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.HK)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

RESULT HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2016 was approximately RMB14,611.8 million, representing an increase of approximately 36.6% as compared with the corresponding period of last year. The increase in revenue was mainly benefited from the further development of the Group's smartphone related businesses and the rapid growth of the applications of vehicle optical system.
- The gross profit for the year ended 31 December 2016 was approximately RMB2,680.1 million, which was approximately 52.0% higher as compared with the corresponding period of last year. The gross profit margin was approximately 18.3%.
- Profit for the year attributable to owners of the Company for the year ended 31 December 2016 increased by 66.8% to approximately RMB1,270.8 million as compared with the corresponding period of last year.
- Basic earnings per share for the year ended 31 December 2016 increased by approximately 65.9% to approximately RMB117.6 cents when compared with the corresponding period of last year.
- The Board of Directors has proposed a final dividend of approximately RMB0.290 (equivalent to HK$0.323) per share for the year ended 31 December 2016.

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 2016, together with the comparative figures for the corresponding period in the year 2015 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	*3*	**14,611,778**	10,696,232
Cost of sales		**(11,931,643)**	(8,932,855)
Gross profit		**2,680,135**	1,763,377
Other income	*4(a)*	**118,863**	93,199
Other gains and losses	*4(b)*	**(144,517)**	(122,648)
Selling and distribution expenses		**(153,893)**	(94,998)
Research and development expenditure		**(694,397)**	(502,140)
Administrative expenses		**(331,236)**	(256,924)
Share of results of associates		**(12,339)**	(1,591)
Finance costs	*5*	**(16,181)**	(15,998)
Profit before tax		**1,446,435**	862,277
Income tax expense	*6*	**(174,834)**	(98,756)
Profit for the year	*7*	**1,271,601**	763,521
Other comprehensive income			
Item that may be classified subsequent to profit or loss:			
Exchange differences arising on translation from foreign operations		**5,754**	682
Total comprehensive income for the year		**1,277,355**	764,203
Profit for the year attributable to:			
Owners of the Company		**1,270,753**	761,632
Non-controlling interests		**848**	1,889
		1,271,601	763,521
Total comprehensive income attributed to:			
Owners of the Company		**1,274,801**	761,987
Non-controlling interests		**2,554**	2,216
		1,277,355	764,203
Earnings per share – Basic (RMB cents)	*9*	**117.60**	70.90
– Diluted (RMB cents)	*9*	**116.68**	70.29

Consolidated Statement of Financial Position

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,793,510**	1,140,809
Prepaid lease payments		**164,025**	113,003
Investment properties		**14,997**	15,836
Intangible assets		**1**	6
Interests in associates		**99,781**	110,440
Deferred tax assets		**27,884**	5,700
Deposits paid for acquisition of property, plant and equipment		**152,384**	137,043
Available-for-sale investments		**62,267**	67,672
Deposits paid for acquisition of land use rights		**3,823**	27,741
Derivative financial assets	12(a)	**–**	947
		2,318,672	1,619,197
CURRENT ASSETS			
Inventories		**2,828,362**	896,962
Trade and other receivables and prepayment	11	**3,715,939**	3,002,950
Prepaid lease payments		**4,452**	3,337
Derivative financial assets	12(a)	**13,795**	16,108
Financial assets designated as at fair value through profit or loss	12(b)	**2,027,497**	1,708,270
Amounts due from related parties		**682**	1,215
Pledged bank deposits		**100,967**	129,559
Short term fixed deposits		**159,245**	71,916
Bank balances and cash		**466,928**	186,780
		9,317,867	6,017,097
CURRENT LIABILITIES			
Trade and other payables	13	**5,572,542**	2,914,402
Amounts due to related parties		**5,205**	3,114
Derivative financial liabilities	12(a)	**93,251**	103,929
Tax payable		**53,009**	21,128
Bank borrowings		**904,348**	683,239
Deferred income – current portion		**29,973**	13,609
		6,658,328	3,739,421
NET CURRENT ASSETS		**2,659,539**	2,277,676
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,978,211**	3,896,873

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**33,864**	19,201
Derivative financial liabilities	*12(a)*	**–**	1,932
Other payables	*13*	**2,817**	6,347
Deferred income – non-current portion		**28,188**	24,502
		64,869	51,982
NET ASSETS		**4,913,342**	3,844,891
CAPITAL AND RESERVES			
Share capital	*14*	**105,177**	105,177
Reserves		**4,790,078**	3,725,806
Equity attributable to owners of the Company		**4,895,255**	3,830,983
Non-controlling interests		**18,087**	13,908
TOTAL EQUITY		**4,913,342**	3,844,891

1. GENERAL

The Company was incorporated in the Cayman Islands on 21 September 2006 as an exempted company under the Companies Law Chapter 21 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands and its shares have been listed on the Stock Exchange of Hong Kong Limited with effect from 15 June 2007. Its ultimate holding and parent company is Sun Xu Limited, a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Wang Wenjian, also a director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively 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 are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

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 and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value 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.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 ***Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset in initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flow.

Under HKAS 17, the Group has already recognised prepaid lease payments as an asset for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of RMB149,193,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors of the Company complete a detailed review.

Except as described above, the Directors of the Company do not anticipate that the application of the remaining new and amendments to HKFRSs will have a material effect on the amounts recognized in the Group's consolidated financial statements in future.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold to 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 2016

	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	**2,955,566**	**11,403,194**	**253,018**	**14,611,778**	**–**	**14,611,778**
Inter-segment sales	**511,380**	**8,384**	**1,834**	**521,598**	**(521,598)**	**–**
Total	**3,466,946**	**11,411,578**	**254,852**	**15,133,376**	**(521,598)**	**14,611,778**
Segment profit	**988,054**	**532,196**	**9,406**	**1,529,656**	**–**	**1,529,656**
Share of results of associates						**(12,339)**
Unallocated income						**4,560**
Unallocated expenses						**(75,442)**
Profit before tax						**1,446,435**

For the year ended 31 December 2015

	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	2,268,456	8,216,728	211,048	10,696,232	–	10,696,232
Inter-segment sales	265,351	1,608	6,973	273,932	(273,932)	–
Total	2,533,807	8,218,336	218,021	10,970,164	(273,932)	10,696,232
Segment profit	574,954	464,927	1,519	1,041,400	–	1,041,400
Share of results of associates						(1,591)
Unallocated income						4,198
Unallocated expenses						(181,730)
Profit before tax						862,277

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 including directors' salaries, other income, other gains or losses, share of results of associates and finance costs. There were asymmetrical allocations to operating segments because the Group allocates interest income, government grants and deferred income, depreciation and amortisation and gain or loss on disposal of property, plant and equipment to each segment without allocating the related bank balances and depreciable assets to those segments. This is the measure reported to the Board of Directors 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 2016

	Optical Components *RMB'000*	**Optoelectronic Products** *RMB'000*	**Optical Instruments** *RMB'000*	**Total** *RMB'000*
Assets				
Trade receivables	**748,312**	**2,090,014**	**37,829**	**2,876,155**
Bill receivables	**115,530**	**400,230**	**3,031**	**518,791**
Inventories	**379,810**	**2,416,490**	**32,062**	**2,828,362**
Total segment assets	**1,243,652**	**4,906,734**	**72,922**	**6,223,308**
Unallocated assets				**5,413,231**
Consolidated assets				**11,636,539**
Liabilities				
Trade payables	**640,756**	**3,906,032**	**47,370**	**4,594,158**
Note payables	**18,762**	**414,887**	**–**	**433,649**
Total segment liabilities	**659,518**	**4,320,919**	**47,370**	**5,027,807**
Unallocated liabilities				**1,695,390**
Consolidated liabilities				**6,723,197**

As at 31 December 2015

	Optical Components *RMB'000*	Optoelectronic Products *RMB'000*	Optical Instruments *RMB'000*	Total *RMB'000*
Assets				
Trade receivables	617,006	1,794,177	31,574	2,442,757
Bill receivables	35,429	352,908	3,030	391,367
Inventories	309,430	555,460	32,072	896,962
Total segment assets	961,865	2,702,545	66,676	3,731,086
Unallocated assets				3,905,208
Consolidated assets				7,636,294
Liabilities				
Trade payables	415,314	1,620,146	43,445	2,078,905
Note payables	4,100	451,435	1,000	456,535
Total segment liabilities	419,414	2,071,581	44,445	2,535,440
Unallocated liabilities				1,255,963
Consolidated liabilities				3,791,403

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

- trade receivables, bill receivables and inventories are allocated to the respective operating segments. All other assets are unallocated assets, which are not regularly reported to the Board of Directors.
- trade payables and note payables are allocated to the respective operating segments. All other liabilities are unallocated liabilities, which are not regularly reported to the Board of Directors.

Other segment information

For the year ended 31 December 2016

	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	**164,160**	**140,204**	**6,357**	**5,989**	**316,710**
Allowance for bad and doubtful debts on trade receivables	**2,574**	**134,758**	**89**	**–**	**137,421**
(Gain) loss on disposal of property, plant and equipment	**(2,102)**	**2,345**	**(166)**	**3**	**80**
Share award scheme expense	**37,430**	**25,907**	**9,050**	**6,823**	**79,210**
Interest income from bank and financial instruments	**(8,334)**	**(36,198)**	**(685)**	**(519)**	**(45,736)**
(Reversal of allowance for) allowance for inventories	**(9)**	**5,965**	**421**	**–**	**6,377**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:					
Addition to property, plant and equipment	**355,648**	**619,554**	**3,444**	**–**	**978,646**

For the year ended 31 December 2015

	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	123,604	115,835	4,864	1,414	245,717
Allowance for (reversal of allowance for) bad and doubtful debts on trade receivables	323	(1,292)	(373)	–	(1,342)
Loss (gain) on disposal of property, plant and equipment	573	2,007	(191)	–	2,389
Share award scheme expense	25,750	20,545	7,071	6,852	60,218
Interest income from bank and financial instruments	(10,313)	(28,158)	(857)	(25)	(39,353)
Allowance for inventories	2,322	4,391	657	–	7,370
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:					
Addition to property, plant and equipment	248,458	119,739	9,241	38	377,476

Revenue from major products

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

	2016	2015
	RMB'000	*RMB'000*
Mobile phone related products	**12,104,867**	8,581,595
Digital camera related products	**667,317**	536,448
Optical instruments	**200,994**	172,361
Other lens sets	**980,921**	684,553
Digital video lens	**122,112**	121,720
Other spherical lens and plane products	**65,448**	47,963
Industrial endoscopes	**17,074**	14,567
Other products	**453,045**	537,025
	14,611,778	10,696,232

Geographical information

The Group's operations are mainly located in the PRC, Korea, Japan and the United States.

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

	Revenue from external customers		**Non-current assets**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (excluding Hong Kong) (country of domicile)	**12,001,812**	8,976,971	**2,127,854**	1,433,252
Hong Kong	**432,532**	247,452	**–**	–
Korea	**462,344**	349,705	**94**	190
Japan	**542,250**	387,922	**93**	1
United States	**629,728**	395,366	**77**	66
Others	**543,112**	338,816	**622**	929
	14,611,778	10,696,232	**2,128,740**	1,434,438

Note: Non-current assets excluded interests in associates, deferred tax assets, available-for-sale investments and derivative financial assets.

Information about major customer

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

	2016	2015
	RMB'000	*RMB'000*
Customer A, revenue from Optoelectronic Products	**3,358,361**	2,566,112
Customer B, revenue from Optoelectronic Products	**3,208,896**	1,527,716
Customer C, revenue from Optoelectronic Products *(Note)*	**N/A**	1,216,669
	6,567,257	5,310,497

Note: Revenue from Customer C contributed less than 10% of the total sales of the Group for the year ended 31 December 2016.

4(a). OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Interest income from short term fixed deposits	**612**	565
Interest income from pledged bank deposits	**2,606**	3,924
Interest income from financial assets designated as at FVTPL	**41,132**	33,514
Bank interest income	**1,386**	1,350
Government grants	**57,383**	40,551
Income from sales of moulds	**744**	2,182
Income from sales of scrap materials	**2,862**	2,454
Rental income	**3,910**	2,837
Handling service charges	**1,803**	1,139
Others	**6,425**	4,683
Total	**118,863**	93,199

4(b). OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	**(80)**	(2,389)
Gain on disposal of an available-for-sale investments	**37,936**	–
Net foreign exchange losses	**(53,124)**	(36,903)
Gain (loss) on changes in fair value of derivative financial instruments, net	**8,330**	(84,655)
(Allowance for) reversal of allowance for bad and doubtful debts on trade receivables	**(137,421)**	1,342
Others	**(158)**	(43)
Total	**(144,517)**	(122,648)

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interests on bank borrowings	**16,181**	15,998

6. INCOME TAX EXPENSE

	2016 *RMB'000*	2015 *RMB'000*
Current tax:		
PRC Enterprise Income Tax	**178,858**	88,391
Other jurisdictions	**4,050**	2,285
	182,908	90,676
Overprovision in prior years:		
PRC Enterprises Income Tax	**(553)**	(51)
Deferred taxation:		
Current year	**(7,521)**	8,131
	174,834	98,756

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:

(i) Ningbo Sunny Opotech Co., Ltd. ("Sunny Opotech"), Shanghai Sunny Hengping Scientific Instrument Co., Ltd. ("Shanghai Sunny Hengping"), Ningbo Sunny Automotive Opotech Co., Ltd. ("Sunny Automotive"), Sunny Optics (Zhongshan) Co., Ltd. ("Sunny Zhongshan") and Ningbo Sunny Instruments Co., Ltd. ("Sunny Instruments"), domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2017.

(ii) Zhejiang Sunny Optics Co., Ltd. ("Sunny Optics"), a domestic limited liability company, was approved as Hi-Tech Enterprise and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2018.

(iii) Ningbo Sunny Infrared Technologies Company Ltd. ("Sunny Infrared"), a domestic limited liability company, was approved as Hi-Tech Enterprise and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2019.

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 during the year ended 31 December 2015 and 2016 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 of the Company 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 other comprehensive income as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**1,446,435**	862,277
Tax at PRC EIT tax rate of 25%	**361,609**	215,569
Tax effect of share of results of associates	**3,085**	398
Tax effect of expenses not deductible for tax purpose	**6,431**	22,701
Tax effect of income not taxable for tax purposes	**–**	(540)
Tax effect of allowance granted under share award scheme in the PRC	**(46,645)**	(17,955)
Tax effect of preferential tax rates for certain subsidiaries *(Note 1)*	**(99,255)**	(59,160)
Tax effect of additional tax deduction of research & development expenses *(Note 2)*	**(65,794)**	(51,873)
Tax effect of tax losses not recognised	**17,180**	15,276
Utilisation of tax losses not previously recognised	**(2,025)**	(26,065)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**801**	569
Overprovision in prior years	**(553)**	(51)
Others	**–**	(113)
Income tax expense for the year	**174,834**	98,756

Note 1: For PRC subsidiaries which were approved as Hi-Tech Enterprises, they are entitled to a preferential tax rate of 15%.

Note 2: According to Guoshuifa [2008] no. 116 "Notice of the State Administration of Taxation on Issuing the Administrative Measures for the Pre-tax Deduction of Enterprise Research and Development Expenses (for Trial Implementation)" and Caishui [2013] No.70 "Circular of the Ministry of Finance and the State Administration of Taxation issues related to super deductions for research & development expenses", certain PRC subsidiaries are also entitled to an additional 50% tax deduction on eligible research & development expenses incurred by them during the years ended 31 December 2016 and 2015.

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Directors' emoluments	**13,558**	11,792
Other staff's salaries and allowances	**1,097,672**	882,635
Other staff's discretionary bonuses	**144,379**	131,829
Other staff's contribution to retirement benefit scheme	**81,745**	66,143
Other staff's share award scheme expense	**75,664**	57,501
	1,413,018	1,149,900
Cost of inventories recognised as an expense	**11,931,643**	8,932,855
Auditor's remuneration	**3,060**	2,952
Depreciation of property, plant and equipment and investment properties	**316,705**	245,708
Release of prepaid lease payments	**3,620**	3,220
Amortisation of intangible assets (included in research and development expenditure)	**5**	9
Allowance for inventories (included in cost of sales)	**6,377**	7,370

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 final dividends – RMB20.80 cents (2015: 2014 final dividends – RMB15.50 cents) per share	**228,176**	170,035

Subsequent to the end of reporting period, a final dividend of approximately RMB29.00 cents per share, equivalent to HK$32.30 cents per share, amounting to a total of approximately RMB318,130,000 (2015: approximately RMB20.80 cents per share, equivalent to HK$24.90 cents per share, amounting to a total of approximately RMB228,176,000) has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. The final dividends proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**1,270,753**	761,632

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,080,616**	1,074,292
Effect of dilutive potential ordinary shares: Restricted Shares	**8,471**	9,239
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,089,087**	1,083,531

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB'000*	Machinery and production equipment *RMB'000*	Motor vehicles *RMB'000*	Fixtures and office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2015	316,310	1,289,093	12,321	226,991	33,189	1,877,904
Additions	11,946	261,373	2,914	39,590	61,653	377,476
Transfer	696	55,991	–	13,745	(70,432)	–
Transferred to investment properties	(16,750)	–	–	–	–	(16,750)
Disposals	–	(19,437)	(830)	(7,669)	–	(27,936)
Exchange realignment	–	(10)	11	25	–	26
At 31 December 2015 and 1 January 2016	312,202	1,587,010	14,416	272,682	24,410	2,210,720
Additions	204	753,876	1,849	64,692	158,025	978,646
Transfer	4,074	17,198	–	13,527	(34,799)	–
Disposals	(163)	(35,180)	(1,262)	(7,172)	–	(43,777)
Exchange realignment	–	25	14	75	–	114
At 31 December 2016	316,317	2,322,929	15,017	343,804	147,636	3,145,703
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	76,924	646,001	7,800	112,020	–	842,745
Charge for the year	15,578	210,280	1,882	17,968	–	245,708
Transferred to investment properties	(914)	–	–	–	–	(914)
Eliminated on disposals	–	(11,125)	(1,027)	(5,450)	–	(17,602)
Exchange realignment	–	(6)	–	(20)	–	(26)
At 31 December 2015 and 1 January 2016	91,588	845,150	8,655	124,518	–	1,069,911
Charge for the year	14,874	234,750	2,306	63,936	–	315,866
Eliminated on disposals	(73)	(26,747)	(1,170)	(5,671)	–	(33,661)
Exchange realignment	–	5	12	60	–	77
At 31 December 2016	106,389	1,053,158	9,803	182,843	–	1,352,193
CARRYING VALUES						
At 31 December 2016	209,928	1,269,771	5,214	160,961	147,636	1,793,510
At 31 December 2015	220,614	741,860	5,761	148,164	24,410	1,140,809

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land and buildings	Shorter of 20 years or over the lease term
Machinery and production equipment	5 to 10 years
Motor vehicles	4 to 5 years
Fixtures and office equipment	3 to 10 years

The carrying value of properties shown above comprises:

	2016	2015
	RMB'000	*RMB'000*
Buildings on leasehold land outside Hong Kong	**209,928**	220,614

As at 31 December 2016, certain buildings of the Group of aggregated net book value approximately RMB83,121,000 (2015: RMB88,674,000) was pledged to secure bank borrowings granted.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2016	2015
	RMB'000	*RMB'000*
Current assets		
Trade receivables	**3,017,982**	2,447,368
Less: allowance for doubtful debts	**(141,827)**	(4,611)
	2,876,155	2,442,757
Bill receivables	**518,791**	391,367
Other receivables and prepayment		
Value added tax and other tax receivables	**98,378**	18,155
Individual income tax receivable from employees	**83,972**	45,819
Advance to suppliers	**60,369**	39,380
Interest receivables	**5,816**	6,167
Prepaid expenses	**36,968**	30,926
Rental and utilities deposits	**14,717**	14,985
Prepaid wages and advances to employees	**3,162**	3,768
Others	**17,611**	9,626
	320,993	168,826
Total trade and other receivables and prepayment	**3,715,939**	3,002,950

The Group allows a credit period from 60 to 90 days to its trade customers and 90 to 180 days for bill receivables. 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.

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**2,583,568**	2,401,786
91 to 180 days	**246,083**	40,146
Over 180 days	**46,504**	825
	2,876,155	2,442,757

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

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**473,975**	287,129
91 to 180 days	**44,816**	104,238
	518,791	391,367

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. 90% (2015: 98%) of the trade receivables that are neither past due nor impaired have the best credit attributes assessed by the Group.

The Group has made 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 RMB292,587,000 (2015: RMB40,971,000) 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

	2016	2015
	RMB'000	*RMB'000*
91 to 180 days	**246,083**	40,146
Over 180 days	**46,504**	825
Total	**292,587**	40,971

Movement in the allowance for doubtful debts

	2016 RMB'000	2015 RMB'000
Balance at beginning of the reporting period	**4,611**	5,953
Impairment losses recognised on receivables	**141,327**	3,702
Amounts written off as uncollectible	**(205)**	–
Impairment losses reversed	**(3,906)**	(5,044)
Balance at end of the reporting period	**141,827**	4,611

Included in the allowance for doubtful debts made for the year are individually impaired trade receivables with a balance of RMB141,827,000 (2015: RMB4,611,000) which might be in financial difficulties. The Group does not hold any collateral over these balances as at 31 December 2016. Subsequent to the year ended 31 December 2016, the Group filed legal proceedings for property preservation against several customers of the Group, in order to protect the long aged trade receivables due from these customers amounting to RMB378,900,000. Up to the date of approval for issuance of the consolidated financial statements, the legal proceedings are still not yet finalized and there is no subsequent settlement from these customers. As such, based on the estimated value to be recovered from the property perservation, a specific provision on these trade receivables amounting to RMB135,495,000 has been provided by the Group.

As at 31 December 2015, certain trade receivables of the Group of aggregated net book value approximately RMB22,382,000 was pledged to secure bank borrowings granted. There is no pledge of trade receivables to secure bank borrowings as of 31 December 2016.

12. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES/FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Derivative financial assets and liabilities

At the end of the reporting period, the Group held certain derivatives classified as held for trading and not under hedge accounting as follows:

	Assets		Liabilities	
	2016 *RMB'000*	2015 *RMB'000*	**2016** *RMB'000*	2015 *RMB'000*
Foreign currency forward contracts	**–**	5,485	**–**	6,238
Foreign currency options contracts	**13,795**	11,570	**93,251**	99,623
Total	**13,795**	17,055	**93,251**	105,861
Less: current portion				
Foreign currency forward contracts	**–**	5,485	**–**	6,238
Foreign currency options contracts	**13,795**	10,623	**93,251**	97,691
	13,795	16,108	**93,251**	103,929
Non-current portion	**–**	947	**–**	1,932

As at 31 December 2016 and 2015, the Group had entered into the following foreign currency forward contracts and foreign currency options contracts.

Foreign currency forward contracts

	Selling currency	Receiving currency	Maturity date	Weighted average forward exchange rate
Contract A	USD15,000,000	RMB92,700,000	10 March 2016	USD:RMB at 1:6.18
Contract B	RMB92,100,000	USD15,000,000	10 March 2016	USD:RMB at 1:6.14

Both contract A and contract B had expired during the year ended 31 December 2016.

Foreign currency options contracts

The Group entered into several USD/RMB foreign currency options contracts with banks in Hong Kong and the PRC in order to manage the Group's currency risk.

The Group is required to transact with the banks for designated notional amount on each of the valuation dates specified within the respective contracts ("Valuation Date").

At each Valuation Date, the Reference Rate+ shall be compared against the strike rates (upper and lower)/barrier rate as specified within the respective contracts, and the Group may receive from/pay to the bank an amount as specified in the contracts if certain conditions specified within the respective contracts are met.

The Reference Rate+ represents the spot rate as specified within the respective contracts.

Extracts of details of foreign currency options contracts from the respective contracts are as follow:

	Notional amount *USD'000*	**Strike/barrier/ forward rates**	**Ending Settlement Date** *(Note 1)*	
			2016	**2015**
Contract C *(Note 2)*	70,000	USD:RMB at 1:6.6/6.8	N/A	13 July 2017
Contract D *(Note 2)*	180,000	USD:RMB at 1:6.8	N/A	13 July 2017
Contract E	105,000	USD:RMB at 1:6.185/6.4/6.5	13 July 2017	13 July 2017
Contract F *(Note 3)*	195,000	USD:RMB at 1:6.4/6.5	N/A	13 July 2017
Contract G *(Note 3)*	195,000	USD:RMB at 1:6.4/6.5	N/A	N/A
Contract H *(Note 2)*	120,000	USD:RMB at 1:7.02	26 September 2017	N/A
Contract I *(Note 2)*	120,000	USD:RMB at 1:7.00	26 September 2017	N/A
Contract J	105,000	USD:RMB at 1:6.55	13 July 2017	N/A

Note 1: Each contract has a series of settlement dates. The Ending Settlement Dates stated as in the above table represents the last settlement date, specified within respective contracts.

Note 2: Both contract C and contract D were terminated on 27 October 2016 and at the same time the Group entered into two new foreign currency options contracts (contract H and contract I) to replace contract C and contract D.

Note 3: Both contract F and contract G were settled as a result of occurrence of trigger event on 13 July 2016.

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with the bank. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amount.

As at 31 December 2016:

	Gross/net amount of presented in the consolidated financial position *RMB'000*	Related amounts not set off in the statement of financial position		
		Financial instrument *RMB'000*	Cash collateral received *RMB'000*	Net amount *RMB'000*
Financial assets				
Bank	**9,282**	**(9,282)**	**–**	**–**
Derivatives	**13,795**	**(13,795)**	**–**	**–**
Financial liabilities				
Derivatives	**(93,251)**	**23,077**	**–**	**(70,174)**
Borrowings	**(395,409)**	**–**	**–**	**(395,409)**
	(465,583)	**–**	**–**	**(465,583)**

As at 31 December 2015:

	Gross/net amount of presented in the consolidated financial position *RMB'000*	Related amounts not set off in the statement of financial position		
		Financial instrument *RMB'000*	Cash collateral received *RMB'000*	Net amount *RMB'000*
Financial assets				
Bank	7,696	(7,696)	–	–
Derivatives	17,055	(17,055)	–	–
Financial liabilities				
Derivatives	(105,861)	24,751	–	(81,110)
Borrowings	(171,972)	–	–	(171,972)
	(253,082)	–	–	(253,082)

(b) Financial assets designated as at fair value through profit or loss ("FVTPL")

During the current year, 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 contracts. The entire combined contracts have been designated as at financial assets at FVTPL on initial recognition. Except for the principal of RMB735,000,000 (2015: RMB402,000,000) which was guaranteed by the relevant banks, the remaining principal of RMB1,292,497,000 (2015: RMB1,306,270,000) was not guaranteed by the relevant banks in which the return of the structured deposits was determined by reference to the performance of the underlying government debt instruments and treasury notes and the expected return rate stated in the contracts ranges from 1.60% to 4.50% (2015: 1.80% to 5.60%) per annum.

In the opinion of the Directors of the Company, the fair value of the structured deposits at 31 December 2016 approximated their principal amounts, and the fair value of the embedded derivatives is insignificant. All structured deposits will be matured in the year ended 31 December 2017.

13. TRADE AND OTHER PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Current liabilities		
Trade payables		
Within 90 days	**3,994,292**	1,685,666
91 to 180 days	**264,922**	166,341
Over 180 days	**3,259**	6,125
Accrued purchases	**331,685**	220,773
Total trade payables and accrued purchases	**4,594,158**	2,078,905
Note payables		
Within 90 days	**421,837**	412,836
91 to 180 days	**11,812**	43,699
	433,649	456,535
Payables for purchase of property, plant and equipment	**77,518**	20,825
Payable for acquisition of assets *(Note 1)*	**4,233**	4,233
Staff salaries and welfare payables	**308,314**	199,099
Advance from customers	**30,981**	29,580
Value added tax payables and other tax payables	**16,470**	52,966
Technology grant payables	**29,914**	9,405
Commission payables	**28,146**	10,576
Interest payable	**1,437**	1,322
Rental and utilities payable	**2,325**	9,848
Accrued research and development expenses	**21,348**	21,695
Others	**24,049**	19,413
	544,735	378,962
	5,572,542	2,914,402
Non-current liability		
Other payable		
Payable for acquisition of assets *(Note 1)*	**2,817**	6,347

Note 1: The balance represented the unpaid cash consideration for the acquisition of assets from Konica Minolta Optical Products (Shanghai) Co., Ltd. which were unsecured and interest free. According to the relevant agreements, the Group is required to settle the purchase consideration in 5 yearly instalments, with the last payment in 2018.

The credit period on purchases of goods is up to 180 days (2015: 180 days) and the credit period for note payables is 90 days to 180 days (2015: 90 days to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

14. SHARE CAPITAL

	Number of shares	Amount *HK$'000*	Equivalent to *RMB'000*
Authorised:			
Ordinary shares of HK$0.10 each at 1 January 2015, 31 December 2015 and 31 December 2016	100,000,000,000	10,000,000	
Issued & fully paid:			
Ordinary shares of HK$0.10 each at 1 January 2015, 31 December 2015 and 31 December 2016	1,097,000,000	109,700	105,177

15. EVENT AFTER THE REPORTING PERIOD

Up to the date of approval for issuance of the consolidated financial statements, the Directors of the Company proposed a final dividend. Further details are disclosed in Note 8.

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 and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 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 to 2016, the world economy continued to grow slowly, and the global economy struggled to recover. With the anti-globalization being much stronger, the world economy is exposed to various risks and challenges. As the world's major economy, economic growth of China has back to the world's number one. However, China still faced with greater economic downward pressure. In the environment of weak global macro-economy, the consumer electronics market continued to grow slowly. Even though the smartphone market in the PRC remained as the world's largest mobile phone market, the room for overall development has become saturated, and it has entered into an age of stock. However, mobile phone manufacturers competed in performance, aesthetics and differentiated features, which has been further proved by the emerging application innovation of handset cameras. Among others, the configuration of dual-camera was particularly impressive, which became a force that cannot be neglected in the next wave of upgrade of smartphones specifications. On the other hand, with the popularity and implementation of the relevant rules and regulations in Europe, America, Japan and other countries and regions, as well as the significant development of advanced driver assistance systems (the "**ADAS**"), semi-automatic and full-automatic pilot technologies, the vehicle imaging field has been growing rapidly. Being a leading handset lens sets and handset camera modules provider as well as the largest vehicle lens sets supplier in the world, the Group has benefited from the growth.

According to the latest report issued by Gartner, an information technology research and consulting company, the global shipment volume of smartphones in 2016 reached approximately 1,500,000,000 units, increasing by approximately 5.0% as compared with that in 2015. The shipment volume of Chinese branded smartphones reached approximately 450,000,000 units in total, contributing to approximately 30.0% of the market share. Smartphones have currently been fully popularized in mature markets and entered into stock market thoroughly after going through primary popularization. Consumers have no longer purely pursued high cost effectiveness and they will take into account of various factors such as brand, product, service and technique. As a result, all the major branded handset makers introduced new products continuously and launched products which were more competitive. In addition to the pixel migration of the front and rear cameras of the handset, they also met customers' needs to gain initiatives and secured more market shares through adopting more sophisticated functions in camera modules such as dual-camera, wide-angle, ultra-thin, large aperture, optical image stabilization (the "**OIS**"), time of flight (the "**TOF**") and phase detection auto focus (the "**PDAF**"), among which the performance of dual cameras is the most outstanding. 2016 has also been the first year of outbreak. The Group became a leading enterprise in dual-camera module sector, enlarged the gap with the competitors and consolidated the leading position in the industry by virtue of technological advantage competitiveness and strong integration capability for core resources.

The vehicle imaging field has continued to grow rapidly with strong momentum, while the penetration rate and adoption rate of vehicle lens sets rose gradually. On one hand, the U.S. National Highway Traffic Safety Administration (the "**NHTSA**") and the European New Car Assessment Programme (the "**E-NCAP**") continued to push forward the implementation of the relevant regulations and assessment systems. On the other hand, the NHTSA and the Insurance Institute for Highway Safety (the "**IIHS**") have jointly announced a commitment by 20 automakers representing more than 99 percent of the U.S. auto market to make automatic emergency braking ("**AEB**") as a standard feature on virtually all new cars no later than 1 September 2022. Meanwhile, the Ministry of Land, Infrastructure, Transport and Tourism of Japan has preliminarily decided that the "mirrorless vehicles" with their side-view mirrors replaced by cameras and screens will be permitted on road from June 2016. The relevant authorities of China also jointly issued the "Implementation Plan for Advancing Convenient "Internet+" Traffic to Promote the Development of Intelligent Traffic" in September 2016. It treated researching & developing, promoting and applying intelligent vehicle facilities and autopilot vehicles as an important development mission of improving the automation level of facilities and vehicles. In addition, the ADAS market began to enter into a stage of high-speed growth, and the specifications have also become more sophisticated and diverse. Vehicle cameras as the eyes of smart vehicles thus benefited from it, while vehicle lens sets as the key components of vehicle imaging system have maintained rapid growth and the specifications has also been improved. The Group firmly grasped the favorable opportunities of the rapid development of ADAS, adhered to provide customers with high quality and hi-tech products, gained more market share and further consolidated the No.1 position of the global industry.

Despite facing the difficult external environment, the Group has recorded satisfactory achievements in its core businesses and the three major business segments named Optical Components, Optoelectronic Products and Optical Instruments have developed rapidly. These achievements demonstrated the Group's persistence to the position of optoelectronic industry and the development strategy of "Dedicate to and Focus on Existing Business Strengths". On the other hand, the Group actively explored the development of the patterns for industry funds and the construction of internal mechanism in order to support the new transformation and upgrade with reforms and innovation, which were all beneficial for the Group to achieve its magnificent goal.

The Group's revenues for the year ended 31 December 2016 increased by approximately 36.6% to approximately RMB14,611.8 million. Profit for the year attributable to owners of the Company increased by approximately 66.8% to approximately RMB1,270.8 million. Besides, the basic earnings per share increased by approximately 65.9% to approximately RMB117.6 cents. The Board has proposed a final dividend of approximately RMB0.290 (equivalent to HK$0.323) (2015: approximately RMB0.208) per share.

In 2016, the Group continued to invest in research and development (the "**R&D**"), technologies and market in light of its adherence to the philosophy of "Customer Focus", and was mindful about raising the level of its corporate governance and management. With the joint effort from its staff, the Group received awards and accreditations from customers, industrial associations and institutions, local governments and the capital market. This is an indication that the products' quality, technical capability, delivery, service capability and comprehensive competitiveness of the Group were highly recognized in the industries and by our customers. With such encouragement and acknowledgement, the Group would strive to provide the customers with better and newer products and services, and would carry on the strategy of "Transformation and Upgrade" with determination.

OUTLOOK AND FUTURE STRATEGIES

During the year under review, adhering to the mission of ensuring sustainable growth of the Group, the management team strived to make progress with innovation. Major businesses of the Group have achieved sound development. Looking into 2017, the economy of the world and the PRC will face much greater risks and challenges because of the increasing uncertainties, but the Group is optimistic about its future operation.

In the view of the Directors, 2017 is a year with both challenges and opportunities. The Group's management will closely monitor the development in the markets and the industries, accelerate its business transformation and upgrade, continue to implement its development strategies and lead the Group to maintain the sound development momentum in 2017.

1. **Continue to improve and expand its existing advantageous businesses to form the overall preponderance, improve the market competitiveness and the market share, further consolidate its leading position in the market**

   In 2017, the Group will continue to allocate effective resources and focus on the research and development of core technologies and key process to form the technology advantages in terms of principal activities; further improve the manufacturing system, combine with informatization, continue to promote lean management and increase the production efficiency to form the manufacturing advantage; further improve the construction of supply chain, optimize supply chain management and implement the management and control of end-to-end supply chain to form the advantage of purchasing costs; continue to the promote the construction of quality system and improve quality traceability to form the quality advantage. The Group forms an overall advantage to win the market competitiveness by accumulating the advantages in several aspects mentioned above.

2. **Strongly promote the accomplishment as the role of a smart optical system solution provider, and consolidate a solid foundation for the rapid development of the optical instruments business**

   The Group will continue to allocate resources to increase the capability of combining software and hardware and product innovation effectively in order to seek the breakthroughs of smart optical modules in segment markets. The Group will focus on optical capabilities and strive to achieve market breakthroughs in the emerging application fields including augmented reality (the "**AR**")/virtual reality (the "**VR**"), biometric identification and so on to accomplish the execution of being a smart optical system solution provider.

   The Group will effectively advance the customer-oriented product development and focus on target market segments like the manufacturing of precision machinery and consumer electronics and so on, in order to achieve substantial breakthroughs in the field of the smart manufacturing. The Group will discover customers' sorrows and difficulties as well as combine microscopic techniques with software technologies to develop and deliver automatic micro-assembling, testing solutions and products to customers.

3. **Further promote the internal mechanism construction, and propel and improve the formation and completion of the new development mechanism**

   The Group will sort out the relationship between the "Create Together" and the new development mechanism clearly, and combine the new mechanism with the existing business management models of parent company and subsidiaries to fully mobilize business objects' motivation, as well as to be more proactive in seizing the market opportunities within the main channels. Meanwhile, the Group will develop, train and retain future management talents for the Company.

   In the coming years, the Group will continue to provide the global top-tier hi-tech companies with more high-quality products and services by leveraging on the broad development prospects of the optoelectronic industry where the Group bases and the excellent position in the market as an optical expert, maintain innovation and adhere to the "Mingpeijiao" (名配角) strategy, thereby achieving corporate growth and value enhancement to create returns for the shareholders continuously.

FINANCIAL REVIEW

Revenue

As at 31 December 2016, the Group's revenue was approximately RMB14,611.8 million, representing an increase of approximately 36.6% or approximately RMB3,915.5 million as compared with the corresponding period of last year. The increase in revenue was mainly benefited from the further development of the Group's smartphone related businesses and the rapid growth of the applications of vehicle optical system.

Revenue generated from the Optical Components business segment increased by approximately 30.3% to approximately RMB2,955.6 million as compared with the corresponding period of last year. The increase in revenue was mainly due to the increase in the shipment volume and the rise in average price of handset lens sets by the improvement of product mix, and continuous growth in the shipment volume of vehicle lens sets.

Revenue generated from the Optoelectronic Products business segment increased by approximately 38.8% to approximately RMB11,403.2 million as compared with the corresponding period of last year. The increase in revenue was mainly attributable to the increase in the shipment volume and the rise in average price of handset camera modules by the improvement of product mix.

Revenue generated from the Optical Instruments business segment increased by approximately 19.9% to approximately RMB253.0 million as compared with the corresponding period of last year. The increase in revenue was mainly attributable to the recovery of industrial microscopes market and the development of the Group in the field of high-end microscopes.

Gross Profit and Margin

The gross profit for the year ended 31 December 2016 was approximately RMB2,680.1 million, which was approximately 52.0% higher as compared with the corresponding period of last year, and the gross profit margin was approximately 18.3% (2015: approximately 16.5%),which was 1.8 percentage points higher than that of last year. The increase in gross profit margin was mainly attributable to the fast growth in sales of Optical Components business segment as well as its substantially improved gross profit margin, and the improved gross profit margin of the Optoelectronic Products business segment as compared with the corresponding period of last year. The gross profit margins of Optical Components business segment, Optoelectronic Products business segment and Optical Instruments business segment were approximately 39.8%, 10.5% and 40.4%, respectively (2015: approximately 35.1%, 9.6% and 37.5% respectively).

Selling and Distribution Expenses

The selling and distribution expenses for the year ended 31 December 2016 increased by approximately RMB58.9 million as compared with the corresponding period of last year to approximately RMB153.9 million. It accounted for approximately 1.1% of the Group's revenue during the year under review, as compared with approximately 0.9% for 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

The R&D expenditure for the year ended 31 December 2016 increased by approximately RMB192.3 million as compared with the corresponding period of last year to approximately RMB694.4 million. It accounted for approximately 4.8% of the Group's revenue during the year under review, as compared with approximately 4.7% for last year. The increase in expenditure was attributable to the Group's continuous investment in R&D activities and business development. The R&D expenditure was mainly used in the R&D of high-end handset lens sets and handset camera modules, innovative optoelectronic products for mobile terminals, vehicle lens sets, infrared products, security surveillance systems products, mid- to high-end optical instruments and the upgrade of existing product categories.

Administrative Expenses

The administrative expenses for the year ended 31 December 2016 increased by approximately RMB74.3 million as compared with the corresponding period of last year to approximately RMB331.2 million. It accounted for approximately 2.3% of the Group's revenue during the year under review, as compared with approximately 2.4% for last year. The increase in expenses was mainly attributable to the increase in the headcount of administrative staff, the increase in remuneration, the grant of restricted shares and the corresponding increase in relevant fringe benefits.

Income Tax Expense

The income tax expense for the year ended 31 December 2016 increased by approximately RMB76.1 million as compared with the corresponding period of last year to approximately RMB174.8 million. The increase in income tax expense was mainly attributable to the growth in earnings. The Group's actual effective tax rate was approximately 12.1% during the year under review, as compared with approximately 11.5% for last year.

In order to keep the effective tax rate steady 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.

	2015	**2016**	**2017**	**2018** (expect)
+* Zhejiang Sunny Optics Co., Ltd. ("**Sunny Optics**")	15.0%	**15.0%**	15.0%	15.0%
+* Ningbo Sunny Instruments Co., Ltd. ("**Sunny Instruments**")	15.0%	**15.0%**	15.0%	15.0%
+* Sunny Optics (Zhongshan) Co., Ltd. ("**Sunny Zhongshan**")	15.0%	**15.0%**	15.0%	15.0%
+* Ningbo Sunny Opotech Co., Ltd. ("**Sunny Opotech**")	15.0%	**15.0%**	15.0%	15.0%
+* Ningbo Sunny Infrared Technologies Co., Ltd. ("**Sunny Infrared**")	15.0%	**15.0%**	15.0%	15.0%
+* Shanghai Sunny Hengping Scientific Instrument Co., Ltd. ("**Shanghai Sunny Hengping**")	15.0%	**15.0%**	15.0%	15.0%
+* Ningbo Sunny Automotive Optech Co., Ltd. ("**Sunny Automotive**")	15.0%	**15.0%**	15.0%	15.0%
Hangzhou Sunny Security Technology Co., Ltd. ("**Sunny Hangzhou Security**")	25.0%	**25.0%**	25.0%	25.0%
Xinyang Sunny Optics Co., Ltd. ("**Sunny Xinyang Optics**")	25.0%	**25.0%**	25.0%	25.0%
Shanghai Sunny Yangming Precision Optics Co., Ltd. ("**Sunny Shanghai Optics**")	25.0%	**25.0%**	25.0%	25.0%
Ningbo Sunny Intelligent Technology Co., Ltd. ("**Sunny Intelligent Technology**")	25.0%	**25.0%**	25.0%	25.0%
Sunny Group Limited ("**Sunny Group**")	25.0%	**25.0%**	25.0%	25.0%
Zhejiang Sunny Optical Intelligence Technology Co., Ltd. ("**Sunny Optical Intelligence**")	25.0%	**25.0%**	25.0%	25.0%
Qingdao Sunny Hengping Instrument Company Limited ("**Qingdao Hengping Instrument**")	25.0%	**25.0%**	25.0%	25.0%
! Sunny Optical (Zhejiang) Research Institute Co., Ltd. ("**Sunny Research Institute**")	N/A	**25.0%**	25.0%	25.0%
! Yuyao Sunny Optical Intelligence Technology Co., Ltd. ("**Sunny Optical Intelligence Yuyao**")	N/A	**25.0%**	25.0%	25.0%
! Ningbo Mei Shan Bao Shui Gang Qu Sunyi Investment Co., Ltd. ("**Ningbo Sunyi**")	N/A	**25.0%**	25.0%	25.0%
! Ningbo Mei Shan Bao Shui Gang Qu Sunxin Investment Partnership (Limited Partnership)("**Ningbo Sunxin**")	N/A	**25.0%**	25.0%	25.0%

* Companies recognised as Hi-Tech Enterprises prior to the balance sheet date.

! Companies were established during the year under review.

\+ The Hi-Tech Enterprises Certification of the Companies will expire on 31 December 2017, 31 December 2018 or 31 December 2019.

Profit for the Year and Margin

The profit for the year ended 31 December 2016 increased by approximately RMB508.1 million as compared with the corresponding period of last year to approximately RMB1,271.6 million. The increase in net profit was mainly attributable to the increase in gross profit and the effective control in operating expenses. The net profit margin was approximately 8.7% as compared with approximately 7.1% for last year.

Profit for the Year Attributable to Owners of the Company

The profit for the year attributable to owners of the Company for the year ended 31 December 2016 increased by approximately RMB509.1 million as compared with the corresponding period of last year to approximately RMB1,270.8 million.

Final Dividends

For the year ended 31 December 2016, the dividends proposed by the Board was approximately RMB0.290 (equivalent to HK$0.323) per share, with payout ratio of approximately 25.0% of the profit attributable to owners of the Company for the year.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarises the Group's cash flows for the years ended 31 December 2016 and 31 December 2015:

	For the year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Net cash from operating activities	**1,615.5**	1,701.5
Net cash used in investing activities	**(1,259.9)**	(1,932.0)
Net cash used in financing activities	**(81.2)**	(87.9)

The Group derives its working capital mainly from cash on hand and net cash generated from operating activities. The Board expects that the Group will rely on net cash from operating activities and bank borrowings in the short run to meet the demand of 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 bank borrowings or equity financing. There were no material changes in the funding and financial policy of the Group.

The Group's balance of cash and cash equivalents was approximately RMB466.9 million as at 31 December 2016, representing an increase of approximately RMB280.1 million as compared with 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 RMB1,615.5 million for the financial year of 2016 and net cash generated from operating activities was approximately RMB1,701.5 million for the financial year of 2015. The decrease in the net cash generated from operating activities was mainly attributable to the increase in profit before tax and the increase in trade and other payables which were off-set by the increase in inventories and the increase in trade and other receivables.

The trade receivable turnover days (balance of trade receivables/revenue × 365 days) decreased from approximately 83 days for the financial year of 2015 to approximately 72 days for the financial year of 2016. The decrease in the trade receivable turnover days was mainly attributable to the early settlement by several customers before the end of the year of 2016.

The trade payable turnover days (balance of trade payables including accrued purchases/cost of sales × 365 days) increased from approximately 85 days for the financial year of 2015 to approximately 141 days for the financial year of 2016. The credit term on purchases of goods granted by suppliers is up to 180 days. The increase in the trade payable turnover days was mainly due to the enhancement of supply chain management by the Group.

The inventory turnover days (balance of inventories/cost of sales × 365 days) increased from approximately 37 days for the financial year of 2015 to approximately 87 days for the financial year of 2016. The increase in the inventory turnover days was mainly because the Group has produced more finished goods for the strong sales in January 2017.

Investing Activities

The Group recorded a net cash used in investing activities of approximately RMB1,259.9 million for the financial year of 2016, which was mainly attributable to purchases and release of financial assets designated as at fair value through profit or loss of approximately RMB18,995.7 million and approximately RMB18,676.5 million during the year respectively, and the Group's capital expenditure amounting to approximately RMB972.7 million during the year.

Financing Activities

The Group recorded a net cash used in financing activities of approximately RMB81.2 million for the financial year of 2016. The inflow mainly came from new bank borrowings raised of approximately RMB1,000.4 million. Major outflows were the repayment of bank borrowings of approximately RMB779.3 million, purchases of shares as unvested shares under the restricted share award scheme ("**Restricted Share Award Scheme**") of approximately RMB63.9 million and dividends paid to shareholders of approximately RMB228.2 million declared last year.

Capital Expenditure

For the year ended 31 December 2016, the Group's capital expenditure amounted to approximately RMB972.7 million, which was mainly used for the purchases of plant and equipment, acquisition of land use right and other tangible assets. All of the capital expenditure were financed by internal resources and bank borrowings.

CAPITAL STRUCTURE

Indebtedness

Bank borrowings

Bank borrowings of the Group as of 31 December 2016 amounted to approximately RMB904.3 million (2015: approximately RMB683.2 million). Pledged buildings and land of approximately RMB186.1 million (2015: approximately RMB195.0 million), while no pledged trade receivables was arranged by the Group in the year under review (2015: approximately RMB22.4 million).

As at 31 December 2016, all bank borrowings were denominated mainly in U.S. Dollars and RMB. 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 7.8%, reflecting that the Group's financial position was at a sound level.

Bank facilities

As at 31 December 2016, the Group had bank facilities of RMB692.0 million with Yuyao Branch of Agricultural Bank of China, RMB200.0 million with Yuyao Branch of Ningbo Bank, USD36.0 million with BNP Paribas Hong Kong Branch, USD60.0 million with BNP Paribas (China) Limited, USD10.0 million with Oversea-Chinese Banking Corporation Limited, Hong Kong Branch, USD48.5 million with The Hongkong and Shanghai Banking Corporation Limited, RMB200.0 million with Yuyao Branch of Bank of Communication Co., Ltd., RMB188.0 million with Yuyao Branch of Bank of China Limited and RMB80.0 million with Ningbo Branch of Huaxia Bank Co., Ltd..

Debt securities

As at 31 December 2016, the Group did not have any debt securities.

Contingent liabilities

As at 31 December 2016, 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 at 31 December 2016, except for the pledged bank deposits of approximately RMB101.0 million and pledged buildings and land of approximately RMB186.1 million.

Commitments

As of 31 December 2016, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises amounted to approximately RMB149.2 million (2015: approximately RMB99.6 million).

As of 31 December 2016, the capital expenditure of the Group in respect of acquisition of plant and equipment contracted for but not provided in the consolidated financial statements amounted to approximately RMB220.1 million (2015: approximately RMB126.3 million).

As of 31 December 2016, 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 acquisition and repurchase of financial assets designated as at fair value through profit or loss, placement and withdrawal of pledged bank deposits, placement and withdrawal of short term fixed deposits and purchases of property, plant and equipment. For the year ended 31 December 2016, the Group's investments amounted to approximately RMB972.7 million, mainly involving in the purchases of machinery and equipment, as well as the initial production settings of new products, acquisition of land use right and the necessary equipment configurations of new projects. These investments enhanced the Group's R&D capability, technology application capability, production capability and efficiency, and thus expanded the revenue sources.

The Group adopts prudent financial policies, and therefore its investment projects are mostly capital-protected with fixed income. The Group strives for stable and healthy financial positions while improving the returns.

Going forward, the Group intends to further invest to enhance its competitiveness.

OFF-BALANCE SHEET TRANSACTIONS AND CONTINGENT LIABILITIES

As of 31 December 2016, the Group did not enter into any material off-balance sheet transactions and contingent liabilities.

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 the expansion of the Group and for other uses. Upward fluctuations in interest rates increase the costs of both existing and new debts. For the year ended 31 December 2016, the effective interest rate on fixed-rate bank borrowings was approximately 2.72% per annum, while the effective interest on variable-rate bank borrowings was approximately from 1.44% to 1.66% per annum.

Foreign Exchange Rate Fluctuation Risk

The Group exports a 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 derivative financial assets, bank balances and cash, pledged bank deposits, short-term fixed deposits, financial assets designated as at fair value through profit or loss, trade and other receivables, amounts due from related parties and available-for-sale investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise 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. Therefore, 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 dispersed 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 through 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 20,191 dedicated full-time employees as at 31 December 2016, including 3,350 management and administrative staff, 16,489 production workers and 352 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 purposes of providing incentives and rewards to eligible participants to recognise their contribution to the Group and enhancing their ownership spirits. For the year ended 31 December 2016, no share option was granted or agreed to be granted by the Company under the share option scheme. In addition, during the year ended 31 December 2016, an aggregate of 2,781,602 shares were granted to eligible participants in accordance with the Restricted Share Award Scheme.

DIVIDENDS

The Directors proposed a payment from the distributable reserves of the Company a final dividend of approximately RMB0.290 (equivalent to HK$0.323) per share in respect of the year ended 31 December 2016 to the shareholders whose names appear on the register of members of the Company at the close of business on 1 June 2017. The final dividends, payable on 22 June 2017, are subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting ("**AGM**") to be held on 26 May 2017.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of shareholders to attend the AGM, which is to be held on 26 May 2017, the register of members of the Company will be closed from 23 May 2017 to 26 May 2017, 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 22 May 2017.

In order to determine the eligibility of shareholders to the dividends, the register of members of the Company will be closed from 2 June 2017 to 8 June 2017, 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 1 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

There was no purchase, sale, redemption or writing-off by the Company or any of its subsidiaries, with the exception of the trustees of the restricted share award scheme of the Company's listed shares during the year ended 31 December 2016.

CORPORATE GOVERNANCE

Corporate Governance Practices

Throughout the year ended 31 December 2016, the Company complied with all of the code provisions and adopted most of the recommended best practices of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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 2016.

REVIEW OF FINANCIAL STATEMENTS

The Company has established the Audit Committee with written terms of reference. The Group's audited final results for the year ended 31 December 2016 were reviewed by all the members of the Audit Committee of the Board, namely, Mr. Zhang Yuqing, Mr. Feng Hua Jun and Mr. Shao Yang Dong (all are independent non-executive Directors).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group is committed to create two-way channels of communication between senior management and investors, maintaining close relationships 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 formalize and facilitate an 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). The 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 (www.hkexnews.hk) and on the website of the Company (www.sunnyoptical.com). The annual report of the Company for the year ended 31 December 2016 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 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 in the Group's continual success in the future. Also, the Group wishes to extend its gratitude to the continuous 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 2017 and realise 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, 13 March 2017

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 Mr. Zhang Yuqing, Mr. Feng Hua Jun and Mr. Shao Yang Dong who are independent non-executive directors.