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 2013

RESULT HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2013 was approximately RMB5,812.8 million, representing an increase of approximately 45.9% as compared with the corresponding period of the previous year. This was mainly benefited from the rapid growth of smartphone market and the rapid development of application of vehicle optical system.
- The gross profit for the financial year 2013 was approximately RMB967.1 million, representing an increase of approximately 30.5% as compared with the corresponding period of the previous year. The gross profit margin was approximately 16.6%.
- Profit for the year attributable to owners of the Company increased by approximately 27.2% to approximately RMB440.5 million as compared with the corresponding period of the previous year.
- Basic earnings per share increased by approximately 23.2% to approximately RMB0.4430 when compared with the corresponding period of the previous year.
- The Board of Directors has proposed a final dividend of approximately RMB0.121 (equivalent to HK$0.154) 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 consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2013, together with the comparative figures for the corresponding period in the year 2012 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	3	**5,812,771**	3,984,296
Cost of sales		**(4,845,690)**	(3,243,115)
Gross profit		**967,081**	741,181
Other income	4(a)	**49,364**	45,531
Other gains and losses	4(b)	**392**	223
Selling and distribution expenses		**(87,864)**	(64,378)
Research and development expenditure		**(251,041)**	(163,372)
Administrative expenses		**(166,258)**	(150,121)
Impairment loss on interest in an associate		**–**	(9,997)
Reversal of impairment loss recognised on intangible assets		**–**	5,391
Loss on disposal of a subsidiary		**–**	(64)
Share of results of associates		**(590)**	(4,045)
Finance costs	5	**(6,595)**	(3,141)
Profit before tax		**504,489**	397,208
Income tax expense	6	**(63,623)**	(58,304)
Profit for the year	7	**440,866**	338,904
Other comprehensive expense			
Items that may be classified subsequent to profit or loss:			
Exchange differences arising on translation from foreign operations		**(1,416)**	(214)
Total comprehensive income for the year		**439,450**	338,690
Profit (loss) for the year attributable to:			
Owners of the Company		**440,498**	346,274
Non-controlling interests		**368**	(7,370)
		440,866	338,904
Total comprehensive income (loss) attributed to:			
Owners of the Company		**439,561**	346,336
Non-controlling interests		**(111)**	(7,646)
		439,450	338,690
Earnings per share – Basic *(RMB cents)*	9	**44.30**	35.97
– Diluted *(RMB cents)*	9	**43.53**	35.39

Consolidated Statement of Financial Position
At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**784,656**	646,060
Prepaid lease payments		**22,808**	23,450
Intangible assets	*10*	**27**	39
Interests in associates		**392**	982
Deferred tax assets		**3,745**	1,679
Deposits for acquisition of property, plant and equipment		**74,204**	50,056
Other receivable	*11*	**13,000**	13,000
		898,832	735,266
CURRENT ASSETS			
Inventories		**767,915**	747,673
Trade and other receivables and prepayment	*11*	**1,171,802**	900,931
Entrusted loan receivables	*12*	**20,000**	90,000
Prepaid lease payments		**642**	642
Financial assets designated as at fair value through profit or loss	*13*	**983,000**	280,773
Amounts due from related parties		**270**	194
Amount due from an associate		**–**	3,087
Pledged bank deposits		**113,750**	240
Bank balances and cash		**709,037**	243,442
		3,766,416	2,266,982
CURRENT LIABILITIES			
Trade and other payables	*14*	**1,257,179**	938,527
Amounts due to related parties		**3,044**	2,893
Amount due to a non-controlling interest of a subsidiary		**232**	147
Tax payable		**21,822**	8,128
Borrowings		**488,929**	102,642
Deferred income – current portion		**10,740**	–
		1,781,946	1,052,337
NET CURRENT ASSETS		**1,984,470**	1,214,645
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,883,302**	1,949,911
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,595**	5,595
Deferred income – non-current portion		**17,822**	12,469
		23,417	18,064
		2,859,885	1,931,847
CAPITAL AND RESERVES			
Share capital	*15*	**105,177**	97,520
Reserves		**2,744,628**	1,824,136
Equity attributable to owners of the Company		**2,849,805**	1,921,656
Non-controlling interests		**10,080**	10,191
		2,859,885	1,931,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2013

Notes:

1. CORPORATE INFORMATION AND SIGNIFICANT ACCOUNT POLICIES

The Company was incorporated in the Cayman Islands on 21 September 2006 and its shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 15 June 2007.

The Company is an investment holding Company. The Group is principally engaged in the business of designing, researching and developing, manufacturing and selling of optical and optical related products and scientific instruments.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial measurements that are measured at fair values.

2. APPLICATION OF NEW AND REVISED HKFRSS

Application of New and Revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors do not anticipate that the application of HKFRS 10 will have a material effect on the Group's consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The Directors do not anticipate that the application of HKFRS 11 will have a material effect on the Group's consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

The Directors have concluded that the application of this standard will not have significant impacts on the consolidated financial statements except for more extensive disclosure about its interests in other entities.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss.

The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes requirements for classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 required 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 addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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, 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 management has chosen to organise the Group among different major products. No operating segments identified by chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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 operating and reportable segments.

For the year ended 31 December 2013

	Optical Components *RMB'000*	**Optoelectronic Products** *RMB'000*	**Optical Instruments** *RMB'000*	**Segments' Total** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
REVENUE						
External sales	**1,163,587**	**4,416,372**	**232,812**	**5,812,771**	**–**	**5,812,771**
Inter-segment sales	**123,222**	**36,872**	**1,802**	**161,896**	**(161,896)**	**–**
Total	**1,286,809**	**4,453,244**	**234,614**	**5,974,667**	**(161,896)**	**5,812,771**
Segment profit	**139,096**	**366,725**	**30,146**	**535,967**	**–**	**535,967**
Share of results of associates						**(590)**
Unallocated expenses						**(30,888)**
Profit before tax						**504,489**

For the year ended 31 December 2012

	Optical Components *RMB'000*	Optoelectronic Products *RMB'000*	Optical Instruments *RMB'000*	Segments' Total *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE						
External sales	1,308,890	2,490,564	184,842	3,984,296	–	3,984,296
Inter-segment sales	116,665	8,961	1,349	126,975	(126,975)	–
Total	1,425,555	2,499,525	186,191	4,111,271	(126,975)	3,984,296
Segment profit	172,652	236,111	24,607	433,370	–	433,370
Share of results of associates						(4,045)
Unallocated expenses						(32,117)
Profit before tax						397,208

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, Directors' salaries, certain non-recurring items, share of results of associates, and finance costs. There were 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 and the relevant financial instruments to those segments. 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 segments:

As at 31 December 2013

	Optical Components *RMB'000*	**Optoelectronic Products** *RMB'000*	**Optical Instruments** *RMB'000*	**Total** *RMB'000*
Assets				
Trade receivables	**163,520**	**584,527**	**38,664**	**786,711**
Bills receivable	**37,170**	**259,339**	**1,678**	**298,187**
Inventories	**130,797**	**604,313**	**32,805**	**767,915**
Total segment assets	**331,487**	**1,448,179**	**73,147**	**1,852,813**
Unallocated assets				**2,812,435**
Consolidated assets				**4,665,248**
Liabilities				
Trade payables	**152,695**	**712,403**	**43,019**	**908,117**
Notes payable	**3,649**	**42,626**	**–**	**46,275**
Total segment liabilities	**156,344**	**755,029**	**43,019**	**954,392**
Unallocated liabilities				**850,971**
Consolidated liabilities				**1,805,363**

As at 31 December 2012

	Optical Components *RMB'000*	Optoelectronic Products *RMB'000*	Optical Instruments *RMB'000*	Total *RMB'000*
Assets				
Trade receivables	180,933	476,115	23,318	680,366
Bills receivable	3,699	153,586	1,700	158,985
Inventories	158,346	559,218	30,109	747,673
Total segment assets	342,978	1,188,919	55,127	1,587,024
Unallocated assets				1,415,224
Consolidated assets				3,002,248
Liabilities				
Total segment liability – trade payables	198,476	543,109	32,757	774,342
Unallocated liabilities				296,059
Consolidated liabilities				1,070,401

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

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

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

Other segment information

For the year ended 31 December 2013

	Optical Components *RMB'000*	Optoelectronic Products *RMB'000*	Optical Instruments *RMB'000*	Unallocated *RMB'000*	Consolidated total *RMB'000*
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation	**84,618**	**58,189**	**4,529**	**–**	**147,336**
Allowance for bad and doubtful debts					
– trade receivables	**1,433**	**62**	**343**	**–**	**1,838**
– other receivables	**–**	**–**	**14**	**–**	**14**
– amount due from an associate	**–**	**3,087**	**–**	**–**	**3,087**
(Gain) loss on disposal of property, plant and equipment	**(1,881)**	**117**	**(41)**	**–**	**(1,805)**
Insurance claims for flooding accident in Yuyao City	**(39,060)**	**(26,749)**	**(4,605)**	**–**	**(70,414)**
Written off arising from flooding accident in Yuyao City					
– Inventories	**14,700**	**26,908**	**3,641**	**–**	**45,249**
– Property, plant and equipment	**1,947**	**461**	**121**	**–**	**2,529**
Repair expenses on property, plant and equipment arising from flooding in Yuyao City	**23,126**	**128**	**2,588**	**–**	**25,842**
Share award scheme expense	**17,528**	**7,008**	**4,412**	**1,895**	**30,843**
Bank interest income	**(3,917)**	**(6,814)**	**(1,937)**	**(1,468)**	**(14,136)**
Interest income from entrusted loans	**–**	**–**	**(3,366)**	**–**	**(3,336)**
Reversal of allowance for inventories	**(173)**	**(465)**	**(1,258)**	**–**	**(1,896)**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:					
Addition to non-current assets *(Note)*	**179,923**	**111,258**	**3,215**	**–**	**294,396**

For the year ended 31 December 2012

	Optical Components *RMB'000*	Optoelectronic Products *RMB'000*	Optical Instruments *RMB'000*	Unallocated *RMB'000*	Consolidated total *RMB'000*
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation	71,382	32,999	4,763	–	109,144
(Reversal of) allowance for bad and doubtful debts					
– trade receivables	(953)	22	282	–	(649)
– other receivables	(789)	–	–	–	(789)
– amount due from an associate	–	3,619	–	–	3,619
Loss (gain) on disposal of property, plant and equipment	1,142	(10)	40	–	1,172
Loss on disposal of a subsidiary	–	64	–	–	64
Reversal of impairment losses in intangible assets	–	(5,391)	–	–	(5,391)
Share award scheme expense	12,378	3,772	3,096	497	19,743
Bank interest income	(5,727)	(2,358)	(1,712)	–	(9,797)
Interest income from entrusted loans	(6,183)	(606)	(8,958)	–	(15,747)
(Reversal of) allowance for inventories	(1,152)	(1,157)	865	–	(1,444)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:					
Addition to non-current assets *(Note)*	165,142	102,944	3,364	–	271,450

Note: Non-current assets excluded deposits for acquisition of property, plant and equipment, deferred tax assets and interests in associates.

Revenue from major products and services

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

	2013 **RMB'000**	2012 *RMB'000*
Mobile phone related products	**4,212,009**	2,426,687
Digital camera related products	**572,551**	705,544
Optical instruments	**184,181**	157,847
Other lens sets	**375,823**	251,452
Digital video lens	**14,971**	32,308
Other spherical lens and plane products	**35,935**	37,506
Industrial endoscope	**8,790**	6,935
Other products	**408,511**	366,017
	5,812,771	3,984,296

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC" or "China"), Korea, Japan and Singapore.

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

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (excluding Hong Kong) (country of domicile)	**4,375,747**	2,804,467	**893,674**	723,879
Japan	**310,594**	486,200	**3**	4
Hong Kong	**533,861**	332,969	**–**	–
Others	**592,569**	360,660	**1,018**	8,722
	5,812,771	3,984,296	**894,695**	732,605

Information about major customer

Revenues from the following customers contributed over 10% of the total sales of the Group:

	2013	2012
	RMB'000	*RMB'000*
Customer A, revenue from Optoelectronic Products	**1,009,786**	581,348
Customer B, revenue from Optoelectronic Products *(Note)*	**651,798**	N/A
	1,661,584	581,348

Note: Revenue from Customer B contributed less than 10% of total sales of the Group for the year ended 31 December 2012.

4(a). OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Bank interest income	**14,136**	9,797
Government grants	**25,686**	10,764
Income from sales of moulds	**1,710**	1,355
Income from sales of scrap materials	**1,500**	1,898
Interest income from entrusted loans	**3,366**	15,747
Rental income	**576**	416
Others	**2,390**	5,554
Total	**49,364**	45,531

4(b). OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Gain (loss) on disposal of property, plant and equipment	**1,805**	(1,172)
Net foreign exchange gain	**6,732**	3,463
Insurance claims for flooding accident in Yuyao City *(Note)*	**70,414**	–
Written off arising from flooding accident in Yuyao City *(Note)*		
– inventories	**(45,249)**	–
– property, plant and equipment	**(2,529)**	–
Repair expenses on property, plant and equipment arising from flooding accident in Yuyao City *(Note)*	**(25,842)**	–
(Allowance for) reversal of bad and doubtful debts		
– trade receivables	**(1,838)**	649
– other receivables	**(14)**	789
– amount due from an associate	**(3,087)**	(3,619)
Others	**–**	113
Total	**392**	223

Note: During the current year, several subsidiaries of the Group located in Yuyao City, Zhejiang Province, the PRC, incurred damages to inventories and production facilities of handset camera modules, glass spherical lenses, handset lens sets, optical instruments and infrared related products during the typhoon and flooding accident occurred in October 2013. The Group had insurance policies in place to cover damages to inventories and property, plant and equipment incidental to the flooding. With the measures taken to minimise the impact of temporary suspension of production facilities on the Group's customers, the Group had not suffered from any material loss of purchase orders from customers.

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**6,590**	3,132
Amount due to a non-controlling interest of a subsidiary	**5**	9
	6,595	3,141

6. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**63,280**	59,067
Other jurisdictions	**–**	14
	63,280	59,081
Under (over)provision in prior years:		
PRC Enterprises Income Tax	**2,409**	(235)
Deferred taxation:		
Current year	**(2,066)**	(542)
	63,623	58,304

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 approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% for three years with the expiry date on 31 December 2012. The extension of the preferential tax of 15% for a further three years was approved with effect from 1 January 2013.

Ningbo Sunny Opotech Co., Ltd. ("Sunny Opotech"), Shanghai Sunny Hengping Scientific Instrument Co., Ltd. ("Sunny Hengping") and Ningbo Sunny Automative Opotech Co., Ltd. ("Sunny Automative"), domestic limited liability companies, were approved as Hi-Tech Enterprises with a preferential tax rate of 15% for three years with the expiry date on 31 December 2013. The extension of the preferential tax rate of 15% for a further three years was approved with effect from 1 January 2014.

Sunny Optics (Zhongshan) Co., Ltd. ("Sunny Zhongshan") was approved to be exempted from EIT for two years starting from its first profit making year, followed by a 50% tax relief for the next three years ("Tax Holidays"). Sunny Zhongshan was under the 50% relief for year ended 31 December 2011. Sunny Zhongshan was approved as a Hi-Tech Enterprise and entitled to a preferential tax rate of 15% for three years commencing on 1 January 2012.

Suzhou Shun Xin Instruments Co., Ltd. ("Suzhou Shun Xin Instruments") and Ningbo Sunny Infrared Technologies Company Ltd. ("Ningbo Sunny Infrared") were approved as Hi-Tech Enterprises with a preferential tax rate of 15% for three years commencing on 1 January 2013.

No charges to Hong Kong Profits Tax for both years have been made in the consolidated financial statements as the Group has no assessable profit arising from Hong Kong for both years.

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

Deferred tax has not been provided for in the consolidated financial statements in respect of the tax effect of temporary difference attributable to the PRC undistributed earnings of the Group as at 31 December 2012 and 2013 as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The Directors plan to set as aside the undistributed profits for reinvestment purpose. If such amounts exceed the investment plan, the Group will recognise the deferred tax liabilities in respect of the withholding tax on the then undistributed profits.

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

	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**504,489**	397,208
Tax at PRC EIT tax rate of 25%	**126,123**	99,302
Tax effect of share of results of associates	**148**	1,039
Tax effect of expenses not deductible for tax purpose	**4,925**	8,338
Tax effect of income not taxable for tax purposes	**(872)**	(1,762)
Tax effect of allowance granted under share award scheme in the PRC	**(18,600)**	–
Tax effect of preferential tax rates for certain subsidiaries	**(60,834)**	(53,439)
Tax effect of tax losses not recognised	**11,765**	6,977
Utilisation of tax losses not previously recognised	**(1,657)**	(2,001)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**216**	85
Under (over) provision in prior years	**2,409**	(235)
Income tax expense for the year	**63,623**	58,304

7. PROFIT FOR THE YEAR

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

	2013	2012
	RMB'000	*RMB'000*
Directors' emoluments	**8,696**	8,082
Other staff's salaries and allowances	**549,049**	447,552
Other staff's discretionary bonuses	**68,865**	54,985
Other staff's contribution to retirement benefit scheme	**35,062**	25,774
Other staff's share award scheme expense	**28,706**	18,270
Total staff costs	**690,378**	554,663
Auditor's remuneration	**2,219**	2,444
Depreciation of property, plant and equipment	**147,324**	108,644
Release of prepaid lease payments	**642**	631
Amortisation of intangible assets (included in research and development expenditure)	**12**	500
Reversal of allowance for inventories (included in cost of sales) *(Note)*	**(1,896)**	(1,444)

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

8. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2012 final dividends – RMB0.105 (2012: 2011 final dividends – RMB0.071) per share	**105,000**	71,000

Subsequent to the end of reporting period, a final dividend of HK$0.154 per share, equivalent to approximately RMB0.121 per share, amounting to a total of approximately RMB132,737,000 (2012: HK$0.129 per share, equivalent to approximately RMB0.105 per share, amounting to a total of RMB105,000,000) has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting ("AGM"). 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 the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**440,498**	346,274

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**994,294**	962,552
Effect of dilutive potential ordinary shares:		
Restricted Shares	**17,741**	15,918
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,012,035**	978,470

10. INTANGIBLE ASSETS

	Development costs	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 1 January 2012	9,140	15,941	25,081
Disposal of a subsidiary	–	(7,040)	(7,040)
Exchange realignment	–	6	6
At 31 December 2012, 1 January 2013 and 31 December 2013	9,140	8,907	18,047
AMORTISATION AND IMPAIRMENT			
At 1 January 2012	9,140	15,906	25,046
Charge for the year	–	500	500
Reversal of impairment loss	–	(5,391)	(5,391)
Disposal of a subsidiary	–	(2,149)	(2,149)
Exchange realignment	–	2	2
At 31 December 2012 and 1 January 2013	9,140	8,868	18,008
Charge for the year	–	12	12
At 31 December 2013	9,140	8,880	18,020
CARRYING VALUES			
At 31 December 2013	–	27	27
At 31 December 2012	–	39	39

Development costs are internally generated and the patents are purchased as part of business combinations.

Development costs will commence amortisation over its useful lives once the development costs are available for use in production while the patents have finite useful lives and are amortised on a straight-line basis over 3 to 8 years.

In 2011, the Group recognised a full impairment loss of RMB5,391,000 in relation to a patent owned by a subsidiary, Jiangsu Sunny Medical Equipments Co., Ltd. (江蘇舜宇醫療器械有限公司) ("Jiangsu Medical"). The main factor contributing to the impairment of the patent was that the sales of products related to the patent did not get satisfactory response from market and was below management's expectation.

In 2012, the Group reversed the impairment loss of approximately RMB5,391,000 in relation to the corresponding patent before the disposal of Jiangsu Medial as the Group considered the value of the patent is recoverable through the disposal of shares in Jiangsu Medical.

No impairment loss on patents was considered necessary by the Directors for the year ended 31 December 2013 and 2012.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2013	2012
	RMB'000	*RMB'000*
Current assets		
Trade receivables	**790,263**	682,080
Less: allowance for doubtful debts	**(3,552)**	(1,714)
	786,711	680,366
Bills receivable	**298,187**	158,985
Other receivables and prepayment		
Value added tax and other tax receivables	**43,575**	42,766
Advance to suppliers	**14,186**	7,335
Interest receivables	**1,338**	758
Prepaid expenses	**11,348**	5,389
Others	**16,457**	5,332
	86,904	61,580
Total trade and other receivables and prepayment	**1,171,802**	900,931
Non-current asset		
Other receivable		
Advance to Yuyao City Government *(Note)*	**13,000**	13,000

Note: During the year ended 31 December 2012, Sunny Opotech, a subsidiary of the Group, advanced funds of RMB13 million to the Yuyao City Government for land development expenditure cost to be incurred for the demolition and resettlement work. The advance of approximately RMB13 million is unsecured, non-interest bearing and repayable when the piece of land was put into public auction and the Group does not secure the purchase of the land during the auction. The advance would be included as part of the consideration of acquisition of the piece of land if the Group is successful in acquiring the land or would be refunded in full if the Group is unsuccessful in acquiring the land. Previously, the Directors expected this acquisition to occur in 2013. As a result of flooding accident occurred in Yuyao City in October 2013, the acquisition is expected to be postponed to 2014.

The Group allows a credit period from 60 to 90 days to its trade customers and 90 to 180 days for bills receivable. 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, which approximated the respective revenue recognition dates.

	2013	2012
	RMB'000	*RMB'000*
Within 90 days	**775,192**	673,662
91 to 180 days	**10,239**	6,588
Over 180 days	**1,280**	116
	786,711	680,366

Ageing of bills receivable at the end of reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**272,368**	156,353
91 to 180 days	**25,819**	2,632
	298,187	158,985

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. Limits attributed to customers are reviewed once a year. 98% (2012: 99%) 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 an evaluation of the collectability of each receivable 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 an aggregate carrying amount of RMB11,519,000 (2012: RMB6,704,000) 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

	2013	2012
	RMB'000	*RMB'000*
91 to 180 days	**10,239**	6,588
Over 180 days	**1,280**	116
Total	**11,519**	6,704

Movement in the allowance for doubtful debts

	2013	2012
	RMB'000	*RMB'000*
Balance at beginning of the reporting period	**1,714**	2,363
Impairment losses recognised on receivables	**4,830**	3,245
Impairment losses reversed	**(2,992)**	(3,894)
Balance at end of the reporting period	**3,552**	1,714

Included in the allowance for doubtful debts made for the year are individually impaired trade receivables with a balance of RMB3,552,000 (2012: RMB1,714,000) which might be in financial difficulties. The Group does not hold any collateral over these balances.

12. ENTRUSTED LOAN RECEIVABLES

During the year, the Group entered into entrusted loan arrangements with banks, in which the subsidiaries acted as the entrusting parties to provide funding to specified corporate borrowers, unrelated to the Group. The entrusted loan held by the Group as of the year end date is current and due within one year, bearing fixed interest rate of 10.7% (2012: ranging from 6.3% to 11.3%) per annum.

At 31 December 2013 and 2012, no entrusted loan receivables have been past due or impaired. In the opinion of the Directors, the entrusted loan borrowers have good credit quality and are fully guaranteed by the bank accordingly, no impairment is made.

An entrusted loan receivable of RMB20,000,000 (2012: RMB45,000,000) is covered by guarantees made by the related companies of the borrower and the remaining receivables of RMB45,000,000 as at 31 December 2012 was secured by pledge of land of the borrower.

13. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

During the year ended 31 December 2013, the Group entered into several contracts of structured deposits with banks. The structured deposits contain embedded derivatives which were not closely related to the host contract. The entire combined contracts have been designated as at financial assets at FVTPL on initial recognition. Except for the principal of RMB565,000,000 (2012: nil) which was guaranteed by relevant banks, the return and remaining principal were not guaranteed by the relevant banks. The return was determined by reference to the performance of certain government debt instruments and treasury notes and the expected return rate stated in the contracts ranges from 2.39% to 6.3% (2012: 2.3% to 5.0%) per annum.

In the opinion of the Directors, the fair value of the structured deposits at 31 December 2013 approximated their principal amounts, and the fair value of the embedded derivatives is insignificant. At the date the consolidated financial statements are authorised for issue, structured deposits amounting to approximately RMB773,000,000 (2012: RMB250,773,000) have been matured after the reporting period ended 31 December 2013 at their principal amounts together with returns which approximated the expected return. The remaining principal amounts together with the expected returns will be received by the Group when the structured deposits mature during the year ended 31 December 2014.

14. TRADE AND OTHER PAYABLES

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

	2013	2012
	RMB'000	*RMB'000*
Trade payables		
Within 90 days	**713,303**	603,920
91 to 180 days	**82,913**	26,689
Over 180 days	**11,929**	1,127
Accrued purchases	**99,972**	142,606
Total trade payables	**908,117**	774,342
Notes payable		
Within 90 days	**20,822**	–
91 to 180 days	**25,453**	–
	46,275	–
Payables for purchase of property, plant and equipment	**32,104**	4,003
Staff salaries and welfare payables	**133,984**	105,454
Advance from customers	**10,048**	15,846
Value added tax payables and other tax payables	**51,943**	8,080
Technology grant payables *(Note 1)*	**8,606**	8,099
Commission payables	**24,779**	8,688
Payables for repair of property, plant and equipment *(Note 2)*	**24,529**	–
Others	**16,794**	14,015
	302,787	164,185
	1,257,179	938,527

Note 1: Sunny Hengping, a subsidiary of the Company, cooperated with several business partners to perform development and research projects on hi-tech products. The technology grant payables represent the government grants received on behalf of other business parties.

Note 2: The Group incurred RMB25,842,000 of repair expenses on damaged property, plant and equipment due to typhoon and flooding accident occurred in October 2013. The payables represent repair expenses incurred but not yet paid as at 31 December 2013.

The average credit period on purchases of goods is 90 days (2012: 90 days) and the credit period for notes payable is 90 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. SHARE CAPITAL

	Number of shares	Amount	Equivalent to
		RMB'000	*RMB'000*
Authorised:			
Ordinary shares of HK$0.10 each at 1 January 2012, 31 December 2012 and 31 December 2013	100,000,000,000	10,000,000	
Issued & fully paid:			
Ordinary shares of HK$0.10 each at 1 January 2012 and 31 December 2012	1,000,000,000	100,000	97,520
Issued of new shares *(Note)*	97,000,000	9,700	7,657
At 31 December 2013	1,097,000,000	109,700	105,177

Note: On 7 October 2013, the Company, a controlling shareholder and the placing agent entered into a placing and subscription agreement, in which, the controlling shareholder agreed to sell 97,000,000 ordinary shares of HK$0.10 each and sold at a price of HK$8.06 (equivalent to RMB6.36) each to several third party placees. The Company then issued additional 97,000,000 ordinary shares of HK$0.10 each and sold at a price of HK$8.06 (equivalent to RMB6.36) each to the controlling shareholder and the new shares rank pari passu with the existing shares in all respects. The proceeds from the subscription were used to optimise production capacity expansion, future development and general working capital of the Company.

16. EVENT AFTER THE REPORTING PERIOD

After the end of reporting period, the Directors proposed a final dividend. Further details are disclosed in Note 10.

(i) On 31 December 2013, the Group had entered into the Strategic Cooperation Agreements (the "Agreements") with Konica Minolta Optical Products (Shanghai) Co., Ltd. ("OMS") relating to the Strategic Cooperation relationship in technology development and production of handset lens sets. According to the Agreements, the Group shall set up a wholly-owned subsidiary in Shanghai on or before 28 February 2014 to employ some of the staff and to acquire certain assets of OMS, including the existing production facilities of OMS in Shanghai, the machineries and software by 1 April 2014. The consideration for the acquisition of assets (the "Transaction") is approximate to RMB12,000,000.

For a term of one year, subject to renewal on annual basis, effective from 1 April 2014, OMS shall provide technical support and consultancy services for application of the licensed technologies to the Group from time to time ("Technical Support"). The consideration for the Technical Support shall be decided by the both parties quarterly on the basis of the actual manpower and resources provided by the OMS to the Group during the year ended 31 March 2015.

OMS, as licensor, shall also grant and remain to have the authority to grant the rights to use the patents owned by OMS and Konica Minolta Inc., the parent company of OMS, relating to the licensed technologies to the Group, as licensees, for five years from 1 April 2014 to 31 March 2019 ("the Validity Period"). The Group could sell the licensed products within and outside the PRC. The Group shall have priority to negotiate with OMS to develop, produce or pursuit business opportunities in future products derived from the licensed technologies. The consideration for the rights to the patents relating to the licensed technologies shall be calculated with reference to the actual sales of the licensed products which applied the licensed technologies calculated annually during the Validity Period.

The Transaction shall be completed on or before 1 April 2014. At the date of approval for issuance of these financial statements, the Transaction has not yet been completed and the management of the Group is still assessing the financial effects of the Transaction.

(ii) On 17 January 2014, the Group had entered into a joinder agreement to join as another purchaser in the Purchase Agreement with MantisVision Ltd. ("MantisVision") relating to the purchase of 200,711 Series B Preferred Shares of MantisVision at a consideration of US$1,000,000 (equivalent to approximately RMB6,102,000) (the "Investment"). MantisVision is incorporated under the Laws of the State of Israel and is principally engaged in developing, manufacturing and marketing of emergent vision technologies for consumers and professional applications. The completion of the Investment is unconditional. The Investment had been completed on 22 January 2014. As the Investment represents less than 5% of attributable equity interest held by the Group and that the Group has no controlling power or significant influence over the management and the operation of MantisVision, it will be classified as available-for-sale investment by the Group.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 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

BUSINESS REVIEW

Looking back at 2013, while the pace of economic recovery remained slow worldwide, the PRC government adopted a series of measures to regulate its macroeconomy. Within such a complicated environment in board and abroad, every industry has been facing many difficulties and challenges and hence the situation was not optimistic. But the Group is delighted to see that consumer electronic industry has embarked on a sound growth and particularly the remarkable development of smartphone market in the PRC. Being the largest camera module supplier for smartphones in China, the Group has benefited from such promising trend.

During the previous year, the Group recorded satisfying performance growth in Optoelectronic Products and Optical Instruments business segments. Such achievement revealed the Group's efforts in implementing its development strategies of "Dedicated to and Focused on Existing Advantageous Businesses" and "Speeding Up the Implementation of Transformation and Upgrade". Besides, the Company is committed to researching and developing products and technologies with innovations, aiming to expand its market presence and enhance its competitive strengths.

During the year under review, the Group conducted mass production of vehicle lens sets for several renowned Japanese automotive component suppliers, tapped into the smartphone supply chain of a famous handset producer in Korea, and conducted mass production of high resolutions handset lens sets for that producer. The Group's subsidiary in California, USA has shown sound progress in operation and has launched mass production of the new three-dimensional ("3D") interaction motion controllers (三維體感互動控制器), cooperated with the international hi-tech companies, and proactively participated in design and technical support of numerous new optoelectronic application modules required in certain mobile devices. The Group has continuously improved its processing technology and propelled self-developed techniques and equipments on automation process, resulting in higher economic benefits.

During the year under review, Optical Components, Optoelectronic Products, and Optical Instruments, being the three major business segments of the Group, accounted for approximately 20.0%, 76.0% and 4.0% of its revenue, respectively. Through continuous transformation and upgrade, industrial restructuring, and product portfolio optimization, these three segments have been greatly improved in terms of "production", "profit", and "operation" aspects in the last year. Hence, the Group's market competitiveness can be enhanced and its leading position as a manufacturer of these high-end products can be maintained. In addition, the Group also attained solid progress in new businesses. Infrared related business continued to contribute profit; security surveillance business experienced further development; high-end optical analytical instrument business saw stunning improvement.

During the year under review, the Group integrated external resources into existing related business to accelerate the development of such businesses area. The Group has entered into a series of Strategic Cooperation Agreements with OMS, so as to improve the production capability of the Company for relevant products, thereby to make the existing products more diversified and to promise rapid growth of handset lens sets business.

During the year under review, relying on the efforts of our staff and the correct development strategy, the Group attained outstanding achievements despite the impact of flooding in our headquarters and the challenging market environment. The vital and experienced management of the Group, together with its staff, responded proactively to different market conditions and difficulties, practiced the Group's corporate culture that regarded "Create Together" as its core value, implemented strategy of transformation and upgrade, broadened customer base and optimized product mix, to ensure the competitiveness of each business segment and enhance the Group's leading position in the market. Besides, as more of the Group's new products turned mature, its overall business maintained a stable growth which matches its anticipated growth of results.

The Group's revenues increased by approximately 45.9% during the financial year 2013 to approximately RMB5,812.8 million. Profit for the year attributable to owners of the Company increased by 27.2% to approximately RMB440.5 million, while basic earnings per share increased by 23.2% to approximately 44.30 cents. The Board has proposed a final dividend of approximately RMB0.121 (2012: approximately RMB0.105) per share.

In 2013, the Group focused on the transformation of business models and upgrade, increased investment in new technologies and thereby received numerous accreditations on research and development ("R&D") and corporate governance. This truly reflected that the Group's products and services were highly recognized in the industries and by our customers.

For Optical Components business segment, Sunny Optics (Tianjin) Co., Ltd. was granted the award of "Excellent Supplier" by Samsung Electronics. Sunny Automotive was accredited with the title of "Strategic Supplier" by MAGNA, a global top 500 enterprise. Sunny Optics has won the "2012 Ningbo Mayor Quality Award".

For Optoelectronic Products business segment, innovation of Sunny Opotech has proudly received government's recognition and it was named "2012 Ningbo Innovative Pilot Enterprise (2012年寧波市創新型試點企業)". The project of "Research and Industrialization of Key Technologies for High-reliable Chip On Film ("COF") Handset Camera Modules" which was applied by Sunny Opotech has won the second class prize of Ningbo City Technology Advancement Award. Sunny Opotech was awarded by Huawei with "Gold Award for Core Supplier" and recognized as an "Excellent Supplier" by Lenovo.

For Optical Instruments business segment, Sunny Instruments was granted the title of "Enterprise with Quality and Creditability in China for 2013 (2013年中國質量誠信企業)" by China Entry & Exit Inspection and Quarantine Association. Sunny Hengping was awarded the "2012 Shanghai Innovative Enterprise". The SHP8400PMS-I explosion-proof process mass spectrometer of Sunny Hengping was awarded the "15th Beijing Analysis Test Academic Report and Exhibition" BCEIA 2013 Gold Award.

Furthermore, the Group was recognized as a "Zhejiang Advanced Enterprise for Harmonious Labor Relation (浙江省創建和諧勞動關係先進企業)", named as one of the "2013 Ningbo Top 100 Enterprises" for the ninth time, and ranked the fourteenth in "Ningbo Competitiveness List (寧波 • 競爭力)". The Group was listed in "2013 Ningbo Brand Top 100" at the 2013 Forum for Ningbo Merchants and Awarding Ceremony for Ningbo's 100 Most Valuable Brands and awarded the "Ningbo Brand Top 100" certificate. The Group was selected as a constituent of the Hang Seng Composite Index – Industrial Goods, Hang Seng Composite SmallCap Index, and Hang Seng Global Composite Index respectively and rewarded by Forbes as the "Best Under A Billion" for 2013.

The above awards and honors reflected the Group's capabilities in technological innovation and customers' recognition to the Group's products, delivery date, and services, which gave the Group extra confidence in propelling the strategy of "Speeding up the Implementation of Transformation and Upgrade".

OUTLOOK AND FUTURE STRATEGIES

In 2014, uncertainties will remain in the world and PRC economies. But the prospect for optical and optoelectronic innovative application and development is promising, and the vehicle imaging field is expected to achieve a rapid growth continuously. The Group is committed to exploring potential customers and markets, integrating advantageous resources, enhancing development of new products, improving customer base and product mix, speeding up development of new businesses, enhancing management performance, facilitating management innovation, and propelling all business segments with its solid bases, so as to push forward the development of the Group in a steady manner.

Looking ahead, the Group will continue to implement its "Speeding Up the Implementation of Transformation and Upgrade" strategy and allocate resources in a more effective way. Capitalizing its extensive experience and technological know-how accumulated in the fields of optical and optoelectronic applications, the Group will continue to innovate, and to capture the opportunities arising from intelligentization of mobile devices. The Group will continue to regard "Mingpeijiao" ("名配角") strategy as its backbone of developing optical applications as its core business, to formulate practical corporate development plan, dedicate to and focus on existing business segments, allocate resources to facilitate development of new business lines, perfect its organization, talents, and systems, continue its endless exploration and pursuit of the optical field, integrate resources, and give full play to its advantages, with a view to achieving the corporate vision of a "Hundred Years Old Brand" ultimately.

During the year under review, the vital and experienced management of the Group devoted vigorous efforts, worked with strong determination, united the Group as one, and led the Group to tackle all kinds of difficulties and challenges with great initiatives, so that the Group could move forward as always. Looking into 2014, uncertainties will remain in the world and PRC economies, but the Group is rather optimistic about its operation for the coming year. To the Group, 2014 is a year lurked with both challenges and opportunities. The Group's management will closely monitor the development in markets and industries, aggressively exert our strengths, and proactively propel our businesses, to attain its projected growth.

1. Continue in-depth exploration and dedicated to and focused on existing business strengths

   The Group has utilized its business strengths and increased its respective market share of high-end handset camera modules and vehicle lens sets. In the coming years, the Group will continue to put resources to increase proportion of sales of high-end handset lens sets and handset camera modules, and to increase the market share of these products as well as vehicle lens sets and microscopes. Meanwhile, the Group will enhance its international market penetration through its subsidiary in the U.S. The Group will also further boost the automation process and "Lean Production", in order to improve production management process and achieve stable increase in gross profit margin. Moreover, the Group will continue to procure stable production of the production base in Xinyang so as to facilitate the medium- to long-term strategic layout of the Group.

2. Achieve breakthrough in emerging businesses and realize balanced development

   In future, the Group will still focus on a balanced development of various business lines, aiming to increase its sales of relevant products through further expansion and optimization of its existing sales channels of emerging businesses. At the same time, the Group will continue to explore new optical applications, especially the development in the emerging fields such as innovative optical applications on mobile terminals and 3D imaging/control field. The Group will identify key emerging businesses to realize its sustainable medium- to- long term sustainable development.

3. Continue to enhance management performance and facilitate management innovation

   The Group will foster its managerial function, improve its performance evaluation system, enhance its financial management capability, promote technology innovation by focusing on automation, and innovate its corporate culture and management mode. These will help the Group adjust and fully utilize the resources, so as to achieve a more flexible management innovation.

In the coming years, the Group will continue to provide the global top hi-tech companies with more products and services by leveraging on the sound industrial growing trends and its own good position in the market, maintaining innovation and upholding the "Mingpeijiao" ("名配角") strategy, thereby achieving corporate growth and value enhancement to create returns for the shareholders continuously.

FINANCIAL REVIEW

Revenue

As of 31 December 2013, the Group's revenue was approximately RMB5,812.8 million, representing an increase of approximately 45.9% or approximately RMB1,828.5 million as compared with the corresponding period of the last year. The increase in revenue was mainly benefited from the rapid growth of smartphone market and the rapid development of application of vehicle optical system.

Revenue generated from the Optical Components business segment decreased by approximately 11.1% to approximately RMB1,163.6 million as compared with the corresponding period of the last year. The decrease was mainly due to the weak demand for digital camera market and slower-than-expected progress of handset lens sets business as a result of the first cooperation with an important customer.

Revenue generated from the Optoelectronic Products business segment increased by approximately 77.3% to approximately RMB4,416.4 million as compared with the corresponding period of last year. The increase in revenue was mainly attributable to the substantial rise in average selling price due to the improvement in product mix of handset camera modules business, the rise in shipment volume and the rapid growth of other optoelectronic modules.

Revenue generated from the Optical Instruments business segment increased by approximately 26.0% to approximately RMB232.8 million as compared with the corresponding period of last year. The increase in revenue was mainly attributable to the growth in market demand for scientific instrument and the sound exploration of new products and new markets.

Gross Profit and Margin

The gross profit for the financial year 2013 was approximately RMB967.1 million, which was approximately 30.5% higher than that of the last year, and the gross profit margin was approximately 16.6% (2012: approximately 18.6%). The decrease in gross profit margin was mainly attributable to the slight dilution effect arising from the rapid growth in sale of Optoelectronic Products business segment which has a lower gross profit margin as compared with the general gross profit margin of the Group, and the decline of its gross profit margin as compared with the same period of the last year. The gross profit margins of Optical Components business segment, Optoelectronic Products business segment and Optical Instruments business segment were approximately 24.6%, 12.6% and 37.3% respectively (2012: approximately 22.8%, 14.1% and 34.1%, respectively).

Selling and Distribution Expenses

For the year ended 31 December 2013, selling and distribution expenses increased by approximately 36.5% or approximately RMB23.5 million to approximately RMB87.9 million during the year under review, accounting for approximately 1.5% of the Group's revenue, as compared with approximately 1.6% last year. The increase in such expenses was primarily attributable to the increase in costs of selling, marketing and distribution personnel resulted from the growth in sales activities.

R&D Expenditure

R&D expenditure increased from approximately RMB163.4 million for the year ended 31 December 2012 to approximately RMB251.0 million for the year of 2013. It accounted for approximately 4.3% of the Group's revenue during the year under review, as compared with approximately 4.1% last year. The increase was attributable to the continuous investment in R&D activities and business development, and the increase in the headcount and salaries of R&D experts and engineers. The R&D expenditure was mainly used in the research and development of high resolution handset lens sets and camera modules, innovative optoelectronic modules for mobile devices, vehicle lens sets, infrared products, security surveillance systems, mid- to high-end new optical instruments, and the upgrade of existing product categories.

Administrative Expenses

Administrative expenses, which represented approximately 2.9% of the Group's revenue during the year under review and approximately 3.8% for last year, increased from approximately RMB150.1 million for the year ended 31 December 2012 to approximately RMB166.3 million for the year of 2013, representing an increase of approximately 10.7%. The increase 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 of relevant fringe benefits.

Income Tax Expense

Income tax expense for the year of 2013 increased to approximately RMB63.6 million from approximately RMB58.3 million for the year ended 31 December 2012. Such increase was mainly attributable to the growth in earnings. The Group's actual effective tax rate was approximately 12.6% during the year under review and approximately 14.7% for last year.

In order to keep the effective tax rate stable in the future, several subsidiaries of the Group have successfully applied for the status of Hi-Tech Enterprises. The current income tax rate applicable to Hi-Tech enterprises is 15.0% according to the national policy in the PRC.

Profit for the Year and Margin

Profit for the year increased by approximately 30.1% from approximately RMB338.9 million for the year ended 31 December 2012 to approximately RMB440.9 million for the year of 2013. The increase in net profit was mainly attributable to the increase in gross profit and effective control in operating expenses. The net profit margin was approximately 7.6%, compared with approximately 8.5% last year.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately RMB440.5 million, representing an increase of approximately RMB94.2 million or approximately 27.2% as compared with approximately RMB346.3 million last year.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarizes the Group's cash flows for the years ended 31 December 2013 and 31 December 2012:

	For the year ended 31 December	
	2013	2012
	RMB million	*RMB million*
Net cash from operating activities	**667.8**	256.8
Net cash used in investing activities	**(1,039.1)**	(179.6)
Net cash from (used in) financing activities	**837.5**	(85.7)

The Group derives its working capital mainly from cash on hand, net cash generated from operating and financing activities. Directors expect that the Group will rely on net cash from operating activities in the short run to meet its working capital and other capital expenditure requirements. 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. There were no material changes in the funding and financial policy of the Group.

During the year, the Company has successfully undertaken a placing and subscription in order to optimize the Company's capital structure. The proceeds from the subscription was intended to be applied (i) to production capacity expansion; (ii) to the future development of the Company; and (iii) to the general working capital requirement of the Company. The gross proceeds and the net proceeds (after deducting relevant commissions, taxes and other expenses) from the subscription amounted to HK$781.82 million and approximately HK$770.0 million, respectively.

The Group's balance of cash and cash equivalents was approximately RMB709.0 million as of 31 December 2013, representing an increase of approximately RMB465.6 million when compared to the balance of last year.

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipt from sales of the Group's products. Cash outflow from operating activities was mainly due to the purchases of raw materials, staff costs, selling and distribution expenses, R&D expenditure and administrative expenses. Net cash generated from operating activities was approximately RMB256.8 million and RMB667.8 million for the financial years ended 2012 and 2013 respectively. The increase in net cash generated from operating activities was mainly attributable to the increase in profit before tax, effective inventory management and early collection of partial trade receivables.

The trade receivable turnover days (balance of trade receivables/revenue × 365 days) decreased from approximately 62 days for the financial year of 2012 to approximately 49 days for the financial year of 2013. The decrease in the trade receivable turnover days was mainly due to the early collection of partial trade receivables.

The trade payable turnover days (balance of trade payables including accrued purchases/cost of sales × 365 days) decreased from approximately 87 days for the financial year of 2012 to approximately 68 days for the financial year of 2013. The general credit terms granted by suppliers were normally ranged from 60-90 days. The decline in trade payable turnover days was primarily due to the Group's improved control of inventories, which reduced the inventory level and resulted in lower inventory balance at the end of the year.

The inventory turnover days (balance of inventories/cost of sales × 365 days) reduced from approximately 84 days for the financial year of 2012 to approximately 58 days for the financial year of 2013. The decrease in inventory turnover days was mainly because the Group improved the control on inventories, was more careful on selection of storage of inventories and tried to keep inventory level as low as possible.

Investing Activities

The Group recorded a net cash outflow from investing activities of approximately RMB1,039.1 million for the financial year of 2013, which was mainly attributable to purchases of plant and equipment of approximately RMB244.3 million, placement of pledged bank deposits of approximately RMB113.8 million and purchases of financial assets designated as at fair value through profit or loss of approximately RMB983.0 million during the year.

Financing Activities

The Group recorded a net cash inflow from financing activities of approximately RMB837.5 million for the financial year of 2013. The inflow mainly came from new bank borrowings raised of approximately RMB1,088.4 million and net proceeds from issue of shares of approximately RMB608.1 million (approximately HK$770.0 million). Major outflows were the repayment of borrowings of approximately RMB702.1 million, purchases of shares as unvested shares under the share award scheme of approximately RMB53.0 million and dividends paid to shareholders of approximately RMB105.0 million as declared last year.

Capital Expenditure

For the year ended 31 December 2013, the Group's capital expenditure amounted to approximately RMB318.5 million, which was mainly used for the purchases of plant and equipment and other tangible assets. All of the capital expenditure was financed by internal resources, bank borrowings and net proceeds from placement.

CAPITAL STRUCTURE

Indebtedness

Borrowings

Bank loans of the Group as of 31 December 2013 amounted to approximately RMB488.9 million (2012: approximately RMB102.6 million). Pledged bank deposit of the Group amounted to approximately RMB113.8 million (2012: RMB240,000) was arranged in the year under review.

As of 31 December 2013, among all bank loans, approximately RMB1.9 million was denominated in Korean Won, while approximately RMB487.0 million was denominated in U.S. Dollars. The gearing ratio of the Group by reference to the total debt to total book capitalization ratio (total book capitalization means the sum of total liabilities and shareholders' equity) was approximately 10.5%, reflecting that the Group's financial position was at a sound level.

Bank facilities

As of 31 December 2013, the Group had bank facilities of RMB375.0 million with Yuyao Branch of Agricultural Bank of China, USD15.0 million with Yuyao Branch of Ningbo Bank, USD17.5 million with BNP Paribas Hong Kong Branch, USD36.0 million with BNP Paribas (China) Limited, USD38.0 million with Oversea-Chinese Banking Corporation Limited, Hong Kong Branch, and USD15.0 million with Yuyao Branch of Bank of Communication.

Debt securities

As of 31 December 2013, the Group did not have any debt securities.

Contingent liabilities

As of 31 December 2013, 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 2013, other than pledged bank deposits of approximately RMB113.8 million.

Commitments

As of 31 December 2013, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises amounted to approximately RMB88.7 million (2012: approximately RMB23.5 million).

As of 31 December 2013, the Group had capital expenditure in respect of acquisition of plant and equipment contracted for but not provided in the consolidated financial statements amounting to approximately RMB48.4 million (2012: approximately RMB58.2 million).

As of 31 December 2013, the Group had no other capital commitments save as disclosed above.

PERFORMANCE OF INVESTMENTS MADE AND FUTURE INVESTMENTS

The Group's investing activities mainly include the purchases of machinery and equipment. For the year ended 31 December 2013, the Group's investments amounted to approximately RMB318.5 million, mainly involving in the purchases of machinery and equipment, as well as the initial production settings of new products and the necessary equipment configurations of new projects. These investments enhanced our capabilities of R&D and production efficiency, thereby enlarging the market share of existing products and penetrating into new markets, and thus expanded 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 improving our returns.

During the year, the Group entered into the entrusted loan agreements with banks, the receivables under which were guaranteed by such banks in order to gain more interest income and achieve better utilization of cash. Under these agreements, the subsidiaries acted as the entrusting parties and the banks acted as the lenders to provide funds to specified borrowers amounting to RMB20.0 million.

All of the entrusted loans are covered by guarantees made by the related companies of the borrowers, current in nature and repayable within one year, bearing fixed interest rates of approximately 10.7% per annum.

In January 2014, the Group entered into a joint agreement with MantisVision, pursuant to which, the Group purchased 200,711 Series B preferred shares of MantisVision with consideration of USD1.0 million. There is no other intention for acquisition and material investment other than such purchase at the moment.

OFF-BALANCE SHEET TRANSACTIONS AND CONTINGENT LIABILITIES

As of 31 December 2013, 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 2013, the effective interest rates on fixed-rate bank loans and variable-rate bank loans were approximately 2.07% and 2.02% per annum respectively. The Group had not entered into any type of interest rate agreements or derivative transactions to hedge against the fluctuations 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 instruments to reduce its currency risk.

Credit Risk

The Group's financial assets include bank balances and cash, pledged bank deposits, entrusted loan receivables, financial assets designated as at fair value through profit or loss, trade and other receivables, amounts due from related parties and amount due from an associate, 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 which is 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 bad and doubtful debts, estimated by the management based on prior experience, their assessment of the current economic environment and the discounted cash flows to be received in future.

The Group has no significant concentration of credit risk since its trade receivables are related to 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 as rated by international credit-rating agencies.

Cash Flow Interest Rate Risk

The Group's cash flow interest rate risk relates primarily to variable rates applicable to short-term bank deposits. 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 11,460 dedicated full-time employees as of 31 December 2013, including 1,926 management and administrative staff, 9,231 production staff and 303 operation supporting staff. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain elite employees, including salaries, medical insurance, discretionary bonuses, other fringe 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 a restricted share award scheme, for the purpose of providing incentives and rewards to eligible participants with reference to their contribution to the Group and enhancing their spirits of ownership. For the year ended 31 December 2013, no share option was granted or agreed to be granted by the Company under the share option scheme. In addition, for the year ended 31 December 2013, an aggregate of 62,254,250 shares have been offered to eligible participants in accordance with the restricted share award scheme.

DIVIDENDS

The Directors recommended a payment from the distributable reserves of the Company a final dividend of approximately RMB0.121 (equivalent to HK$0.154) per share in respect of the year ended 31 December 2013 to the shareholders whose names appear on the register of members of the Company at the close of business on 16 May 2014. The final dividends, payable on 4 June 2014, are subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on 13 May 2014.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of shareholders to attend the AGM, which is to be held on 13 May 2014, the register of members of the Company will be closed from 8 May 2014 to 13 May 2014, both days inclusive, during which no transfer of shares will be registered. 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 at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 7 May 2014.

In order to determine the eligibility of shareholders to the dividends, the register of members of the Company will be closed from 19 May 2014 to 22 May 2014, both days inclusive, during which no transfer of shares will be registered. 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 at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 16 May 2014.

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 2013.

CORPORATE GOVERNANCE

Corporate Governance Practices

Throughout the year ended 31 December 2013, the Company complied with all principles and code provisions and adopted most of the recommended best practices of the Code on Corporate Governance Practices ("Corporate Governance Code") (applicable to financial reports covering the period after 1 April 2012) contained in Appendix 14 to Listing Rules. The corporate governance practices adopted by the Company will be set out in the corporate governance report in the annual report for the year ended 31 December 2013.

In addition, to demonstrate the Company's continued commitment to high standards of corporate governance, the Board adopted a Board Diversity Policy in August 2013 to comply with a new code provision of Corporate Governance Code on board diversity which was effective from September 2013. The policy is available on the Company's website.

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 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 2013.

REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee of the Board ("**Audit Committee**") with written terms of reference. The Group's audited final results for the year ended 31 December 2013 were reviewed by all the Audit Committee members, namely, Mr. Zhang Yuqing (Chairman of the Audit Committee and an independent non-executive Director), Dr. Liu Xu and Mr. Chu Peng Fei Richard (both are independent non-executive Directors). Mr. Sha Ye resigned as a member of the Audit Committee and Dr. Liu Xu was appointed as a member of the Audit Committee with effect from 21 December 2013.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group is committed to creating two-way channels of communication between senior management and investors, maintaining close relations with all its shareholders through a variety of channels and promoting understanding and exchange between investors and us. The Company has adopted a shareholders' communication policy to formalise and facilitate the effective and healthy communication between the Company and the shareholders and other stakeholders, which is available on the website of the Group (http://www.sunnyoptical.com). Our main communication channels with the shareholders include investors' meetings, general meetings, annual reports, interim reports, announcements and circulars, constitutional documents and the Group's website.

The Group has a dedicated team to maintain contact with investors and handle shareholders inquiries. Should investors have any inquiries, please contact the Group investor relationship department (Tel: +852-35687038; +86-574-62538091; e-mail: ir@sunnyoptical.com).

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and on the website of the Company (http://www.sunnyoptical.com). The annual report of the Company for the year ended 31 December 2013 will be despatched to shareholders of the Company and will be published on the same websites in due course.

APPRECIATION

The Group would like to express its appreciation to all the staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, and they are the key factors for the Group to continue its success in future. Also, the Group wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to meet its business objectives for 2014 and realize higher values for its shareholders and other stakeholders.

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

Hong Kong, 11 March 2014

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