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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 2021

RESULT HIGHLIGHTS

Despite the rapid-changing market landscape, fierce industrial competition and the repeated pandemic, the Group still recorded a solid performance in 2021.

For the year ended 31 December 2021, the revenue of the Group was approximately RMB37,496.9 million, representing a slight decrease of approximately 1.3% as compared to that of last year.

For the year ended 31 December 2021, the gross profit of the Group was approximately RMB8,736.2 million, representing an increase of approximately 0.4% as compared to that of last year. The gross profit margin was approximately 23.3% (2020: approximately 22.9%).

For the year ended 31 December 2021, the net profit of the Group was approximately RMB5,055.9 million, representing an increase of approximately 2.3% as compared to that of last year. The net profit margin was approximately 13.5% (2020: approximately 13.0%).

For the year ended 31 December 2021, the profit for the year attributable to owners of the Company was approximately RMB4,988.0 million, representing an increase of approximately 2.4% as compared to that of last year.

For the year ended 31 December 2021, the basic earnings per share was approximately RMB456.52 cents, representing an increase of approximately 2.4% as compared to that of last year.

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) has proposed final dividends of approximately RMB0.910 (equivalent to HKD1.118) per share for the year ended 31 December 2021.

FINANCIAL RESULTS

The Board 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 2021, together with the comparative figures for the year of 2020 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021

	NOTES	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3, 4	37,496,852	38,001,765
Cost of sales		<u>(28,760,659)</u>	<u>(29,303,890)</u>
Gross profit		8,736,193	8,697,875
Other income	5(A)	689,949	510,390
Other gains and losses	5(B)	99,065	187,257
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(5,182)	12,218
Selling and distribution expenses		(274,105)	(313,478)
Research and development expenditure		(2,642,196)	(2,499,090)
Administrative expenses		(757,592)	(718,568)
Share of results of associates		19,007	20
Finance costs	6	<u>(230,252)</u>	<u>(233,740)</u>
Profit before tax		5,634,887	5,642,884
Income tax expense	7	<u>(578,972)</u>	<u>(702,630)</u>
Profit for the year	8	<u>5,055,915</u>	<u>4,940,254</u>
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of income tax		<u>2,808</u>	<u>18,977</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation from foreign operations		<u>(4,271)</u>	<u>(41,606)</u>
Other comprehensive expense for the year		<u>(1,463)</u>	<u>(22,629)</u>
Total comprehensive income for the year		<u>5,054,452</u>	<u>4,917,625</u>
Profit for the year attributable to:			
Owners of the Company		4,988,007	4,871,793
Non-controlling interests		<u>67,908</u>	<u>68,461</u>
		<u>5,055,915</u>	<u>4,940,254</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		4,987,488	4,849,009
Non-controlling interests		<u>66,964</u>	<u>68,616</u>
		<u>5,054,452</u>	<u>4,917,625</u>
Earnings per share – Basic (RMB cents)	10	<u>456.52</u>	<u>445.78</u>
– Diluted (RMB cents)	10	<u>455.93</u>	<u>445.14</u>

Consolidated Statement of Financial Position
At 31 December 2021

	NOTES	<u>31/12/2021</u>	<u>31/12/2020</u>
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	11	8,303,229	7,513,193
Right-of-use assets		504,684	480,005
Investment properties		40,380	40,907
Intangible assets		306,926	363,137
Interests in associates		201,641	1,953
Deferred tax assets	12	255,651	207,332
Deposits paid for acquisition of property, plant and equipment		471,595	359,086
Equity instruments at FVTOCI	13	178,762	134,609
Financial assets at fair value through profit or loss ("FVTPL")	15	19,518	206,236
Time deposits	17	500,000	500,000
Goodwill		2,119	2,119
		<u>10,784,505</u>	<u>9,808,577</u>
CURRENT ASSETS			
Inventories	18	5,481,858	5,783,071
Trade and other receivables and prepayment	19	7,448,385	8,212,025
Derivative financial assets	16	27,237	21,307
Financial assets at FVTPL	15	8,314,143	8,480,186
Debt instruments at amortised cost	14	–	52,823
Amount due from a related party		327	–
Pledged bank deposits	17	18,292	3,438
Short term fixed deposits	17	1,093,914	234,917
Bank balances and cash	17	5,605,179	2,841,771
		<u>27,989,335</u>	<u>25,629,538</u>
CURRENT LIABILITIES			
Trade and other payables	20	9,868,687	10,733,364
Amounts due to related parties		6,934	6,996
Derivative financial liabilities	16	40,446	101,888
Contract liabilities		178,101	131,191
Tax payable		188,022	314,804
Bank borrowings – current portion	21	1,538,897	2,070,611
Lease liabilities – current portion		46,271	43,580
Deferred income – current portion		6,099	8,695
		<u>11,873,457</u>	<u>13,411,129</u>
NET CURRENT ASSETS		<u>16,115,878</u>	<u>12,218,409</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>26,900,383</u>	<u>22,026,986</u>

	<u>NOTES</u>	<u>31/12/2021</u> <i>RMB'000</i>	<u>31/12/2020</u> <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	1,015,890	888,809
Derivative financial liabilities	16	5,057	4,782
Long term payables	20	172,044	245,636
Bank borrowings – non-current portion	21	700,000	–
Lease liabilities – non-current portion		107,999	96,899
Deferred income – non-current portion		188,504	68,855
Bonds payable	22	3,815,623	3,895,888
		<u>6,005,117</u>	<u>5,200,869</u>
NET ASSETS		<u>20,895,266</u>	<u>16,826,117</u>
CAPITAL AND RESERVES			
Share capital	23	105,163	105,163
Reserves		<u>20,482,909</u>	<u>16,492,061</u>
Equity attributable to owners of the Company		20,588,072	16,597,224
Non-controlling interests		<u>307,194</u>	<u>228,893</u>
TOTAL EQUITY		<u>20,895,266</u>	<u>16,826,117</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Sunny Optical Technology (Group) Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 21 September 2006 as an exempted company under the Companies Act Chapter 22 (Law 3 of 1961 as consolidated and revised, formerly known as Companies Law) of the Cayman Islands and its shares have been listed on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) 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**”) are 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance 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 17	<i>Insurance Contracts and the related Amendments³</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)³</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies³</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction³</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018-2020²</i>

(ii) Performance obligations for contracts with customers

The Group sells optical and optical-related products directly to customers. For sales of optical components, optoelectronic products and optical instruments, revenue is recognised when control of the goods has transferred, being when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products. The credit term granted to customers is average 90 days. The transaction price received by the Group is recognised as a contract liability for sales in which revenue has yet been recognised.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group's contracts have an original expected duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations is not disclosed.

4. OPERATING SEGMENTS

Information reported to the Board, 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 Board 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 2021

	<u>Optical Components</u>	<u>Optoelectronic Products</u>	<u>Optical Instruments</u>	<u>Segment Total</u>	<u>Eliminations</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
REVENUE						
External sales	8,776,030	28,333,519	387,303	37,496,852	-	37,496,852
Inter-segment sales	2,927,700	12,519	90,889	3,031,108	(3,031,108)	-
Total	<u>11,703,730</u>	<u>28,346,038</u>	<u>478,192</u>	<u>40,527,960</u>	<u>(3,031,108)</u>	<u>37,496,852</u>
Segment profit	<u>2,674,903</u>	<u>3,027,049</u>	<u>99,604</u>	<u>5,801,556</u>	<u>-</u>	<u>5,801,556</u>
Share of results of associates						19,007
Unallocated income						74,959
Unallocated expenses						(260,635)
Profit before tax						<u>5,634,887</u>

For the year ended 31 December 2020

	Optical Components	Optoelectronic Products	Optical Instruments	Segment Total	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE						
External sales	9,181,097	28,494,260	326,408	38,001,765	–	38,001,765
Inter-segment sales	2,324,546	23,202	115,272	2,463,020	(2,463,020)	–
Total	<u>11,505,643</u>	<u>28,517,462</u>	<u>441,680</u>	<u>40,464,785</u>	<u>(2,463,020)</u>	<u>38,001,765</u>
Segment profit	<u>3,086,783</u>	<u>2,598,882</u>	<u>65,856</u>	<u>5,751,521</u>	<u>–</u>	5,751,521
Share of results of associates						20
Unallocated income						29,772
Unallocated expenses						<u>(138,429)</u>
Profit before tax						<u>5,642,884</u>

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of income and expense of unallocated subsidiaries and central administration costs including Directors' emoluments, share of results of associates and finance costs. There were asymmetrical allocations to operating segments because the Group allocates interest income, government grants, depreciation and amortisation and gain or loss on disposal of property, plant and equipment to each segment without allocating the related bank balances, deferred income, property, plant and equipment and intangible assets to those segments. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2021

	Optical Components	Optoelectronic Products	Optical Instruments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Trade receivables	1,878,514	3,690,969	65,169	5,634,652
Bill receivables	616,115	387,528	5,993	1,009,636
Inventories	1,854,941	3,532,694	94,223	5,481,858
Total segment assets	<u>4,349,570</u>	<u>7,611,191</u>	<u>165,385</u>	12,126,146
Unallocated assets				<u>26,647,694</u>
Consolidated assets				<u>38,773,840</u>
Liabilities				
Trade payables	2,085,218	3,741,727	104,278	5,931,223
Note payables	530,292	1,267,054	23,938	1,821,284
Total segment liabilities	<u>2,615,510</u>	<u>5,008,781</u>	<u>128,216</u>	7,752,507
Unallocated liabilities				<u>10,126,067</u>
Consolidated liabilities				<u>17,878,574</u>

As at 31 December 2020

	Optical Components	Optoelectronic Products	Optical Instruments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Trade receivables	2,367,013	4,368,886	56,344	6,792,243
Bill receivables	658,226	88,041	10,263	756,530
Inventories	1,559,605	4,155,765	67,701	5,783,071
Total segment assets	<u>4,584,844</u>	<u>8,612,692</u>	<u>134,308</u>	13,331,844
Unallocated assets				<u>22,106,271</u>
Consolidated assets				<u>35,438,115</u>
Liabilities				
Trade payables	2,318,329	4,752,353	88,693	7,159,375
Note payables	135,048	1,177,220	23,708	1,335,976
Total segment liabilities	<u>2,453,377</u>	<u>5,929,573</u>	<u>112,401</u>	8,495,351
Unallocated liabilities				<u>10,116,647</u>
Consolidated liabilities				<u>18,611,998</u>

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

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

Other segment information

For the year ended 31 December 2021

	Optical Components	Optoelectronic Products	Optical Instruments	Unallocated	Consolidated total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation	957,606	781,873	18,283	1,994	1,759,756
Impairment losses on trade receivables recognised (reversed) in profit or loss	1,778	(2,881)	6,285	-	5,182
(Gain) loss on disposal of property, plant and equipment	(6,822)	8,178	(6)	-	1,350
Share award scheme expense	94,336	73,018	15,450	5,474	188,278
Interest income from bank and financial instruments	(24,096)	(365,327)	(7,596)	(7,131)	(404,150)
Allowance (reversed) for inventories	(27,710)	163,887	(3,803)	-	132,374
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:					
Addition to property, plant and equipment	<u>1,596,179</u>	<u>896,012</u>	<u>6,099</u>	<u>162</u>	<u>2,498,452</u>

For the year ended 31 December 2020

	Optical Components	Optoelectronic Products	Optical Instruments	Unallocated	Consolidated total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation	792,709	812,377	20,682	2,517	1,628,285
Impairment losses on trade receivables reversed in profit or loss	(6,320)	(4,658)	(1,240)	-	(12,218)
Loss (gain) on disposal of property, plant and equipment	2,408	8,755	(7)	-	11,156
Share award scheme expense	77,369	54,874	14,747	4,821	151,811
Interest income from bank and financial instruments	(19,672)	(233,447)	(5,876)	(12,612)	(271,607)
Allowance for inventories	22,657	218,367	4,650	-	245,674
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment assets:					
Addition to property, plant and equipment	<u>1,597,434</u>	<u>930,988</u>	<u>9,229</u>	<u>64</u>	<u>2,537,715</u>

Revenue from major products

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

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Handset related products	29,597,845	32,119,027
Vehicle related products	2,960,628	2,511,766
Augmented reality (“AR”)/virtual reality (“VR”) related products	1,344,637	596,237
Digital camera related products	1,004,258	592,186
Other lens sets	490,446	473,348
Optical instruments	273,734	204,974
Other spherical lens and plane products	142,255	164,946
Digital video lens	15,593	29,423
Other products	1,667,456	1,309,858
	<u>37,496,852</u>	<u>38,001,765</u>

Geographical information

The Group's operations are mainly located in China, Vietnam, Korea, Japan, India 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		Non-current assets	
	external customers		Non-current assets	
	<u>2021</u>	<u>2020</u>	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
China	28,880,390	31,578,180	8,969,717	8,516,376
Asia (except China)	6,612,497	4,695,491	656,476	238,324
Europe	1,078,967	966,094	128	179
North America	839,687	713,142	493	1,449
Others	85,311	48,858	-	-
	<u>37,496,852</u>	<u>38,001,765</u>	<u>9,626,814</u>	<u>8,756,328</u>

Note: Non-current assets excluded interests in associates, deferred tax assets, financial assets at FVTPL, equity instruments at FVTOCI, time deposits and goodwill.

Information about major customers

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

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A, revenue mainly from Optoelectronic and related Products	7,664,838	8,881,539
Customer B, revenue mainly from Optoelectronic and related Products	5,811,013	N/A*
Customer C, revenue mainly from Optoelectronic and related Products	4,946,670	N/A*
Customer D, revenue mainly from Optoelectronic and related Products	N/A*	10,064,270

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5(A). OTHER INCOME

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	212,314	141,810
Interest income from time deposits, short term fixed deposits, pledged bank deposits and bank balances	97,112	47,230
Interest income from debt instruments	4,400	9,335
Investment income from unlisted financial products at FVTPL	302,638	215,042
Interest income from small loan services	7,833	7,049
Income from sales of moulds	16,467	24,148
Income from sales of scrap materials	30,753	24,344
Others	18,432	41,432
Total	<u>689,949</u>	<u>510,390</u>

5(B). OTHER GAINS AND LOSSES

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property, plant and equipment	(1,350)	(11,156)
Loss on disposal of a subsidiary	–	(1,673)
Net foreign exchange gain	33,950	225,506
Gain (loss) on changes in fair value of derivative financial instruments, net	67,097	(111,002)
(Loss) gain on changes in fair value of equity investments at FVTPL	(8,151)	32,773
Gain on changes in fair value of debt instruments and fund investments at FVTPL	6,382	53,470
Others	1,137	(661)
Total	<u>99,065</u>	<u>187,257</u>

6. FINANCE COSTS

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Interests on bank borrowings	62,490	54,737
Interests on bonds payable	153,970	164,282
Interest on long term payables related to intangible assets	6,203	7,158
Interest on lease liabilities	7,589	7,563
Total	<u>230,252</u>	<u>233,740</u>

7. INCOME TAX EXPENSE

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax	447,809	540,600
Withholding tax expense	46,792	24,000
Other jurisdictions	9,717	18,075
	<u>504,318</u>	<u>582,675</u>
Over provision in prior years:		
PRC Enterprises Income Tax	<u>(3,612)</u>	<u>(4,515)</u>
Deferred tax (Note 12):		
Current year	<u>78,266</u>	<u>124,470</u>
	<u><u>578,972</u></u>	<u><u>702,630</u></u>

Under the Law of the PRC 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 Infrared Technologies Co., Ltd. (“**Sunny Infrared Optics**”) and Yuyao Sunny Optical Intelligence Technology Co., Ltd. (“**Sunny Optical Intelligence (Yuyao)**”), 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 2021.
- (ii) Ningbo Sunny Opotech Co., Ltd. (“**Sunny Opotech**”), Ningbo Sunny Automotive Optech Co., Ltd. (“**Sunny Automotive Optech**”), Sunny Optics (Zhongshan) Co., Ltd. (“**Sunny Zhongshan Optics**”), Ningbo Sunny Instruments Co., Ltd. (“**Sunny Instruments**”), Sunny Optical (Zhejiang) Research Institute Co., Ltd. (“**Sunny Research Institute**”) and Zhejiang Sunny SmartLead Technologies Co., Ltd. (“**Sunny SmartLead**”), 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 2022.
- (iii) Zhejiang Sunny Optics Co., Ltd. (“**Sunny Zhejiang Optics**”), Xinyang Sunny Optics Co., Ltd. (“**Sunny Xinyang Optics**”) and Ningbo Sunny Intelligent Technology Co., Ltd. (“**Sunny Intelligent Technology**”), 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 2023.
- (iv) Zhejiang Sunny Optical Intelligence Technology Co., Ltd. (“**Sunny Optical Intelligence**”), a domestic limited liability company, was recognised as Software Enterprise and entitled preferential policies of full exemption from enterprise income taxation for the first two years till 31 December 2018 and reduction half for the subsequent three years till 31 December 2021.

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

The income 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:

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	5,634,887	5,642,884
Tax at the PRC EIT tax rate of 25%	1,408,722	1,410,721
Tax effect of share of results of associates	(4,752)	(5)
Tax effect of expenses not deductible for tax purpose	8,949	5,793
Tax effect of allowance granted under share award scheme in the PRC	(21,859)	(14,437)
Tax effect of preferential tax rates for certain subsidiaries (Note a)	(337,501)	(372,942)
Tax effect of additional tax deduction of research and development expenses (Note b)	(573,148)	(385,378)
Tax effect of tax losses not recognised	64,542	28,315
Tax effect of deductible temporary differences not recognised	(3,745)	–
Utilisation of tax losses not previously recognised	(13,431)	(8,991)
Deferred tax provided for withholding tax on income derived in the PRC	65,436	49,205
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(10,629)	(5,136)
Over provision in prior years	(3,612)	(4,515)
Income tax expense for the year	578,972	702,630

Details of deferred taxation and unrecognised temporary difference are disclosed in Note 12.

Notes:

- (a) For the PRC subsidiaries which were approved as Hi-Tech Enterprises or Software Enterprise, they are entitled to a preferential tax rate of 15% or preferential policies of full exemption from or half reduction of enterprise income tax.
- (b) In August 2018, Caishui 2018 No. 99 “Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses” was released, according to which certain PRC subsidiaries are entitled to an additional 75% tax deduction on eligible research and development expenses incurred by them for the both years ended 31 December 2021 and 2020.

In March 2021, the Ministry of Finance and the State Administration of Taxation released No. 13 announcement of 2021 named “Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses”, according to which certain PRC subsidiaries engaged in manufacturing industry are entitled to an additional 100% tax deduction on eligible research and development expenses incurred by them for the year ended 31 December 2021.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Directors' emoluments	16,159	16,169
Other staff's salaries and allowances	2,518,548	1,963,313
Other staff's discretionary bonuses	217,220	474,763
Other staff's contribution to retirement benefit scheme	319,894	219,448
Other staff's share award scheme expense	178,746	142,279
	<u>3,250,567</u>	<u>2,815,972</u>
Cost of inventories recognised as an expense	23,807,323	24,741,675
Auditor's remuneration	4,666	4,209
Depreciation of property, plant and equipment	1,638,067	1,513,407
Depreciation of investment properties	4,633	4,391
Depreciation of right-of-use assets	60,845	54,285
Amortisation of intangible assets	56,211	56,202
Allowance for inventories (included in cost of sales)	132,374	245,674

9. DIVIDENDS

	<u>2021</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2020 final dividends – RMB88.80 cents (2020: 2019 final dividends – RMB72.80 cents) per share	<u>974,003</u>	<u>798,507</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of approximately RMB91.00 cents per share, equivalent to Hong Kong Dollar (“HKD”) 111.80 cents per share, amounting to a total of approximately RMB998,133,000 (2020: approximately RMB88.80 cents per share, equivalent to HKD105.70 cents per share, amounting to a total of approximately RMB974,003,000) has been proposed by the Directors of the Company 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.

10. EARNINGS PER SHARE

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

	<u>2021</u>	<u>2020</u>
	<i>RMB '000</i>	<i>RMB '000</i>
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>4,988,007</u>	<u>4,871,793</u>
	<u>2021</u>	<u>2020</u>
	<i>'000</i>	<i>'000</i>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	1,092,612	1,092,870
Effect of dilutive potential ordinary shares:		
Restricted shares	<u>1,416</u>	<u>1,578</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,094,028</u>	<u>1,094,448</u>

Note: The weighted average number of ordinary shares has been calculated taking into account the shares held by the Group under share award scheme.

11. PROPERTY, PLANT AND EQUIPMENT

	Owned properties	Machinery and production equipment	Motor vehicles	Fixtures and office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At 1 January 2020	913,898	7,434,775	19,251	1,021,050	714,219	10,103,193
Additions	52,042	1,562,262	394	199,759	723,258	2,537,715
Transfer	345,576	204,541	–	34,353	(584,470)	–
Disposals	(11,056)	(249,505)	–	(10,309)	–	(270,870)
Derecognised on disposal of a subsidiary	–	(849)	–	(303)	–	(1,152)
Exchange realignment	–	(2,786)	(110)	(1,892)	–	(4,788)
At 31 December 2020 and 1 January 2021	1,300,460	8,948,438	19,535	1,242,658	853,007	12,364,098
Additions	28,860	991,314	801	503,859	973,618	2,498,452
Transfer	405,942	391,986	–	101,482	(899,410)	–
Transferred to investment properties	(8,418)	–	–	–	–	(8,418)
Disposals	(1,635)	(284,543)	(1,816)	(23,353)	–	(311,347)
Exchange realignment	(1,166)	(8,250)	(20)	(2,607)	–	(12,043)
At 31 December 2021	1,724,043	10,038,945	18,500	1,822,039	927,215	14,530,742
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	156,696	3,012,338	14,345	353,069	–	3,536,448
Charge for the year	45,504	1,287,297	1,810	178,796	–	1,513,407
Eliminated on disposals	(9,504)	(179,036)	–	(9,066)	–	(197,606)
Derecognised on disposal of a subsidiary	–	(835)	–	(286)	–	(1,121)
Exchange realignment	–	(63)	(105)	(55)	–	(223)
At 31 December 2020 and 1 January 2021	192,696	4,119,701	16,050	522,458	–	4,850,905
Charge for the year	67,508	1,289,851	1,474	279,234	–	1,638,067
Transferred to investment properties	(4,312)	–	–	–	–	(4,312)
Eliminated on disposals	(1,573)	(227,849)	(1,641)	(20,366)	–	(251,429)
Exchange realignment	(15)	(3,780)	(18)	(1,905)	–	(5,718)
At 31 December 2021	254,304	5,177,923	15,865	779,421	–	6,227,513
CARRYING VALUES						
At 31 December 2021	<u>1,469,739</u>	<u>4,861,022</u>	<u>2,635</u>	<u>1,042,618</u>	<u>927,215</u>	<u>8,303,229</u>
At 31 December 2020	<u>1,107,764</u>	<u>4,828,737</u>	<u>3,485</u>	<u>720,200</u>	<u>853,007</u>	<u>7,513,193</u>

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

Owned properties	20 years
Machinery and production equipment	3 to 10 years
Motor vehicles	4 to 5 years
Fixtures and office equipment	3 to 10 years

As at 31 December 2021, the Group has obtained the ownership certificates for all buildings and no buildings of the Group were pledged to secure bank borrowings granted.

The Directors of the Company considered no impairment loss on property, plant and equipment for the both years ended 31 December 2021 and 2020.

12. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Deferred tax assets	(255,651)	(207,332)
Deferred tax liabilities	1,015,890	888,809
	<u>760,239</u>	<u>681,477</u>

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profit from the PRC	Allowance for inventories and ECL provision	Deferred subsidy income	Accelerated depreciation	Accrued bonus	Others	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January 2020	120,532	(57,385)	(9,865)	541,622	(56,112)	14,866	553,658
Charge (Credit) to profit or loss (Note 7)	25,205	(33,971)	1,544	170,504	(41,407)	2,595	124,470
Charge to other comprehensive income	-	-	-	-	-	3,349	3,349
	<u>145,737</u>	<u>(91,356)</u>	<u>(8,321)</u>	<u>712,126</u>	<u>(97,519)</u>	<u>20,810</u>	<u>681,477</u>
At 31 December 2020	145,737	(91,356)	(8,321)	712,126	(97,519)	20,810	681,477
Charge (Credit) to profit or loss (Note 7)	11,634	(20,576)	(18,358)	97,876	1,778	5,912	78,266
Charge to other comprehensive income	-	-	-	-	-	496	496
	<u>157,371</u>	<u>(111,932)</u>	<u>(26,679)</u>	<u>810,002</u>	<u>(95,741)</u>	<u>27,218</u>	<u>760,239</u>
At 31 December 2021	157,371	(111,932)	(26,679)	810,002	(95,741)	27,218	760,239

As at 31 December 2021, the deferred tax liability amounting to RMB157,371,000 (31 December 2020: RMB145,737,000) was provided in respect of the temporary differences attributed to the PRC undistributed profits to the extent exceeding the investment plan which the Directors of the Company decided to distribute. The Group has determined that the remaining portion of the profits derived from those PRC operating subsidiaries will be retained by those subsidiaries and not distributed in the foreseeable future, since the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse nor be subject to withholding tax in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses of approximately RMB682,828,000 (2020: RMB494,138,000) available for, offset against future profits. The tax losses arising from the PRC non high-tech subsidiaries of RMB144,435,000 (2020: RMB70,813,000) can be carried forward for maximum of five years and will expire during 2022 to 2026 (2020: 2021 to 2025) while the tax losses arising from the PRC high-tech subsidiaries of RMB473,504,000 (2020: RMB381,594,000) can be carried forward for maximum of ten years and will expire during 2022 to 2031 (2020: 2021 to 2030) according to Caishui 2018 No. 76. which has extended the expiration period from five years to ten years. Other tax losses may be carried forward indefinitely.

13. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Unlisted equity investments	<u>178,762</u>	<u>134,609</u>

The unlisted equity investments represent the Group's equity interests in private entities. The Directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance in the long run.

During the current year, the Group made a new equity investment measured as equity instruments at FVTOCI amounting to RMB40,849,000 (2020: RMB10,000) and the fair value gain in the amount of RMB2,808,000 (2020: RMB18,977,000), net off with the recognition of related deferred tax liabilities of RMB496,000 (2020: RMB3,349,000) was recognised in FVTOCI reserve.

14. DEBT INSTRUMENTS AT AMORTISED COST

During the current year, all debt instruments reached maturity and were redeemed accordingly.

As at 31 December 2021, the total carrying amount of the debt instruments is nil (31 December 2020: RMB52,823,000).

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2021	31/12/2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets		
Fund investments (Note a)	283,132	282,711
Unlisted financial products (Note b)	7,992,170	8,197,475
Debt instruments (Note c)	38,841	–
	8,314,143	8,480,186
Non-current assets		
Debt instruments (Note c)	–	72,884
Equity investments (Note d)	19,518	133,352
	19,518	206,236

Notes:

(a) Fund investments

The Group entered into several contracts to purchase fund units (the “Fund”) with a financial institution, which were accounted for as financial assets as FVTPL on initial recognition. As at 31 December 2021, the fair value of the Fund is United State Dollar (“USD”) 44,408,000 (31 December 2020: USD43,328,000) per the investment statement of the financial institution, equivalent to RMB283,132,000 (31 December 2020: RMB282,711,000). The fair value gain in the amount of USD1,080,000, equivalent to RMB6,886,000 (2020: RMB22,199,000) was recognised in profit or loss in the current year.

(b) Unlisted financial products

During the current year, the Group entered into several contracts of unlisted financial products with banks. The unlisted financial products are managed by related banks in the PRC to invest principally in certain financial assets including bonds, trusts and cash funds, etc. The unlisted financial products have been accounted for financial assets at FVTPL on initial recognition of which the return of the unlisted financial products was determined by reference to the performance of the underlying government debt instruments and treasury notes and as at 31 December 2021 the expected return rate stated in the contracts ranges from 1.78% to 4.60% (31 December 2020: 2.15% to 3.95%) per annum.

In the opinion of the Directors of the Company, the fair value change of the unlisted financial products is insignificant in the current year.

(c) Debt instruments

During the current year, the Group disposed a debt instrument at the proceed of RMB32,427,000 (2020: RMB81,668,000). The remaining debt instruments will be redeemed in the coming year.

The loss on the fair value change of the remaining debt instruments amounting to RMB193,000 (2020: gain of RMB47,000) was recognised in the profit or loss in the current year.

(d) Equity investments

The Group’s equity investments in several partnership enterprises amounting of RMB19,518,000 (31 December 2020: RMB133,352,000) were classified as financial assets at FVTPL. Since 1 September 2021, the investment in 餘姚市陽明智行投資中心(有限合夥) (“V Fund”) with the carrying amount of RMB74,641,000 was reclassified as interests in an associate. During the current year, a fair value loss of RMB8,151,000 (2020: gain of RMB32,773,000) was recognised in the profit or loss.

16. 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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency forward contracts	27,120	17,657	41,321	9,865
Foreign currency options contracts	–	3,650	4,087	96,805
Foreign exchange swap contracts	117	–	95	–
Total	27,237	21,307	45,503	106,670
Less: current portion				
Foreign currency forward contracts	27,120	17,657	36,264	5,083
Foreign currency options contracts	–	3,650	4,087	96,805
Foreign exchange swap contracts	117	–	95	–
	27,237	21,307	40,446	101,888
Non-current portion	–	–	5,057	4,782

As at 31 December 2021, the Group had entered into the following foreign currency forward contracts, foreign currency options contracts and foreign exchange swap contracts:

Foreign currency forward contracts

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

	<u>Receiving currency</u>	<u>Selling currency</u>	<u>Maturity date</u>	<u>Weighted average forward exchange rate</u>
Contract Series W	USD33,750,000	RMB233,051,625	Semi-annually till 18 January 2023	USD:RMB from 6.82 to 6.99
Contract 5	USD90,000,000	RMB594,738,000	15 June 2022	USD:RMB: 6.61
Contract 6	USD60,000,000	RMB396,540,000	15 June 2022	USD:RMB: 6.61
Contract 7	USD26,400,000	RMB173,313,360	22 February 2022	USD:RMB: 6.56
Contract 8	USD50,000,000	RMB322,940,000	29 June 2022	USD:RMB: 6.46
Contract 9	USD9,000,000	RMB58,478,400	11 January 2022	USD:RMB: 6.50
Contract 10	USD7,600,000	RMB49,231,280	13 January 2022	USD:RMB: 6.48
Contract 11	USD29,000,000	RMB186,719,400	25 January 2022	USD:RMB: 6.44
Contract Series 12	USD115,000,000	RMB745,561,400	Monthly till 27 June 2022	USD:RMB from 6.46 to 6.55
Contract Series 13	USD50,000,000	RMB327,996,000	Monthly till 25 March 2022	USD:RMB from 6.55 to 6.57
Contract 14	USD20,800,000	RMB134,266,080	9 February 2022	USD:RMB: 6.46

Foreign currency options contracts

The Group entered into several USD/RMB foreign currency options contracts with banks in the PRC in order to manage the Group's foreign 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 which represents the spot rate as specified within the respective contracts 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.

Extracts of details of foreign currency options contracts from the respective contracts outstanding as at 31 December 2021 are as follows:

	Notional amount	Strike/barrier rates	Ending settlement date
	<i>USD'000</i>		
Contract G	24,000	USD:RMB at 1:6.4630	24 January 2022
Contract H	40,000	USD:RMB at 1:6.3893	25 January 2022
Contract I	30,000	USD:RMB at 1:6.5041	26 January 2022
Contract J	30,000	USD:RMB at 1:6.4964	26 January 2022
Contract K	44,710	USD:RMB at 1:6.3925	23 February 2022
Contract L	35,000	USD:RMB at 1:6.4785	23 February 2022
Contract M	30,000	USD:RMB at 1:6.4025	24 March 2022
Contract N	59,000	USD:RMB at 1:6.4424	28 March 2022

Foreign exchange swap contracts

The Group entered into several Euro ("**EUR**")/USD and HKD/USD foreign exchange swap contracts with banks in the PRC in order to manage the Group's foreign currency risk.

	Receiving currency	Selling currency	Maturity date	Strike Rate
Contract A	USD30,038,473	EUR26,442,039	7 January 2022	EUR:USD: 1.14
Contract B	USD30,000,000	HKD233,928,000	1 June 2022	USD:HKD: 7.80
Contract C	USD30,000,000	HKD233,967,000	28 June 2022	USD:HKD: 7.80

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("**ISDA Agreements**") signed with a 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 amounts.

17. TIME DEPOSITS/PLEDGED BANK DEPOSITS/SHORT TERM FIXED DEPOSITS/BANK BALANCES AND CASH

During the year ended 31 December 2021, the Group deposited RMB500,000,000 time deposits with several banks in the PRC. These time deposits carry fixed interest rates ranging from 3.85% to 4.18% (31 December 2020: 3.85% to 4.18%) per annum. The remaining maturity period of these time deposits is more than one year and are therefore classified as non-current assets.

The Group pledged certain of its bank deposits to banks as security for letters of guarantee and the pledged bank deposits carry fixed interests rates ranging from 1.80% to 3.50% (31 December 2020: at 1.35%) per annum.

Short term fixed deposits carry fixed interest rates ranging from 1.20% to 1.90% (31 December 2020: 1.92% to 3.15%) per annum. Short term fixed deposits have original maturity dates less than one year and therefore classified as current assets.

Bank balances, which represent saving accounts and deposits, carry interest at market saving rates ranging from 0.30% to 1.70% (31 December 2020: at 0.30%) per annum.

18. INVENTORIES

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	1,510,395	1,126,857
Work in progress	202,365	193,666
Finished goods	3,769,098	4,462,548
	<u>5,481,858</u>	<u>5,783,071</u>

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets		
Trade receivables	5,730,277	6,888,146
Less: allowance for ECL	(95,625)	(95,903)
	<u>5,634,652</u>	<u>6,792,243</u>
Bill receivables	<u>1,009,636</u>	756,530
Loan receivables (Note)	<u>142,829</u>	164,998
Other receivables and prepayment		
Value added tax and other tax receivables	119,284	92,948
Advance to suppliers	110,068	77,578
Interest receivables	130,416	54,277
Prepaid expenses	145,316	119,584
Utilities deposits and prepayment	41,429	75,561
Advances to employees	88,915	68,701
Others	25,840	9,605
	<u>661,268</u>	<u>498,254</u>
Total trade and other receivables and prepayment	<u>7,448,385</u>	<u>8,212,025</u>

Note: The Group provides fixed-rate loans with a term from one month to one year to local individuals and small enterprises in the PRC. All loans are either backed by guarantees and/or secured by collaterals.

The Group allows a credit period of average 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit loss presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	5,540,795	6,599,719
91 to 180 days	92,903	191,585
Over 180 days	954	939
	<u>5,634,652</u>	<u>6,792,243</u>

The credit period of bill receivables is 90 to 180 days. Aging of bill receivables based on the issue date at the end of the reporting period is as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	927,195	647,049
91 to 180 days	82,441	109,481
	<u>1,009,636</u>	<u>756,530</u>

All bills received by the Group are with a maturity period of less than one year.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB50,024,000 (31 December 2020: RMB31,818,000) which are past due as at the reporting date. Out of the past due balances, nil (31 December 2020: nil) has been past due 90 days or more.

20. TRADE AND OTHER PAYABLES

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB '000</i>	<i>RMB '000</i>
Current liabilities		
Trade payables		
Within 90 days	4,262,386	5,525,012
91 to 180 days	742,744	829,036
Over 180 days	355	495
Accrued purchases	925,738	804,832
	<hr/>	<hr/>
Total trade payables and accrued purchases	5,931,223	7,159,375
	<hr/>	<hr/>
Note payables		
Within 90 days	1,336,260	1,022,991
91 to 180 days	385,024	312,985
Over 180 days	100,000	–
	<hr/>	<hr/>
	1,821,284	1,335,976
	<hr/>	<hr/>
Payables for purchase of property, plant and equipment	267,891	182,910
Staff salaries and welfare payables	1,311,836	1,222,684
Labor outsourcing payables	139,747	168,504
Payables for acquisition of patents	40,913	45,651
Value added tax payables and other tax payables	113,297	341,112
Commission payables	19,493	32,471
Interest payables	64,473	65,878
Rental and utilities payables	58,346	50,808
Others	100,184	127,995
	<hr/>	<hr/>
	2,116,180	2,238,013
	<hr/>	<hr/>
	9,868,687	10,733,364
	<hr/> <hr/>	<hr/> <hr/>
Non-current liabilities		
Long term payables		
Payables for acquisition of patents	172,044	245,636
	<hr/> <hr/>	<hr/> <hr/>

The credit period on purchases of goods is up to 180 days (2020: 180 days) and the credit period for note payables is 90 days to 365 days (2020: 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.

21. BANK BORROWINGS

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB '000</i>	<i>RMB '000</i>
Unsecured		
Guaranteed	1,601,327	1,381,243
Unguaranteed	637,570	689,368
	<u>2,238,897</u>	<u>2,070,611</u>

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB '000</i>	<i>RMB '000</i>
The carrying amounts of the above borrowings are repayable*:		
Within one year	1,538,897	2,070,611
Within a period of more than one year but not exceeding two years	700,000	–
	<u>2,238,897</u>	<u>2,070,611</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's bank borrowings are as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB '000</i>	<i>RMB '000</i>
Fixed-rate borrowings	900,000	1,124,500
Variable-rate borrowings	1,338,897	946,111
	<u>2,238,897</u>	<u>2,070,611</u>

The range of effective interest rates per annum (which are equal to contractual interest rates) on the Group's bank borrowings are as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Fixed-rate borrowings	3.10%	2.96%
Variable-rate borrowings	0.60%-0.87%	0.85%-1.14%

The variable-rate borrowings as at 31 December 2021 and 31 December 2020 were denominated in USD which carried the floating-rates at London Inter-Bank Offer Rate (“LIBOR”) plus a premium.

The Group's bank borrowings that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<i>RMB '000</i>	<i>RMB '000</i>
USD	<u>1,338,897</u>	<u>946,111</u>

22. BONDS PAYABLE

On 16 January 2018, the Company issued unsecured bonds in the amount of USD600 million at the rate of 3.75% which will be due by 2023 to professional investors outside of the United States in accordance with Regulation S under the U.S. Securities Act. The issuance has been completed on 23 January 2018 and the listing of the bonds in the Hong Kong Stock Exchange became effective on 24 January 2018.

The Company had used all of the net proceeds from the bonds for funding capital expenditures, fulfilling working capital requirements, refinancing existing indebtedness and other general corporate purposes.

During the current year, interest expense of approximately RMB153,970,000 (2020: RMB164,282,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

23. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amount</u> <i>HKD'000</i>	<u>Equivalent to</u> <i>RMB'000</i>
Authorised:			
Ordinary shares of HKD0.10 each at 31 December 2020 and 31 December 2021	<u>100,000,000,000</u>	<u>10,000,000</u>	
Issued & fully paid:			
Ordinary shares of HKD0.10 each at 31 December 2020 and 31 December 2021	<u>1,096,849,700</u>	<u>109,685</u>	<u>105,163</u>

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 2021 as set out in this 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 this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the design, research and development (the “**R&D**”), manufacture and sales of optical and optical-related products. Such products include optical components (such as glass spherical and aspherical lenses, handset lens sets, vehicle lens sets, security surveillance lens sets and other various lens sets) (the “**Optical Components**”), optoelectronic products (such as handset camera modules, three dimensional (the “**3D**”) optoelectronic products, vehicle modules and other optoelectronic modules) (the “**Optoelectronic Products**”) and optical instruments (such as microscopes and intelligent inspection equipment) (the “**Optical Instruments**”). The Group focuses on the application fields of optoelectronic-related products, such as handsets, digital cameras, vehicle imaging and sensing systems, security surveillance systems, VR/AR and robots, which are combined with optical, electronic, algorithm and mechanical technologies.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group’s revenue was approximately RMB37,496.9 million, representing a slight decrease of approximately 1.3% as compared to that of last year. The slight decrease in revenue was mainly attributable to the fact that the shipment volume of handset lens sets decreased as compared to that of last year, and the average selling prices of handset lens sets and handset camera modules decreased as compared to that of last year, which were affected by the downgraded specification and configuration of smartphone camera.

Revenue generated from the Optical Components business segment was approximately RMB8,776.1 million, representing a slight decrease of approximately 4.4% as compared to that of last year. The slight decrease in revenue was mainly attributable to the fact that the shipment volume of handset lens sets slightly decreased as compared to that of last year, and the average selling price of handset lens sets decreased as compared to that of last year, which was affected by the downgraded specification and configuration of smartphone camera.

Revenue generated from the Optoelectronic Products business segment was approximately RMB28,333.5 million, representing a slight decrease of approximately 0.6% as compared to that of last year. The slight decrease in revenue was mainly attributable to the fact that although the shipment volume of handset camera modules increased as compared to that of last year, the average selling price of handset camera modules decreased significantly as compared to that of last year, which was affected by the downgraded specification and configuration of smartphone camera and the change of customer structure, which offset the revenue growth brought by the increased shipment volume.

Revenue generated from the Optical Instruments business segment was approximately RMB387.3 million, representing an increase of approximately 18.7% as compared to that of last year. The increase in revenue was mainly attributable to the increased market demand for optical instruments applied to domestic industrial sector and the demand recovery of overall overseas market.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 December 2021 was approximately RMB8,736.2 million, representing an increase of approximately 0.4% as compared to that of last year. The gross profit margin was approximately 23.3% (2020: approximately 22.9%), which was approximately 0.4 percentage point higher as compared to that of last year.

The gross profit margins of Optical Components business segment, Optoelectronic Products business segment and Optical Instruments business segment were approximately 39.5%, 13.7% and 45.1%, respectively (2020: approximately 42.8%, 12.6% and 39.2%, respectively).

Selling and Distribution Expenses

The selling and distribution expenses of the Group for the year ended 31 December 2021 were approximately RMB274.1 million, representing a decrease of approximately 12.6% as compared to that of last year. It accounted for approximately 0.7% of the Group's revenue during the year, as compared to approximately 0.8% of last year. The decrease in absolute amount was attributable to the continuous strengthening the expense management by the Group. The testing fees, property insurance premiums and other selling and distribution expenses have been decreased.

R&D Expenditure

The R&D expenditure of the Group for the year ended 31 December 2021 was approximately RMB2,642.2 million, representing an increase of approximately 5.7% as compared to that of last year. It accounted for approximately 7.0% of the Group's revenue during the year, as compared to approximately 6.6% of last year. The increase in absolute amount was attributable to the Group's continuous investments in the upgrade of existing products and the R&D of products related to the emerging businesses of the Group.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 December 2021 were approximately RMB757.6 million, representing an increase of approximately 5.4% as compared to that of last year. It accounted for approximately 2.0% of the Group's revenue during the year, as compared to approximately 1.9% of last year. The increase in absolute amount was attributable to the increase in the headcount and remuneration of administrative staff, the grant of restricted shares and the informationization construction.

Income Tax Expense

The income tax expense of the Group for the year ended 31 December 2021 was approximately RMB579.0 million, representing a decrease of approximately 17.6% as compared to that of last year. The decrease in absolute amount was mainly attributable to the increase of additional tax deduction on eligible R&D expenditure. The Group's effective tax rate was approximately 10.3% during the year, as compared to approximately 12.5% of last year.

The tax rates applicable to the Group’s subsidiaries in the PRC are shown as follows:

Name of subsidiaries	Kind of legal entities	2020	2021	2022	2023
				(Expected)	(Expected)
**Zhejiang Sunny Optics Co., Ltd. (“Sunny Zhejiang Optics”)	Limited liability company (Taiwan, Hong Kong or Macau joint venture)	15.0%	15.0%	15.0%	15.0%
**Ningbo Sunny Instruments Co., Ltd. (“Sunny Instruments”)	Limited liability company (Taiwan, Hong Kong or Macau joint venture)	15.0%	15.0%	15.0%	15.0%
**Sunny Optics (Zhongshan) Co., Ltd. (“Sunny Zhongshan Optics”)	Limited liability company (Taiwan, Hong Kong or Macau and domestic joint venture)	15.0%	15.0%	15.0%	15.0%
**Ningbo Sunny Opotech Co., Ltd. (“Sunny Opotech”)	Limited liability company (Taiwan, Hong Kong or Macau and domestic joint venture)	15.0%	15.0%	15.0%	15.0%
**Ningbo Sunny Infrared Technologies Co., Ltd. (“Sunny Infrared Optics”)	Limited liability company (investment by foreign investment company)	15.0%	15.0%	15.0%	15.0%
**Ningbo Sunny Automotive Optech Co., Ltd. (“Sunny Automotive Optech”)	Limited liability company (legal person sole investment by foreign investment company)	15.0%	15.0%	15.0%	15.0%
**Xinyang Sunny Optics Co., Ltd. (“Sunny Xinyang Optics”)	Limited liability company (investment by foreign investment company)	15.0%	15.0%	15.0%	15.0%
**Yuyao Sunny Optical Intelligence Technology Co., Ltd. (“Sunny Optical Intelligence (Yuyao)”)	Limited liability company (legal person sole investment)	15.0%	15.0%	15.0%	15.0%
**Ningbo Sunny Intelligent Technology Co., Ltd. (“Sunny Intelligent Technology”)	Limited liability company (legal person sole investment)	25.0%	15.0%	15.0%	15.0%
**Sunny Optical (Zhejiang) Research Institute Co., Ltd. (“Sunny Research Institute”)	Limited liability company (legal person sole investment)	15.0%	15.0%	15.0%	15.0%
**Zhejiang Sunny SmartLead Technologies Co., Ltd. (“Sunny SmartLead”)	Limited liability company (legal person sole investment)	15.0%	15.0%	15.0%	15.0%
Zhejiang Sunny Optical Intelligence Technology Co., Ltd. (“Sunny Optical Intelligence”)	Limited liability company	12.5%	12.5%	25.0%	25.0%
Shanghai Sunny Yangming Precision Optics Co., Ltd. (“Sunny Shanghai Optics”)	Limited liability company (legal person sole investment by foreign investment company)	25.0%	25.0%	25.0%	25.0%
Sunny Group Company Limited (“Sunny Group”)	Limited liability company (legal person sole investment by foreign investment company)	25.0%	25.0%	25.0%	25.0%

Name of subsidiaries	Kind of legal entities	2020	2021	2022	2023
				(Expected)	(Expected)
¹ Ningbo Mei Shan Bao Shui Gang Qu Sunxin Investment Partnership (Limited Partnership) (“ Ningbo Sunxin Investment ”)	Limited partnership company	N/A	N/A	N/A	N/A
Ningbo Mei Shan Bao Shui Gang Qu Sunyi Investment Co., Ltd. (“ Ningbo Sunyi Investment ”)	Limited liability company	25.0%	25.0%	25.0%	25.0%
Yuyao City Sunny Huitong Microcredit Co., Ltd. (“ Sunny Huitong ”)	Limited liability company (legal person sole investment)	25.0%	25.0%	25.0%	25.0%
Ningbo Sunny OmniLight Technology Co., Ltd. (“ Sunny OmniLight Technology ”)	Limited liability company (legal person sole investment)	25.0%	25.0%	25.0%	25.0%
Sunny Mobility Technologies (Ningbo) Co., Ltd. (“ Sunny Mobility ”)	Limited liability company (legal person sole investment)	25.0%	25.0%	25.0%	25.0%
Shanghai Wissen Automotive Sensing Technology Co., Ltd. (“ Shanghai Wissen ”)	Limited liability company (legal person sole investment)	25.0%	25.0%	25.0%	25.0%
Ningbo Yuanheng Supply Chain Management Co., Ltd. (“ Ningbo Yuanheng ”)	Limited liability company (legal person sole investment)	25.0%	25.0%	25.0%	25.0%
[@] Zhejiang Sunnyverse Technology Co., Ltd. (“ Sunnyverse Technology ”)	Limited liability company (joint venture invested by foreign investment company)	N/A	25.0%	25.0%	25.0%
[@] Sunny OmniLight Technology (Shanghai) Co., Ltd. (“ Sunny OmniLight (Shanghai) ”)	Limited liability company (legal person sole investment by foreign investment company)	N/A	25.0%	25.0%	25.0%

Notes:

- * The companies were recognised as Hi-Tech Enterprises prior to the balance sheet date.
- + The companies have obtained Hi-Tech Enterprise Certification with the expiry dates on 31 December 2021, 31 December 2022 or 31 December 2023, respectively.
- The company was recognised as a Software Company prior to the balance sheet date, and is entitled to the preferential policies of full exemption from enterprise income tax for the first two years and 50% reduction for the subsequent three years.
- [!] The partners of the company shall be liable for the income tax on their own as it is a limited partnership company.
- [@] The companies were established during the year.

Net Profit and Net Profit Margin

The net profit of the Group for the year ended 31 December 2021 was approximately RMB5,055.9 million, representing an increase of approximately 2.3% as compared to that of last year. The increase in net profit was mainly attributable to the increase in gross profit and the decrease in income tax expense. The net profit margin was approximately 13.5% (2020: approximately 13.0%).

Profit for the Year Attributable to Owners of the Company and Basic Earnings per Share

The profit for the year attributable to owners of the Company for the year ended 31 December 2021 was approximately RMB4,988.0 million, representing an increase of approximately 2.4% as compared to that of last year. The basic earnings per share for the year ended 31 December 2021 was approximately RMB456.52 cents, representing an increase of approximately 2.4% as compared to that of last year.

FINAL DIVIDENDS

For the year ended 31 December 2021, the Board proposed final dividends of approximately RMB0.910 (equivalent to HKD1.118) per share, with payout ratio of approximately 20.0% of the profit for the year attributable to owners of the Company. The final dividends, which will be payable on 23 June 2022, are subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on 24 May 2022.

Details of final dividends for the year ended 31 December 2021 are set out in Note 9 of this announcement.

BUSINESS REVIEW

During the year under review, facing the rapid-changing market landscape, fierce industrial competition and the impact of the normalized pandemic, the Group maintained a leading position in the industry through the following aspects:

1. devoted in the R&D and application of new technologies, accelerated the iteration in the development of new products and new specifications, challenged and took the “commanding height” of the industry;
2. enhanced refined management, realised distinct division of duties and clear workflow under a common goal and thereby improved the quality of operation;
3. increased investments in new businesses, firmly grasped the development opportunities in the emerging markets and rapidly developed the growth points of new businesses; and
4. enhanced the internal incentive mechanism and further practised the core value of “Create Together”.

The establishment and improvement of the patent system is an important manifestation of the core capability of an enterprise. In order to advance technological innovation, further improve the market competitiveness and prevent operational risks effectively in intellectual property rights, the Group has established a professional intellectual property rights management team which actively formulated strategies on corporate patents and has been proactively formulating overall planning in relation to the patent layout. As at 31 December 2021, the Group had 2,971 granted patents, including 1,092 invention patents, 1,806 utility model patents and 73 exterior design patents. In addition, 3,970 patent applications are pending for approval.

OPTICAL COMPONENTS

For the year ended 31 December 2021, the revenue from the Optical Components business segment was approximately RMB8,776.1 million, representing a decrease of approximately 4.4% as compared to that of last year. This segment accounted for approximately 23.4% of the Group's total revenue, as compared to approximately 24.2% of last year.

During the year under review, the shipment volume of handset lens sets of the Group amounted to 1,439,545,000 units, representing a decrease of approximately 5.9% as compared to that of last year, with 6 pieces of plastic lens (“**6P**”) and above products accounting for approximately 25.6% of total shipment volume. Under the impact of the weak demand in the global smartphone market, the downgrade in specification of terminal configurations, the restrictions on the supply chain and other unfavorable factors, the shipment volume growth and the specification upgrade of handset lens sets of the Group were under certain pressures. Facing the unfavorable objective environment, the Group continued to promote the optimisation of the customer structure and enhance R&D and process and technological capabilities, thus continued to consolidate the global No. 1 position in terms of the market share amid fierce market competition. Meanwhile, the Group also proactively carried out the layout on product innovation to meet customers' demands. During the year under review, it completed the R&D of various high-specification handset lens sets, mainly including ultra-thin miniaturized head handset lens sets for foldable phones, 200-mega pixel ultra-large image size (1/1.22”) handset lens sets, ultra-large image size (1/1.12”) handset lens sets with 8 pieces of plastic lens (“**8P**”), wide-angle handset lens sets with two pieces of freeform lens and the large image size (1/1.5”) periscope handset lens sets specially for ultra-high-definition portrait shooting. Additionally, ultra-wide angle (140° above) handset lens sets, ultra-thin large image size (1/1.5”) handset lens sets and new large image size main handset lens sets with glass aspherical lenses have commenced mass production.

In terms of the vehicle lens sets business, although the tight supply of chips severely restricted the global automobile sales growth, the adoption rate of vehicle lens sets continuously increased benefiting from the development of autonomous driving. Leveraging on its leading competitive advantages, the shipment volume of vehicle lens sets of the Group amounted to 67,980,000 units during the year under review, representing an increase of approximately 21.0% as compared to that of last year and further consolidated its global No. 1 position in terms of market share. Meanwhile, the Group continued to achieve breakthroughs in technological R&D and product innovation for vehicle lens sets. After tackling the problem of temperature excursion of plastic lenses, the Group has completed the R&D of 2-mega and 3-mega pixel advanced driver assistant systems (“**ADAS**”) hybrid vehicle lens sets containing multiple plastic lenses during the year under review, which could significantly reduce the cost and improve the performance of the products. Meanwhile, the Group also solved the reliability problem of exposed plastic lenses through the adoption of special plastic materials and special coating processes and commenced mass production of all-plastic rear-view vehicle lens sets. In addition, the Group deeply knows the important role of platform manufacturers in the evolution of autonomous driving and has carried out in-depth cooperation with various platform manufacturers. During the year under review, the Group has passed the certification on 8-mega pixel ADAS vehicle lens sets based on several platforms of NVIDIA, Qualcomm and Horizon Robotics, etc. and has obtained platform-based projects from various automobile manufacturers. Many platform-based projects have commenced mass production. Meanwhile, the Group initiated ADAS vehicle lens sets with the automatic defrosting and demisting functions and has obtained level 3 to level 4 of autonomous driving platform-based projects from various automobile manufacturers.

In terms of the emerging vehicle business field, the Group continued to speed up the R&D and market promotion of LiDAR, head-up display (“HUD”), smart headlamp and other new products and continuously deployed optical sensing technologies and products for the continuous upgrade of smart driving system. In respect of LiDAR, through providing receiving and transmitting lens sets components and assemblies, receiving and transmitting modules, optical windows, polygonal prisms and other core optical components, the Group has obtained over 20 designated cooperative projects during the year under review, two of which have commenced mass production. The Group will continue to add value to LiDAR manufacturers. In respect of HUD, the Group has commenced mass production of freeform lenses, one of its core components. Meanwhile, the Group has commenced small-batch supply of the core optical engine for holographic AR HUD solutions. In respect of smart headlamp, the Group has commenced small-batch supply of the core lens sets for various 0.01-mega pixel projecting modules.

In terms of the emerging optical market field, the Group firmly seized the opportunities from the booming VR market, vigorously explored the global market and boosted efforts in product R&D. During the year under review, the Group completed the R&D of the new-generation VR positioning lens sets, which further tackled temperature excursion and improved the stability of spatial orientation. Meanwhile, it also completed the R&D of binocular VR optical modules, which further improved distortion and chromatism and optimised the display effect of VR. Additionally, the Group has commenced mass production of VR eyepieces with two fresnel lenses. The eyepieces improved the immersive experience of VR through enlarging the field of view.

As at 31 December 2021, a total of 1,667 granted patents have been obtained by the Group in the Optical Components business segment, including 493 invention patents, 1,167 utility model patents and 7 exterior design patents. In addition, 2,241 patents are pending for approval.

OPTOELECTRONIC PRODUCTS

For the year ended 31 December 2021, the revenue from the Optoelectronic Products business segment was approximately RMB28,333.5 million, representing a slight decrease of approximately 0.6% as compared to that of last year. This segment accounted for approximately 75.6% of the Group’s total revenue, as compared to approximately 75.0% of last year.

During the year under review, the shipment volume of handset camera modules of the Group amounted to 673,725,000 units, representing an increase of approximately 13.6% as compared to that of last year, with the periscope modules and large image size (image size is 1/1.7” and above) modules accounting for approximately 6.7% of total shipment volume. Under the impact of the weak demand for smartphone market, the downgrade in terminal configurations, the lower proportion of high-end products and other unfavorable factors, the Group surmounted the challenges, overcame heavy pressures and further expanded the shares in domestic and foreign famous customers. It achieved a good shipment growth during the year under review and occupied the global No. 1 position in terms of the market share. At the same time, in order to further strengthen the market competitiveness and enhance the technological added-value of the products, the Group has completed the R&D of various handset camera modules during the year under review, including cost-effective 5X optical zoom periscope handset camera modules and ultra-large image size (1/1.12”) handset camera modules. In addition, dual optical image stabilization (“OIS”) handset camera modules and new large image size main handset camera modules with glass aspherical lenses have commenced mass production.

In addition, the Group further strengthened the R&D and introduction of the process capability. While achieving high level of automation, it significantly improved the output efficiency and the production yield rate during the whole manufacturing process. During the year under review, the Group developed the close-loop assembly and testing line independently and put it into use, realising one-stop production and turnover from chip on board (“**COB**”) to active alignment (“**AA**”) and testing. Therefore, it can save the turnover time and reduce the defect rate in turnover. Meanwhile, the Group has completed the development of equipment for the testing of OIS handset camera modules, which has been successfully put into production. The equipment can realise automatic loading and unloading and the operation model with one person responsible for more machines, thereby significantly improving the testing efficiency.

In terms of vehicle modules business, in order to solve customers’ pain points and industrial difficulties, the Group ensured product performance and reliability from the perspective of product innovation and improving product quality, deepened the technical elements of the whole product lines, and improved the layout of product lines including environmental sensing, in-cabin monitoring and external viewing. During the year under review, the Group completed the R&D of various vehicle modules, including 3-mega pixel panoramic vehicle modules, 3-mega pixel ultra-wide angle vehicle modules for rear-view electronic mirror and super high resolution vehicle modules for car video blog (“**Carlog**”). Meanwhile, the Group has also achieved mass production of various sensing vehicle modules for external environment, including 1.7-mega pixel, 2-mega pixel, 5-mega pixel and 8-mega pixel. In addition, the Group’s 8-mega pixel vehicle modules applied to the platforms of Horizon Robotics, Mobileye and NVIDIA have obtained more than 10 designated customers, among which 8-mega pixel vehicle modules applied to Horizon Robotics and Mobileye have commenced mass production. In terms of in-cabin monitoring, 1.3-mega pixel and 2-mega pixel driver monitoring vehicle modules and 2-mega pixel occupancy monitoring vehicle modules have also commenced mass production and the products were sold to superior domestic and overseas customers. Moreover, with the constantly increasing requirements on the accuracy and reliability of vehicle cameras and based on its extensive experience in the camera module industry, the Group has established the automotive-grade COB production line and has the capability to commence mass production.

In terms of the robotic vision business, the Group continued to deploy two product categories of robotic recognition and positioning and focused on technological innovation to explore broader market applications. In terms of the recognition business, the Group has made breakthroughs in structured light modules with its self-developed and self-optimised algorithm in the application scenario of identity verification. The dual-camera and structured light modules have been also recognized by customers in the application scenario of smart door locks with facial recognition. In terms of the positioning business, the Group’s VR visual modules were in the leading position in terms of market share and it conducted cooperation with globally-renowned customers as a major supplier. At the same time, the solutions for the visual systems of service robots with the simultaneous location and mapping (“**SLAM**”) and the visual navigation technology as the core have commenced application in the clients. Additionally, the Group has completed the tape-out of visual artificial intelligence (“**AI**”) chips during the year under review to facilitate the Group to provide more comprehensive optical system solutions to customers.

As at 31 December 2021, a total of 1,109 granted patents have been obtained by the Group in the Optoelectronic Products business segment, including 557 invention patents, 513 utility model patents and 39 exterior design patents. In addition, 1,642 patents are pending for approval.

OPTICAL INSTRUMENTS

For the year ended 31 December 2021, the revenue from the Optical Instruments business segment was approximately RMB387.3 million, representing an increase of approximately 18.7% as compared to that of last year. This segment accounted for approximately 1.0% of the Group's total revenue, as compared to approximately 0.8% of last year.

In terms of the microscopes business, the Group has been immersed in into technological innovation for consecutive years to achieve further breakthroughs. During the year under review, the Group has completed the R&D of the first 25X flat field multiphoton excitation dedicated objectives for commercial use in China. With large numerical aperture and broadband achromatic correction, the objectives achieved breakthroughs in near-infrared single-photon and multiphoton in-depth and high spatial resolution. Meanwhile, all series of objective lenses of super apochromat have commenced mass production. Such objective lenses have the largest numerical aperture and achromatic correction range in China, and can realize high resolution and high precision imaging in the scientific research field.

In terms of the intelligent equipment business, the Group continued to place strong emphasis on two application scenarios, namely the industrial and medical fields. In the industrial field, the Group successfully completed the R&D of AA equipment for VR modules during the year under review. The equipment is used in active alignment for VR modules and liquid crystal displays. Besides, it also completed the R&D of the integrated production line for the testing of handset lens sets. Meanwhile, the vehicle plain glass with large size inspection equipment for appearance inspection of the glass of active center stack has commenced mass production. Additionally, in the medical field, the Group has completed the R&D of chromosome caryotype auto microscopic scanner, which can be applied in prenatal examination, screening and diagnosis, genetic diseases diagnosis, hematologic tumor diagnosis and other fields and has successfully replaced imported equipment.

As at 31 December 2021, a total of 195 granted patents have been obtained by the Group in the Optical Instruments business segment, including 42 invention patents, 126 utility model patents and 27 exterior design patents. In addition, 87 patents are pending for approval.

OUTLOOK AND FUTURE STRATEGIES

Looking forward, it is foreseeable that the global economic recovery might still face difficulties, and the international environment will be intricate and complicated, hence the consumer demand will be likely to remain weak. The development of relevant industries is not optimistic and some enterprises will face huge operation pressure. However, as digital economy and green economy gradually become the main engines to the global economic growth, they will bring new growth potentials and development opportunities to the optoelectronic industry. The rapid development of autonomous driving will promote the adoption of multi-sensor and huge market potentials will be appeared in VR/AR, robotic vision and other emerging industries. As such, short-term pressure also serves as the driving force and the Group will remain confident on the future development. It will continue to strengthen and expand the existing advantageous businesses and constantly expand the market shares. Meanwhile, it will actively increase the investments in emerging businesses to take over the “commanding height” of the industry. It will also further strengthen technological innovation and improve operation and management to achieve high quality and sustainable development.

- 1. Strengthen and expand the existing advantageous businesses, further expand the market share**
 - Continue to advance the R&D and self-production of new technologies and key components, strengthen the application of new processes and new technologies in the manufacturing of products and improve the first pass yield rate, product quality and the consistency of quality;
 - Speed up the development and iteration of new-specification and high-specification products, attract and guide customers' demands; and
 - Continue to lower the product cost and achieve rapid, low-cost and high-quality delivery.
- 2. Continue to enhance investment in new businesses and take over strategic control points in the industry**
 - Enhance R&D investments in VR/AR, machine vision, LiDAR and other fields and improve the integration and technical content of products;
 - Aim at globally leading customers and win pioneer advantages in the markets to inject strong impetus into the sustainable and rapid development of the Group; and
 - Reinforce technological innovation, establish and improve the mechanism of new business incubation and cultivation.
- 3. Improve refined management and devote to continuously improving the quality of operation**
 - Deeply improve management systems, standardize management processes and speed up the construction of informatisation and the digital transformation of businesses;
 - Continue to improve the quality of operation, realise distinct division of duties and clear workflow under a common goal and achieve efficient business operation; and
 - Enhance risk management and promote the implementation of normalized and intelligent risk management.
- 4. Strengthen the construction of talent team**
 - Focus on attracting and retaining talents and advance the construction of cadre teams with the succession of intermediate and senior cadres as the driver.

Looking forward, the Group will actively leverage its leading technological advantages, constantly improve the patent layout and focus on product R&D and technological innovation continuously. It will pay close attention to market changes, rapidly respond to customers' demands and further deepen the construction of sustainable development capability to constantly enhance its comprehensive competitiveness, provide more optical products and services with high quality and high technical added value to top high-tech enterprises in the world, advance the improvement of corporate growth and value and continuously create more returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summarises the Group's cash flows for the years ended 31 December 2021 and 31 December 2020:

	For the year ended 31 December	
	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Net cash from operating activities	6,979.0	7,160.0
Net cash used in investing activities	(2,901.5)	(5,976.2)
Net cash used in financing activities	(1,241.4)	(222.3)

The Group derives its working capital mainly from cash on hand and net cash from operating activities. The Board expects that the Group will rely on net cash from operating activities, bank borrowings and debt financing to meet the demand of working capital and other capital expenditure requirements in the short run. In the long run, the Group will be mainly funded by net cash from operating activities and, if necessary, by additional bank borrowings, debt financing or equity financing. There were no material changes in the funding and financial policy of the Group for the year ended 31 December 2021.

As at 31 December 2021, the Group had current assets of approximately RMB27,989.3 million (31 December 2020: approximately RMB25,629.5 million), comprising bank balances and cash of approximately RMB5,605.2 million (31 December 2020: approximately RMB2,841.8 million); and current liabilities of approximately RMB11,873.5 million (31 December 2020: approximately RMB13,411.1 million). The Group's current ratio was approximately 2.4 times (31 December 2020: approximately 1.9 times). The Group's total assets as at 31 December 2021 was approximately RMB38,773.8 million, represented an increase by approximately 9.4% as compared to that as at 31 December 2020.

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 used for the purchases of raw materials, staff costs, selling and distribution expenses, R&D expenditure and administrative expenses. Net cash from operating activities was approximately RMB6,979.0 million for the year ended 31 December 2021 and net cash from operating activities was approximately RMB7,160.0 million for the year ended 31 December 2020.

The trade receivables turnover days (average of the opening and closing trade receivables balances/revenue \times 365 days) decreased from approximately 73 days for the year ended 31 December 2020 to approximately 60 days for the year ended 31 December 2021. The decrease in trade receivables turnover days was mainly attributable to the revenue from those customers with longer credit terms grew faster during the year of 2020.

The trade payables turnover days (average of the opening and closing trade payable and accrued purchases balances/cost of sales \times 365 days) decreased from approximately 98 days for the year ended 31 December 2020 to approximately 83 days for the year ended 31 December 2021. The decrease in the trade payables turnover days was mainly attributable to the strategic stocking by the Group at the end of 2020.

The inventory turnover days (average of the opening and closing inventory balances/cost of sales × 365 days) increased from approximately 68 days for the year ended 31 December 2020 to approximately 71 days for the year ended 31 December 2021. The increase in inventory turnover days was mainly attributable to the continuous strengthening of supply chain management and strategic stocking by the Group during this year.

Investing Activities

The Group recorded a net cash used in investing activities of approximately RMB2,901.5 million for the year ended 31 December 2021, which was mainly attributable to purchases and release of unlisted financial products of approximately RMB46,718.5 million and approximately RMB46,923.8 million during the year ended 31 December 2021 respectively, and the Group's capital expenditure amounted to approximately RMB2,588.9 million during the year.

Financing Activities

The Group recorded a net cash used in financing activities of approximately RMB1,241.4 million for the year ended 31 December 2021. The cash inflow mainly came from proceeds from new bank borrowings raised of approximately RMB5,557.9 million. Major outflows were the repayment of bank borrowings of approximately RMB5,354.7 million, dividends paid to the shareholders of approximately RMB987.0 million, interest paid of approximately RMB222.1 million and purchase of shares under share award scheme of approximately RMB212.2 million.

Capital Expenditure

For the year ended 31 December 2021, the Group's capital expenditure amounted to approximately RMB2,588.9 million, which was mainly used for the purchases of property, plant and equipment, payments for leasehold lands, payment for intangible assets and purchase of other tangible assets. All of the capital expenditure was financed by internal resources and bank borrowings.

CAPITAL STRUCTURE

Indebtedness

Bank borrowings

Bank borrowings of the Group as at 31 December 2021 amounted to approximately RMB2,238.9 million (2020: approximately RMB2,070.6 million). No bank borrowings were secured by certain buildings and land of the Group as at 31 December 2021 and 2020.

Bank facilities

As at 31 December 2021, the Group had bank facilities of RMB2,770.0 million with Yuyao Sub-branch of Agricultural Bank of China Limited, RMB2,400.0 million with Ningbo Branch of The Export-Import Bank of China, RMB915.0 million with Yuyao Branch of Bank of China Limited, RMB2,500.0 million with Yuyao Sub-branch of Ningbo Bank Co., Ltd., RMB380.0 million with Yuyao Sub-branch of Bank of Communications Co., Ltd., RMB100.0 million with Yuyao Sub-branch of Industrial and Commercial Bank of China Limited, RMB70.0 million with Xinyang Pingzhong Street Sub-branch of Industrial and Commercial Bank of China Limited, RMB600.0 million with Yuyao Sub-branch of China Construction Bank Corporation, USD120.0 million with BNP Paribas Hong Kong Branch, USD60.0 million with The Hongkong and Shanghai Banking Corporation Limited Hong Kong Branch, USD30.0 million with Ningbo Branch of HSBC Bank (China) Co., Ltd., USD60.0 million with Crédit Agricole Corporate and Investment Bank Hong Kong Branch, USD20.0 million with Crédit Agricole Corporate and Investment Bank Shanghai Branch, USD90.0 million with Bank of China (Hong Kong) Limited, USD50.0 million with Standard Chartered (Hong Kong) Limited and USD20.0 million with Standard Chartered Bank.

Debt securities

As at 31 December 2021, debt securities of the Group amounted to approximately RMB3,815.6 million (2020: approximately RMB3,895.9 million). For details of bonds payable, please refer to Note 22 of this announcement.

The Group's gearing ratio of approximately 15.6% refers to the ratio of total borrowings to total capital (total capital being the sum of total liabilities and shareholders' equity), reflecting the Group's financial position at a sound level.

Contingent liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees.

Financing and fiscal policies and objectives

The Group adopts prudent financing and fiscal policies. The Group will seek bank borrowings and debt financing when its operating demand grows, and will regularly review its bank borrowings and debt securities to achieve a sound financial position.

PLEDGE OF ASSETS

The Group did not have any pledge or charge on assets as at 31 December 2021, except for the pledged bank deposits of approximately RMB18.3 million. For details of the pledged bank deposits, please refer to Note 17 of this announcement.

COMMITMENTS

As at 31 December 2021, the capital expenditure of the Group in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to approximately RMB684.4 million (2020: approximately RMB356.0 million).

As at 31 December 2021, the Group had no other capital commitments save as disclosed above.

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2021, the Group did not enter into any material off-balance sheet transactions.

PERFORMANCE OF INVESTMENTS MADE AND FUTURE INVESTMENTS PLAN

The Group's investing activities primarily include the purchases and release of unlisted financial products, placement and withdrawal of short term fixed deposits and purchases of property, plant and equipment. In particular, the purchase and disposal of financial assets at FVTPL include debt instruments, equity investments, fund investments and unlisted financial products. Among them, the fund investments are managed by relevant financial institutions, mainly investing in debt securities linked to the performance of related senior debts; unlisted financial products are managed by relevant banks in China, mainly investing in certain financial assets such as bonds, trusts and cash funds, and their investment incomes are determined based on the performance of relevant government debt instruments and treasury bills.

Significant investments

As at 31 December 2021, the Group maintained a portfolio of unlisted financial products with the total carrying amount of approximately RMB7,992.2 million (31 December 2020: approximately RMB8,197.5 million), of which approximately RMB2,650.6 million had been released on or before 22 March 2022. As at 31 December 2021, the size of the unlisted financial products subscribed by the Group in aggregate represented approximately 20.6% of the Group's total assets (31 December 2020: approximately 23.1%). The investment costs for the unlisted financial products subscribed as at 31 December 2021 was approximately RMB7,992.2 million (31 December 2020: approximately RMB8,197.5 million). For the year ended 31 December 2021, the amount of investment income from the unlisted financial products was approximately RMB302.6 million (2020: approximately RMB215.0 million).

The following table sets forth a breakdown of the major unlisted financial products subscribed by the Group as at 31 December 2021 (in descending order):

Name of the unlisted financial products	Name of banks	Investment costs <i>RMB'000</i>	Fair value of the unlisted financial products as at 31 December 2021 <i>RMB'000</i>	Percentage of fair value of the unlisted financial products relative to the total assets of the Group as at 31 December 2021
Bank of Ningbo Ning Xin fixed income 9-month periodic wealth management No. 2* (寧銀理財寧欣固定收益類 9 個月周期型理財2號)	Bank of Ningbo Co., Ltd.	1,300,000	1,300,000	3.4%
Bank of Ningbo Ning Xin fixed income close-ended wealth management No. 143* (寧銀理財寧欣固定收益類封閉式理財 143 號)	Bank of Ningbo Co., Ltd.	1,000,000	1,000,000	2.6%
Agricultural Bank of China “AB Shi Shi Fu” open-ended RMB wealth management products* (農銀理財「農銀時時付」開放式人民幣理財產品)	Agricultural Bank of China Limited	405,330	405,330	1.0%
Bank of Ningbo Ning Xin fixed income close-ended wealth management No. 172* (寧銀理財寧欣固定收益類封閉式理財 172 號)	Bank of Ningbo Co., Ltd.	400,000	400,000	1.0%
CITIC “Gong Ying Wen Jian Tian Tian Li” RMB wealth management products* (中信理財之「共贏穩健天天利」人民幣理財產品)	China CITIC Bank Corporation Limited	373,990	373,990	1.0%
Others#		4,512,850	4,512,850	11.6%
	Total	7,992,170	7,992,170	20.6%

* The English names are unofficial English translations of the Chinese names of unlisted financial products. If there is any inconsistency, the Chinese names shall prevail.

Other unlisted financial products included 44 unlisted financial products with 7 different banks to lower the concentration risk. The fair value of such 44 unlisted financial products as at 31 December 2021 was approximately RMB102.6 million in average.

In the opinion of the Directors, the fair value change of the unlisted financial products was insignificant during the year of 2021.

The Board considers that the terms of such unlisted financial products are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Such investment activities were funded primarily by the idle self-owned funds of the Group. Going forward, the Group will continue to diversify its investments among different banks to lower the concentration risk and will closely monitor the performance of investments made and future investments plan in accordance with its prudent policy to utilise and to increase the yield of the idle funds of the Group while maintaining a high level of liquidity and a low level of risk. Such investment activities were made and will be made on the premises that it would not adversely affect the working capital of the Group or the operation of the Group's principal business.

For the year ended 31 December 2021, the Group's investments amounted to approximately RMB2,588.9 million, mainly involved in the purchases of property, plant and equipment, the initial production settings for new products, payments for leasehold lands and the necessary equipment configurations for new projects. These investments enhanced the Group's R&D and technological application capability and production efficiency, and thus expanded the sources of revenue.

The Group adopts prudent financial policies, having its investment projects mostly capital-protected with fixed income, so as to strive for a stable and healthy financial position while improving returns. The Group will consider using financial instruments for hedging purposes if necessary and will continue to fund its future investment from its own financial resources.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

The Group is exposed to interest rate risks arising from its bank borrowings for working capital and capital expenditures that are associated with the expansion of the Group and utilisation for other purposes. The rising of interest rates increases the costs of both existing and new debts. As at 31 December 2021, the effective interest rate on fixed-rate bank borrowings was approximately 3.10% per annum, while the effective interest rate of variable-rate bank borrowings was approximately 0.60% to 0.87% per annum.

Foreign Exchange Rate Fluctuation Risk

The Group exports a portion of its products to and purchases a considerable amount of products from international markets where transactions are denominated in USD or other foreign currencies. For details of the Group's foreign currency forward contracts, foreign currency options contracts and foreign exchange swap contracts, please refer to Note 16 of this announcement. Except for certain investments which are in line with the Group's business and are denominated in foreign currencies, the Group does not and has no plan to make any foreign currency investment.

Credit Risk

The Group's financial assets include derivative financial assets, bank balances and cash, pledged bank deposits, short term fixed deposits, time deposits, financial assets at FVTPL, trade and other receivables, equity instruments that are included in other comprehensive income at fair value and debt instruments measured at amortised cost, 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 responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that appropriate follow-up actions are taken to recover overdue debts. The Group has also purchased insurances relating to trade receivables. In addition, the Group reviews the recoverable amount of each 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 allowance for expected credit losses, and are estimated by the management based on their previous experience, assessment of the current economic environment and the discounted cash flows to be received in the 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 a majority of the counterparties of the Group are banks with high credit-ratings given by international credit-rating agencies.

Cash Flow Interest Rate Risk

The Group's cash flow interest rate risk is primarily related to variable rates applicable to short term bank deposits and bank borrowings. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. 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 an adequate level of cash and cash equivalents through continuously monitoring forecast and actual cash flows and matching them with the maturity profile of each financial asset and liability.

EMPLOYEE AND REMUNERATION POLICY

The Group had 24,664 full-time employees as at 31 December 2021. In line with the overall operation of the Company and the performance of individual employees, the Group has established a fair and competitive salary and welfare system to recruit new talents and to reward and retain existing talents, in which the salary package including annual basic salary, year-end bonus and the economic-value-added bonus, while the welfare package including social insurance, housing provident fund, employee holidays and emergency relief fund, thereby representing the Group's efforts to achieve the goals of "consistency in responsibilities and interests, abilities and values, risks and returns, performance and income" in remuneration distribution.

The Group has particularly adopted the restricted share award scheme ("**Restricted Share Award Scheme**") since 2010, with a view to providing incentives and rewards to eligible participants to recognise their contribution to the Group and to enhance their ownership spirits. For the year ended 31 December 2021, 1,459,928 shares were granted by the Group to eligible participants in accordance with the Restricted Share Award Scheme.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility for attending the AGM, which is to be held on 24 May 2022, the register of members of the Company will be closed from 19 May 2022 to 24 May 2022, 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, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 18 May 2022.

In order to determine the eligibility for receiving the final dividends, the register of members of the Company will be closed from 31 May 2022 to 6 June 2022, 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, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 30 May 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

The Company is empowered by the applicable Cayman Islands Companies Act (formerly known as Companies Law) and the Company’s 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 regulations imposed from time to time by the Hong Kong Stock Exchange. There was no purchase, sale, redemption or writing-off by the Company, with the exception of the trustee of the Restricted Share Award Scheme, of the Company’s listed shares during the year ended 31 December 2021.

CORPORATE GOVERNANCE

Corporate Governance Practices

For the year ended 31 December 2021, the Company complied with all of the mandatory disclosure requirements and the code provisions of and adopted most of the recommended best practices of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules governing the Listing Securities on The Hong Kong Stock Exchange (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. Having made specific enquiry with regard to securities transactions of the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code and its code of conduct regarding Directors’ securities transactions for the year ended 31 December 2021.

IMPORTANT EVENTS AFTER THE END OF 31 DECEMBER 2021

To the best knowledge of the Directors, no matters required to be disclosed that would have a material impact on the Group have occurred subsequent to 31 December 2021 and up to the date of this announcement.

REVIEW OF FINANCIAL STATEMENTS

The Company has established the audit committee of the Board (the “**Audit Committee**”) with written terms of reference. The Group’s audited annual results for the year ended 31 December 2021 were reviewed by all the members of the Audit Committee, namely Mr. Zhang Yuqing (Chairman of the Audit Committee), Mr. Feng Hua Jun and Mr. Shao Yang Dong, who are all independent non-executive Directors.

SHAREHOLDERS ENGAGEMENT AND EFFECTIVE COMMUNICATION

The Company is committed to creating channels of communication between the Directors, senior management and investors, maintaining close contact with all the shareholders through a variety of channels and promoting the communication with investors. The Company has adopted an updated shareholders’ communication policy on 28 December 2021 to formalise 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 Company considers that the shareholders’ communication policy has fostered an effective communication between the Company and the shareholders for the year ended 31 December 2021.

Investor Contact and Inquiries

The Group has a dedicated team to maintain contact with investors and handle shareholders' inquiries. Should you have any inquiries, please contact the Group's investor relations management department (Tel: +86-574-6253 0875; +852-3568 7038; email: iroffice@sunnyoptical.com).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual 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 2021 will be despatched to shareholders of the Company and will be published on the above websites in due course.

APPRECIATION

The Group would like to express its appreciation to all of its staff for their long-term efforts and to the management for their outstanding contributions. It is the unremitting efforts of each member that enable the Group to make great achievements. Meanwhile, the Group wishes to express its sincere gratitude towards its shareholders, customers and business partners for their long-standing support and recognition. The Group will continue to strive for the sustainable development of the business, so as to 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

China, 22 March 2022

As at the date of this announcement, the Board comprises Mr. Ye Liaoning, Mr. Sun Yang and Mr. Wang Wenjie, who are executive Directors; 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.