

Movements in the number of Restricted Shares granted and related fair value are as follows:

	Weighted average fair value (per share) *HK$'000*	**Number of restricted shares granted**
As at 1 January 2010	–	–
Granted *(Note)*	1.637	33,560
As at 31 December 2010	1.637	33,560

Note: Among the total number of Restricted Shares granted, 2,160,000 and 31,400,000 shares are under vesting scale in tranches of one-fifth and one-fourth, respectively, on every anniversary date of the grant date.

The equity-settled share-based payments charged to the profit or loss was RMB7,931,000 for the year ended 31 December 2010 (2009: nil).

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 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

In 2010, the global economy has gradually emerged from recession. Despite some regional economic fluctuations, the overall economy started to recover with positive efforts made by various governments.

With the turnaround of the economy, the shipment volume of global handset market with camera function has continued to grow, in particular, the development of smartphone market has shown rapid growth. According to statistics published by relevant institutions, the global shipment volume of smartphones increased by approximately 72% as compared with the previous year. Thanks to the extensive applications and unceasing technology improvement of 3G phones and smartphones, the market demand for handset lens sets and camera modules had dramatically increased. Besides, the demand for products related to hi-end handsets made fast headway, which was expected to have a higher growth in 2011.

There was also an increase in the global shipment of digital cameras with particularly strong growth in demand for DSLR. According to statistics published by relevant authorities, their global shipment volume increased by approximately 30% as compared with the previous year. It is expected that, in 2011, lens manufacturing enterprises will continually benefit from the sourcing strategy of Japanese digital camera manufacturers, leading to the trend of strong growth in lens demands.

The market demand for optical instruments during the year showed positive growth prospects due to the recovery of global industry. Under the proactive fiscal policies of China and continuous investment in public aspects such as education, medical and environment protection, the growth of the market demand for optical instruments is expected to be sustainable.

The demands of other fields of the Group, such as vehicle imaging, infrared imaging and security surveillance, have all recorded rapid growth. It is expected that the comparatively fast growing trend will be sustained in the coming years.

The Group will follow the market movements and proactively seize business opportunities, so as to enhance customer base, optimize products portfolio and strengthen its comprehensive competitiveness.

Business Review

During the year under review, the Group's sales achieved satisfactory growth due to, among other things, the recovery of the global economy and the efforts contributed by every business segment of the Group. Furthermore, as the Group fully implemented "Lean Production", its product structure and customer portfolios were effective improved, allowing the Group to achieve growth above the industry average performance.

In 2010, the Group's sales revenue was approximately RMB1,818.1 million, representing an increase of approximately 38.8% as compared with the previous year. Main reasons accounted for such increase included the significant growth in our three major business segments, namely optical components, optoelectronic products and optical instruments, and the smooth operation of several recently established subsidiaries. Among such subsidiaries, Ningbo Sunny Automotive Optech Co., Ltd. got rapid business expansion, made a greater profit contribution, and was granted with government subsidies for its R&D projects. Ningbo Sunny Infrared Technologies Company Ltd. began to generate profit from its infrared lenses and lens sets businesses, while Shanghai Sunny Hengping Scientific Instrument Co., Ltd. was granted with several subsidies from the Municipal Government of Shanghai in respect of its mid- and high-ended analytical instruments, and realized a break even result for the year.

Our three major business segments, namely optical components, optoelectronic products and optical instruments, have upgraded their respective existing products in R&D, so as to maintain their technical leadership in the industries of such products. Meanwhile, in order to realize sustainable growth of the Group, each business segment also conducted R&D in certain emerging optical application fields. In respect of the optical components business, great progress has been made in the technology of manufacturing glass aspheric lenses with several cavities per mold; breakthrough has been secured in the molding of plastic aspheric lens with narrow runway; development for several types of micro-projectors and engines have been accomplished; utility model patents for various lens sets for vehicles have been obtained; automatic production and inspection technology for lens sets was further developed and applied. The Group is well prepared for providing quality products for the international leading handset manufacturers. In respect of optoelectronic products business segment, the development of 12-mega pixel handset camera module has accomplished. Security surveillance products have been in the upgrade of R&D process and the market operation model of which was preliminarily established. In respect of optical instruments business segment, developments for a number of teaching interactively microscope systems, analytical instruments oriented for spectrophotometer, gas chromatograph and mass spectrometer and high-end measuring machines have been accomplished. In addition, typical sales have been made in areas concerning environmental protection and food safety, which laid foundation for further expansion of optical instrument market. Currently, the Group owns 109 patents and 55 patents pending for approval.

Optical Components

Driven by the rapid growth of 3G handset, smartphone and DSLR markets, the demand for high quality lenses and handset lens sets with high resolution surged. By virtue of its outstanding products and technology, optical components business segment was well received by the customers. During the year under review, with rapid growth in sales, the sales revenue of the segment was approximately RMB903.3 million, representing an increase of approximately 41.7% as compared with last year. This business segment accounted for approximately 49.7% of the Group's revenue, while approximately 48.7% as for last year.

During the year under review, shipment volume of 2-mega pixel (or above) handset lens sets took a larger proportion in the total shipment of handset lens sets of the Group, increased from approximately 34.7% of last year to approximately 41.0% for the year under review. Meanwhile, the mass production for 5-mega and 8-mega pixel handset lens sets with auto-focus function has been commenced. Our spherical lens production line has been gradually developing mainly oriented for DSLR lenses highlighted with high precision and sophistication, propelling us to become the first class supplier for various famous digital camera manufacturers. Our relationship with customers was thus further reinforced, and a new direction "New Business of Existing Customers" was further explored, broadening our path for future business development.

Given the proactive market expansion strategy of the segment, several new reputable customers were secured this year. We have obtained a qualification of sub-supplier of Nokia, the celebrated handset producer, during the year under review, which was a milestone of entering into the supply chain for the world's first class handset producers, building a strong foothold for winning greater market share in handset lens sets market in the future.

This business segment has obtained 36 patents, of which 12 are invention patents, 23 are utility model patents and the remaining 1 is exterior design patent. In additions, 38 other patents are in the process of application.

Optoelectronic Products

Despite the decrease in average selling price resulted from the fierce competition in handset market, through enhancement of its product portfolio and strengthening of market promotion, the shipment volume of optoelectronic products business segment still recorded a significant increase as compared to last year, and thus recorded an increase in sales. In 2010, the segment realized sales revenue of approximately RMB720.1 million, representing an increase of approximately 32.0% as compared to last year. This business segment accounted for approximately 39.6% of the Group's revenue, while approximately 41.7% as for last year.

The shipment proportion of 2-mega (or above) pixel handset camera modules increased to approximately 37.2% of total handset camera modules shipment volume in 2010, from approximately 27.7% of last year. The mass production for 5-mega and 8-mega pixel handset camera modules with auto-focus function has been successfully launched. With the "particle-resistant gluing technique for camera modules for handset with high resolution" which has obtained an invention patent, our outstanding high resolution products allowed the Group to maintain its dominant position as the top supplier for domestic 3G handset and smartphone manufacturers. Meanwhile, reflow handset camera modules, which enjoyed cost advantages and were applicable to front cameras of smartphones, commenced the mass production. Furthermore, the Optical Finger Navigation module "OFN module" in this segment, which would be vastly applied in handset and computer areas, also successfully commenced its mass production.

For this business segment, we have already established important partnership with a number of famous customers such as Huawei, ZTE, Lenovo, Coolpad, K-Touch, Gionee and so on, all of which are domestic brand handset manufacturers. This business segment is expected to make more contributions in domestic smartphones in future. Besides, the business segment also continues to devote tremendous efforts in entering into first class international handset supply chain.

The business segment also successfully obtained certificate of OHSAS180001. In the same year, the Group had invested approximately RMB20 million in Visiondigi (Shanghai) Technology Co., Ltd. ("Visiondigi"), thus holding approximately 26% equity interests of the company. Currently, security surveillance products developed by the company have already formed products in a series while its market channel requires further establishment.

This business segment has obtained 25 patents, of which 3 are invention patents, 17 are utility model patents and the remaining 5 are exterior design patents. In additions, 7 other patents are in the process of application.

Optical Instruments

During this year, with the recovery of industry, the demand for optical instruments market emerged. Besides, following the increasing demands for domestic scientific research, environmental protection and education, the market demand for optical analytical instrumental products has also continued to climb up. Meanwhile, as the Group proactively promoted this business segment and strived to consolidate its ability in R&D and marketing, a significant increase was achieved in this business segment during the year. During the year under review, as compared to last year, sales revenue recorded by optical instruments business segment increased by approximately 53.8% to approximately RMB194.7 million, accounting for approximately 10.7% of the Group's total sales revenue, while 9.6% for last year.

During the year under review, optical instruments business segment of the Group achieved a significant breakthrough in terms of R&D of new products and key technology. The business segment has successfully developed EX20/30 biological microscope and SZX7 parallel light path zoom stereo microscope which have commenced mass production and small batch production respectively. At the same time, the Differential Interference Contrast ("DIC") technology of this segment achieved great improvement this year, which accordingly broadened the application of the Group's metallurgical microscope, enhanced product quality and enlarged product portfolio as well. Moreover, in the year under review, the Group also entered into an agency agreement with JEOL (one of the world superior scientific instruments producers), pursuant to which, the Group became JEOL's official agent and was entitled to distribute gas chromatographs/quadrupole mass spectrometers in the PRC and responsible for the promotion and sales of gas chromatrograph-mass spectrometers (Jms-Q1000GC MK11) in the region. It was a remarkable step for the Group in enlarging its product portfolio.

Besides, the Group has already disposed of its surveying instrument business from the business segment in January 2010 so as to concentrate its resources and focus on expanding businesses of mid- to high-end microscopes, optical measuring instruments and optical analytical instruments.

This business segment has obtained 48 patents, of which 1 is invention patent, 11 are utility model patents and 36 are exterior design patents. And other 10 patents are in the process of application.

Production

The Group mainly operates four production bases in Yuyao City of Zhejiang Province, Zhongshan of Guangdong Province, Shanghai and Tianjin in the PRC respectively. In addition, the Group has set up offices and production areas in Seoul of Korea and Singapore through its subsidiaries.

In addition, the Group will commence the construction plan of its fifth production base in Henan in March 2011, in order to conform with the industrial integration trends and enjoy its advantageous local resources. In 2010, our high-end products series leaped into the front ranks among the industry in the PRC.

Utilization Rate	**2010**	2009
Lenses	**88.4%**	85.0%
Lens sets	**75.1%**	64.9%
Optoelectronic products	**70.2%**	43.1%
Optical Instruments	**86.2%**	61.8%

Financial Review

Revenue

Revenue generated from the optical components business segment increased by approximately 41.7% to approximately RMB903.3 million as compared with the previous year. The increase was mainly attributable to our strong manufacturing capability for spherical lens and handset lens which successfully helped to capture business opportunities driven by the rapid growth of 3G handset, smartphone and DSLR. Revenue generated from the optoelectronic products business segment increased by approximately 32.0% to approximately RMB720.1 million as compared with the previous year. The increase in revenue was mainly attributable to the benefit from business opportunities brought by the rapid growth of 3G handset and smartphone. Revenue generated from the optical instruments business segment increased by approximately 53.8% to approximately RMB194.7 million as compared with the previous year. The major driving forces included the recovery of industrial market and a purchase order from the Japanese Government.

The Group's revenue for the year ended 31 December 2010 was approximately RMB1,818.1 million, representing an increase of approximately 38.8% or approximately RMB508.5 million as compared with the previous year.

Gross Profit and Margin

The gross profit for the financial year 2010 was approximately RMB392.0 million, which was approximately 43.1% higher than that of last year, and the gross margin improved to approximately 21.6% (2009: approximately 20.9%). The raise in gross margin was mainly due to the improvement in our product mix, the positive effect resulted from our persistent promotion of "Lean Production" and the increase in utilization rate. The gross margin of optical components business segment, optoelectronic products business segment and optical instruments business segment were approximately 22.2%, 13.3% and 37.4% respectively.

Selling and Distribution Expenses

For the year ended 31 December 2010, selling and distribution expenses increased by approximately 37.4% or approximately RMB11.9 million to approximately RMB43.9 million for the year under review, accounting for approximately 2.4% for the Group's revenue, which was also approximately 2.4% for last year. The increase in expenses was mainly driven by the increase in costs of selling, marketing and distribution personnel resulted from sales expansion.

R&D Expenditure

R&D expenditure, which represented approximately 5.5% of the Group's revenue during the year under review and which was approximately 5.8% for last year, increased from approximately RMB75.9 million for the year ended 31 December 2009 to approximately RMB99.6 million for the year of 2010. The increase was attributable to the continuous investment in R&D activities and business development, including the research and development of high resolution handset lens sets and camera modules, vehicle lens sets, infrared products, security surveillance systems, mid- to high-end optical instruments, the upgrading of existing product categories and the increase in headcount and salaries of R&D experts and engineers.

Administrative Expenses

Administrative expenses, which represented approximately 5.9% of the Group's revenue during the year under review and which was approximately 6.8% for last year, increased from approximately RMB88.6 million for the year ended 31 December 2009 to approximately RMB107.4 million for the year of 2010, representing an increase of approximately 21.3%. The rise in expenses was mainly attributable to the increase in the headcount of administrative staff, the increase in remuneration, the grant of certain restricted shares, and the corresponding increase relevant fringe benefits.

Income Tax Expense

Income tax expense increased from approximately RMB12.8 million for the year ended 31 December 2009 to approximately RMB26.7 million for the year of 2010. The increase was primarily due to the growth in earnings. The Group's effective tax rate for the year under review was approximately 16.2%, which was approximately 12.8% for last year.

In order to keep the effective tax rate steady, the Company has successfully applied as hi-tech enterprises for several PRC subsidiaries. Income tax for hi-tech enterprises is 15% according to the national policy.

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

	2009	**2010**	**2011**	**2012**
* Zhejiang Sunny Optics Co., Ltd. ("Sunny Optics")	12.5%	15.0%	15.0%	15.0%
* Ningbo Sunny Instruments Co., Ltd. ("Sunny Instruments")	12.5%	15.0%	15.0%	15.0%
* Sunny Optics (Zhongshan) Co., Ltd. ("Sunny Zhongshan Optics")	12.5%	12.5%	12.5%	15.0%
* Ningbo Sunny Opotech Co., Ltd. ("Sunny Opotech")	12.5%	12.5%	15.0%	15.0%
Ningbo Sunny Infrared Technologies Company Ltd. ("Sunny Infrared")	25.0%	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%	25.0%
Jiangsu Sunny Medical Instruments Co., Ltd. ("Sunny Medical")	25.0%	25.0%	25.0%	25.0%
Sunny Optics (Tianjin) Co., Ltd. ("Sunny Tianjin Optics")	25.0%	25.0%	25.0%	25.0%
Suzhou Shun Xin Instruments Co., Ltd ("Suzhou Shun Xin Instruments")	25.0%	25.0%	25.0%	25.0%
Hangzhou Sunny Security Technology Co., Ltd. ("Sunny Security")	25.0%	25.0%	25.0%	25.0%

* Companies recognized as hi-tech enterprises prior to the balance sheet date

\# The qualification as a high-tech enterprise granted to the company will expire at the end of 2010, and the company will then apply for a renewal of such qualification in 2011

Profit for the Year and Margin

Profit for the year increased by approximately 59.0% from approximately RMB86.9 million for the year ended 31 December 2009 to approximately RMB138.2 million for the year of 2010. The increase in net profit was mainly due to the increase in gross profit and effective control in operating expenses. The net profit margin was approximately 7.6%.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately RMB143.8 million, representing an increase of approximately RMB51.9 million or approximately 56.4% as compared with approximately RMB91.9 million for last year.

Final Dividend

For the year ended 31 December 2010, the dividend proposed by the Board was approximately RMB0.0435 (equivalent to HK$0.051) per share, with payout ratio of approximately 30.2% of the profit attributable to the owners of the Company for the year.

Liquidity and Financial Resources

Cash Flows

The table below summaries the Group's cash flows for the year ended 31 December 2010 and 31 December 2009:

	For the year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Net cash from operating activities	**185.1**	130.6
Net cash (used in) from investing activities	**(721.0)**	227.7
Net cash used in financing activities	**(16.1)**	(6.3)

The Group, being a self-sufficient company, derives its working capital mainly 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 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. During the year, there was no material changes in the funding and treasuring policy of the Group.

The Group recorded a net decrease in cash and cash equivalent of approximately RMB552.0 million for the year ended 31 December 2010.

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, R&D expenditure and administrative expenses. Net cash from operating activities was approximately RMB130.6 million and RMB185.1 million for the financial years ended 2009 and 2010 respectively. The increase in net cash generated from operating activities was mainly because of the increase in profit before tax.

The trade receivable turnover decreased from approximately 72 days for the financial year ended 2009 to approximately 61 days for the financial year ended 2010. The decrease in trade receivable turnover days was mainly because of better payments collection as compared with the financial year ended 2009 and shorter credit period provided to the new customers by the Group.

The trade payable turnover increased from approximately 75 days for the financial year ended 2009 to approximately 77 days for the financial year ended 2010. There is no significant difference in trade payable turnover for these two financial years.

The inventory turnover increased from approximately 52 days for the financial year ended 2009 to approximately 56 days for the financial year ended 2010. There is no significant difference in inventory turnover for these two financial years.

Investing Activities

The Group recorded a net cash outflow from investing activities of approximately RMB721.0 million for the financial year ended 2010, mainly due to an increase in entrusted loan receivables guaranteed by banks and with principal guaranteed income of RMB585.0 million, an increase in pledged bank deposits of approximately RMB76.2 million, an acquisition of an associate of approximately RMB20.0 million, and no more proceeds on settlement of financial assets designated as at fair value through profit or loss during the year.

Financing Activities

The Group also recorded a net cash outflow from financing activities of approximately RMB16.1 million for the financial year ended 2010. The inflow mainly came from new bank borrowing raised of approximately RMB191.0 million. Major outflows were the repayment of borrowings of approximately RMB133.6 million, purchase of shares for unvested shares under share award scheme of approximately RMB50.4 million and dividend paid to shareholders of approximately RMB20.0 million as declared in the previous year.

Capital Expenditure

For the year ended 31 December 2010, the Group's capital expenditure amounted to approximately RMB66.7 million, mainly used for 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 2010 amounted to approximately RMB113.0 million (2009: approximately RMB55.9 million). Pledged bank deposit amounting to approximately RMB76.2 million was arranged in the year under review.

As of 31 December 2010, among all of the bank loans, approximately RMB41.1 million were denominated in Korean Won, approximately RMB4.7 million were denominated in Japanese Yen, while approximately RMB67.2 million were denominated in U.S. Dollars. The gearing ratio of the Group by reference to the total debt to total book capitalization ratio (with total book capitalization representing the sum of total liabilities and shareholders' equity) was approximately 5.5%, reflecting that the Group's financial position was at a sound level.

Bank facilities

As of 31 December 2010, the Group had unutilized banking facilities of RMB240.0 million with Yuyao Branch of Agricultural Bank of China and RMB55.0 million with Yuyao Branch of Ningbo.

Debt securities

As of 31 December 2010, the Group did not have any debt securities.

Contingent liabilities

As of 31 December 2010, 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 2010, other than pledged bank deposits of approximately RMB76.2 million.

Capital Commitments

As of 31 December 2010, the future aggregate minimum lease payments under non-cancellable operating lease in respect of rental properties amounted to approximately RMB15.9 million (2009: approximately RMB5.7 million). The Group had capital commitment in respect of acquisition of equipment amounted to approximately RMB10.6 million (2009: approximately RMB3.8 million).

As of 31 December 2010, the Group had no other capital commitments save as disclosed herein.

Performance of Investments Made and Future Investments

The Group's investing activities mainly include the purchase of property, plant and equipment. During the year ended 31 December 2010, the Group used approximately RMB66.7 million in investing activities, mainly in relation to the purchase of plants and equipment and the setting up of the capacities for new products and new projects. These investments enhance the Group's R&D capability and production efficiency thereby enlarging the market share of existing products and penetrating into new markets, and thus broaden the revenue sources.

The Group adopts prudent financial policies, and therefore its investment projects are mostly the ones that will preserve their values and have fixed income, so that we can guarantee stable and healthy financial positions while improve our returns.

During the year, the Group entered into entrusted loan agreements with banks in order to gain more interest income and better utilization of cash. In which the subsidiaries acted as the entrusting parties and the banks acted as the lenders to provide funding to specified borrowers amounting to RMB585.0 million. All of the entrusted loans are guaranteed by the banks, current in nature and due within one year, bearing fixed interest rates ranged from approximately 4.6% to approximately 17.5%.

In January 2010, the Group acquired an interest in Visiondigi for a consideration of approximately RMB20.0 million, in which the Group held approximately 26% of the equity interest. The capital injection of Visiondigi would enhance the capabilities of the Group to sale and develop the security surveillance products.

The proceeds from the Global Offering amounted to approximately RMB745.1 million, of which approximately RMB593.7 million was used by the Company and the unutilized proceeds were placed with financial institutions as short term deposits. No intention for substantial acquisition and large investment plan are noted for the financial year ended 2011.

Off-Balance Sheet Transactions and Contingent Liabilities

As of 31 December 2010, the Group did not enter into 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 costs of both existing and new debts. For the year ended 31 December 2010, the effective interest rates on fixed-rate bank loans and variable-rate bank loans were approximately 1.80% and 5.38% per annum respectively. The Group has not entered into any types 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 reduce its currency risks.

Credit Risk

The Group's financial assets are bank balances, entrusted loans 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 actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period 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 consolidated statement of financial position 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 flows 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 liquidity 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 rates of bank deposits which are all short-term in nature. Therefore, any future variations in interest rates will not have any 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 flows and matching the maturity profiles of financial assets and liabilities.

Employee and Remuneration Policy

The Group had a total of 9,054 dedicated full time employees as of 31 December 2010, including 1,692 management and administrative staffs, 7,200 production staffs and 162 operation supporting staffs. In line with 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 and restricted share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution. For the year ended 31 December 2010, no share option was granted or agreed to be granted by the Group under the scheme. In addition, for the year ended 31 December 2010, a total of 33,560,000 restricted shares have been offered to eligible participants in accordance with the restricted share award scheme.

Dividend

The Directors recommended a payment from the distributable reserves of the Company a final dividend of HK$0.051 (equivalent to approximately RMB0.0435) per share in respect of the year ended 31 December 2010 to the shareholders whose names appear on the register of members of the Company at the close of business on 3 May 2011. The final dividend, payable on 17 May 2011, is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") to be held on 9 May 2011.

Outlook and Future Strategies

Benefited from the global economic recovery in 2010, the Group achieved a favorable business performance during the year. The Group maintains an optimistic attitude towards its operations in 2011 in spite of many uncertainties in the global economy in 2011. As for the Group, the year of 2011 means challenges and opportunities. The Group will integrate its internal and external resources to leverage its advantages over the industry, and strive for further growth in the new year.

1. ***Dedicated to and focused on the existing industries***

   For those well developed lens set products, handset camera modules and optical instruments, the Group will focus on resources allocation and enhancing investment, and strive for improving the sales ratio of high-end products and their market shares so as to take advantage of its strong competitiveness, with aims that handset lens sets and camera modules with high resolution can get entry into the supply chain of international leading handset manufacturers, production capability for DSLR lenses can be strengthened and both domestic and overseas markets of optical instruments can be further developed.

   The Group has continuously strengthened R&D in order to increase added value of its products. Through enhancing the standard of its existing core products, strengthening of R&D strengths and achieving the R&D breakthrough of high-tech new products, the Group will optimize its product portfolio, and promote its products in the high-end market.

   The Group is going to transfer part of its production capacities to mainland areas with higher industrial integration trends and adequate workers, in order to leverage all its favorable internal and external resources.

2. ***Accelerate the development of new businesses***

   The Group endeavors to strengthen the construction of the organization, manpower and system of its new business, as well as its information collection system, so as to optimize its new business incubating mechanism. Through concentrating its resources to promote the new business development, the strategic transformation of the Company will thereby be accelerated. With incessant exploration of its vehicle imaging business, enhancing resources input, and maintaining a rapid business growth, the Group aims to become one of the world's leading manufacturers. As for its infrared products business, the Group will broaden its market vision and leverage on its product advantages, in order to gain a faster development. The Group will also speed up the R&D and marketing of security surveillance cameras and micro-projectors and commence the building of its mid- to high-end optical instruments as the leading brand in domestic market.

3. ***Carry out management innovation in every way***

   Operational efficiency and level of quality control will be enhanced by continuous implementation of "Lean Production" and SAP system. For better human resources development, the Group will continue to adopt the restricted share award scheme, implement the "length of service allowance" system to stabilize its team of key employees, improve the appraisal system and remuneration system, and intensify the internal and external training systems to enhance the quality of its staff. The Group will also continue to improve its management system, including decision-making mechanism, risk control mechanism, and large project management and control mechanism, and to build a brand management system to fully utilize the value of "Sunny" as the "Famous Trademark of China", thus effectively establish the corporate brand and product brand.

In general, the Group will adhere to the guideline of transformation and upgrade in 2011, and through dedicating and focusing on the existing industry and accelerating the development of the new business segments of the Group, and via strengthening management system to achieve the management upgrade, thus lay a solid foundation for the future comprehensive transformation of the Company.

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 2010, no share option has been granted or agreed to be granted to any person or exercised by any person under the Scheme.

RESTRICTED SHARE AWARD SCHEME

On 22 March 2010 (the adoption date), the Board has adopted the restricted share award scheme, the Director, all employees, senior staff, agents and consultants of the Company and its subsidiaries are entitled to participate in the scheme. The purpose of the scheme is to assist the Company in attracting new talents as well as motivating and retaining its current staff. The scheme shall be effective from the adoption date and shall continue in full force and effect for a term of 10 years and be managed by its management committee and the trustee. Details of the restricted share award scheme could be found in the note 15 of the condensed consolidated financial statement. 33,560,000 restricted shares have been issued for qualified participants in accordance with the restricted shares scheme, accounting for 3.356% of the shares of the Company in issue as at the adoption date. For the year ended 31 December 2010, details of movements of the restricted shares issued under the restricted share award scheme are as follows:

		Number of restricted shares					
Date of grant	**Fair value of each restricted share *(Note)* *HK$***	**1 January 2010**	**Granted during the period**	**Vested during the period**	**Lapsed the period**	**31 December 2010**	**Vesting period**
7 May 2010	1.637	–	33,560,000	–	–	33,560,000	From 6 May 2014 to 6 May 2015

Note:

The fair value of the restricted shares was calculated based on the closing price per share on the date of grant.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 writing-off by the Company or any of its subsidiaries with the exception of restricted share award scheme trustees, of the Company's listed shares during the year ended as of 31 December 2010.

DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS

As of 31 December 2010, 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	431,820,060	43.18%
Mr. Ye Liaoning *(Note 3)*	Long position	Beneficiary of a trust	422,378,060	42.24%
Mr. Sun Yang *(Note 4)*	Long position	Beneficiary of a trust	422,378,060	42.24%
Summit Optical Holdings Inc ("Summit")	Long position	Beneficial owner	127,332,408	12.73%
Chengwei Ventures Evergreen Fund, L.P. *(Note 5)*	Long position	Interest in a controlled corporation	146,351,912	14.64%
IGC Asia Cooperatiel U.A. ("IGC") *(Note 6)*	Long position	Beneficial owner	61,363,296	6.14%

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 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 8,200,000 shares held by Sun Zhong under the provisions of SFO. Mr. Wang is also taken to be interested as a grantee of 2,160,000 restricted shares granted under the Restricted Share Award Scheme.

(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. Mr. Ye is also taken to be interested as a grantee of 918,000 restricted shares granted under the Restricted Share Award Scheme.

(4) Mr. Sun Yang is a beneficiary under the Sunny Employee Trust, under which he is entitled to 0.84% of the beneficial interests. 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. Sun Yang is deemed to be interested in 421,460,060 shares under the SFO. Mr. Sun is also taken to be interested as a grantee of 918,000 restricted shares granted under the Restricted Share Award Scheme.

(5) CWI Optical Holdings, Inc. ("CWI") is interested in 19,019,504 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 146,351,912 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 146,351,912 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.

(6) IGC Asia Cooperatiel U.A. is interested in 61,363,296 shares.

Investor AB is deemed to be interested in 61,363,296 shares held directly by IGC Asia Cooperatiel U.A. under the SFO as IGC Asia Cooperatiel U.A. is 70% owned by Investor Investments Asia Ltd, which is in turn wholly-owned by Investor Growth Capital Ltd, which is in turn wholly-owned by Investor Growth Capital Holding BV, which is in turn wholly-owned by Investor AB.

As Knul and Alice Wallenberg Foundation owns more than one-third of the voting shares in Investor AB, it is also deemed to be interested in 61,363,296 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 2010, no other shareholder 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 2010, the interests and short positions of the Directors and the chief executives 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)*	8,200,000	0.82%
	The Company	Long position	Trustee and Beneficiary of a trust *(Note 2)*	423,620,060	42.36%
Mr. Ye Liaoning	The Company	Long position	Beneficiary of a trust *(Note 3)*	422,378,060	42.24%
Mr. Sun Yang	The Company	Long position	Beneficiary of a trust *(Note 4)*	422,378,060	42.24%

Notes:

(1) Mr. Wang Wenjian is the trustee of the PRC Investor Trust. The PRC Investor Trust is a trust on the entire issued share capital of Sun Zhong, which in turn owns 0.82% of the issued share capital of the Company. Accordingly, Mr. Wang Wenjian is deemed to be interested in 8,200,000 shares under the SFO.

(2) Mr. Wang Wenjian is the trustee and one of the beneficiaries of the Sunny Employee Trust. The Sunny Employee Trust is a trust on the entire issued share capital of Sun Ji. Sun Ji owns 92.32% equity interest in Sun Xu, which in turn owns 42.15% of the issued share capital of the Company. Accordingly, Mr. Wang Wenjian is deemed to be interested in 421,460,060 shares under the SFO. Mr. Wang is also taken to be interested as a grantee of 2,160,000 restricted shares granted under the Restricted Share Award Scheme.

(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. Mr. Ye is also taken to be interested as a grantee of 918,000 restricted shares granted under the Restricted Share Award Scheme.

(4) Mr. Sun Yang is a beneficiary under the Sunny Employee Trust, under which he is entitled to 0.84% of the beneficial interests. 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. Sun Yang is deemed to be interested in 421,460,060 shares under the SFO. Mr. Sun is also taken to be interested as a grantee of 918,000 restricted shares granted under the Restricted Share Award Scheme.

Other than as disclosed above, none of the Director and chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as of 31 December 2010.

DIRECTORS AND KEY EXECUTIVES

The Board comprises 7 Directors, including 3 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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, Chairman of the Board and Chief Executive Officer of the Company, Mr. Ye Liaoning, executive Director and Mr. Sun Yang, 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 2010 were reviewed by all the Audit Committee members, namely, Mr. Zhang Yuqing (Chairman of the Audit Committee), Mr. Sha Ye and Mr. Chu Peng Fei Richard.

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Committee have been reported to the Board. During the year, the issues there were being brought to the attention of the management and the Board were not important and therefore no discussion is required herein. Full minutes of Audit Committee meetings are kept by the Company Secretary. Drafts and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comments and record respectively, in both cases within a reasonable time after the meeting. The Audit Committee is provided with sufficient resources, including the advice of external auditor, to discharge its duties.

The principal roles and functions performed by of the Audit Committee include:

(a) to consider and recommend to the Board on the appointment, re-appointment and removal of external auditor, and to approve their remuneration, and any question of their resignation and dismissal;

(b) to review and monitor the integrity of the financial statements of the Group together with the Company's interim and annual report;

(c) to maintain an appropriate relationship with the Group's external auditors; and

(d) to oversee the Group's financial control and internal controls.

For the year ended 31 December 2010, 2 Audit Committee meetings were held. The Audit Committee has reviewed the annual report for the year ended 31 December 2010, external auditor's remuneration, internal control system and interim report for the period ended 30 June 2010 at the relevant meetings and recorded unanimous decisions. The chairman of the Audit Committee has reported to the Board on the proceedings of these meetings. The Board has not taken any view that is different from that of the Audit Committee.

Furthermore, another meeting was held on 14 March 2011 to review, inter alia, the annual report and financial statements of the Group for the year ended 31 December 2010, the report from external auditor on the audit of the Group's financial statements, the continued non-exempt connected transactions, internal control system review and the re-appointment of external auditor.

The attendance of each Director at Audit Committee meetings as follows:

Name of Director	Audit Committee No. of Attendance/ No. of Meetings
Mr. Zhang Yuquing	2/2
Mr. Sha Ye (appointed on 1 September 2010)	–
Mr. Chu Peng Fei Richard (appointed on 1 September 2010)	–
Dr. Chang Mei Dick (resigned on 1 September 2010)	2/2
Dr. Liu Xu	2/2
Mr. Michael David Rick (resigned on 1 September 2010)	2/2
Mr. Shao Yang Dong (resigned on 1 September 2010)	2/2

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference. The Remuneration Committee comprises of 3 members, namely, Mr. Sha Ye (non-executive Director), Mr. Chu Peng Fei Richard and Mr. Zhang Yuqing (both are independent non-executive Directors). Mr. Sha Ye was appointed as the Chairman of the Remuneration Committee.

The principal roles and functions performed by of the Remuneration Committee during the year include:

(a) to make recommendations to the Board on the Company's policy and structure of the remuneration of Directors and senior management;

(b) to have the delegated responsibility to approve the terms of Directors' service contracts, determine the specific remuneration packages of all executive Directors and senior management and make recommendations to the Board of the remuneration of the non-executive Directors;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their offices or appointments.

The meeting of the Remuneration Committee is held at least once a year and otherwise required. 1 meeting was held in 2010. The Remuneration Committee has reviewed and approved the remunerations and bonus payable to executive Directors and senior management for the financial year under review. The Remuneration Committee chairman has reported to the Board on the proceedings of the meeting. The attendance of each Director at Remuneration Committee meeting as follows:

Name of Director	**Remuneration Committee No. of Attendance/ No. of Meetings**
Mr. Sha Ye (appointed on 1 September 2010)	1/1
Mr. Chu Peng Fei Richard (appointed on 1 September 2010)	1/1
Mr. Zhang Yuqing	1/1
Mr. Shao Yang Dong (resigned on 1 September 2010)	1/1
Mr. Koji Suzuki (resigned on 1 September 2010)	1/1

NOMINATION COMMITTEE

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

The principal roles and functions performed by of the Nomination Committee during the year include:

(a) to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship according to the stipulated nomination procedures;

(c) to assess the independence of independent non-executive Directors with regard to the requirements under the Listing Rules; and

(d) to make recommendations to the Board on relevant matters related to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

Meeting of the Nomination Committee is held at least once a year and otherwise required. 1 meeting was held in 2010. The attendance of each Director at Nomination Committee meetings as follows:

Name of Director	Nomination Committee No. of Attendance/ No. of Meetings
Mr. Wang Wenjian	1/1
Mr. Chu Peng Fei Richard (appointed on 1 September 2010)	1/1
Dr. Liu Xu	1/1
Dr. Chang Mei Dick (resigned on 1 September 2010)	1/1

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 Listing Rules for the year ended 31 December 2010, save and except that Mr. Wang Wenjian takes up the roles of both Chairman and Chief Executive Officer. The corporate governance practices adopted by the Company are summarized below.

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 2010.

Save as disclosed in this announcement, since 31 December 2010, there were no material changes in the development or future developments of the Group's business and financial position, nor were there important events affecting the Group occurred since the publication of the annual report of the Company for the year ended 31 December 2010.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 9 May 2011. A notice of the AGM 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 1 April 2011 and will be dispatched to the shareholders together with the Company's annual report 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 May 2011 to 9 May 2011, 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 AGM 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 3 May 2011.

APPRECIATION

Our various accomplishments in 2010 were the direct result of the combined efforts of our diligent staff. Therefore, I wish to sincerely thank my fellow Directors and our Group's employees for their dedication throughout the previous year, and I am pleased to see that their sense of responsibility has pushed the Group forward. Also, I wish to extend my gratitude for the continued support of our shareholders, customers and suppliers. We will continue to deliver sustainable business growth, so as to attain all operational targets and realize higher values for our shareholders and other interest related parties through the year 2011.

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

China, 14 March 2011

As at the date of this announcement, the Board comprises of Mr. Wang Wenjian, Mr. Ye Liaoning and Mr. Sun Yang, who are executive directors, and Mr. Sha Ye, who is non-executive director, and Dr. Liu Xu, Mr. Zhang Yuqing and Mr. Chu Peng Fei Richard, who are independent non-executive directors.