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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

– The Group's unaudited consolidated revenue increased by approximately 32.2% compared with the same period of the previous year to approximately RMB1,102.7 million. The increase was mainly attributable to the benefit from business opportunities brought by the rapid growth of smartphones and 3G handsets and the increase in consumer demand for DSLR.

– The gross profit for the first half of financial year 2011 was approximately RMB235.6 million, and the gross margin improved from approximately 21.3% of the corresponding period of last year to approximately 21.4%. This was mainly attributable to the improvement in product mix, higher capacity utilization rate of certain products as well as the effective implementation of "Lean Production".

– The net profit for the period increased by approximately 74.9% to approximately RMB87.6 million compared with the same period in 2010. The increase in net profit was mainly due to the increased gross profit and effective control over operating expenses. The net profit margin was approximately 7.9%.

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Sunny Optical Technology (Group) Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011, along with the comparative figures for the corresponding period in last year as follows:

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

		Six months ended 30 June	
	NOTES	**2011** *RMB'000* **(unaudited)**	2010 *RMB'000* (unaudited)
Revenue	*3*	**1,102,688**	833,946
Cost of sales		**(867,064)**	(656,277)
Gross profit		**235,624**	177,669
Other income	*4*	**32,246**	17,763
Other gains and losses	*5*	**(3,657)**	(1,162)
Selling and distribution expenses		**(25,940)**	(20,630)
Research and development expenditure		**(51,665)**	(45,459)
Administrative expenses		**(63,134)**	(49,766)
Impairment loss recognised in respect of goodwill	*6*	**(4,071)**	(8,097)
Impairment loss recognised in respect of intangible asset	*7*	**(5,391)**	–
Share of result of an associate		**(2,396)**	(2,375)
Finance costs		**(1,368)**	(1,923)
Profit before tax		**110,248**	66,020
Income tax expense	*8*	**(22,695)**	(15,966)
Profit for the period	*9*	**87,553**	50,054
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**718**	(818)
Total comprehensive income for the period		**88,271**	49,236
Profit for the period attributable to:			
Owners of the Company		**91,541**	54,823
Non-controlling interests		**(3,988)**	(4,769)
		87,553	50,054
Total comprehensive income attributable to:			
Owners of the Company		**91,976**	54,393
Non-controlling interests		**(3,705)**	(5,157)
		88,271	49,236
Earnings per share – Basic (RMB cents)	*10*	**9.48**	5.54
– Diluted (RMB cents)		**9.40**	5.53

Condensed Consolidated Statement of Financial Position
At 30 June 2011

	NOTES	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**494,866**	465,259
Prepaid lease payments		**18,507**	18,758
Goodwill		**–**	4,071
Intangible asset		**14,347**	19,313
Interest in an associate	13	**15,643**	14,954
Deferred tax assets		**1,627**	873
Deposits for acquisition of property, plant and equipment		**32,229**	7,235
		577,219	530,463
CURRENT ASSETS			
Inventories		**273,284**	220,598
Trade and other receivables and prepayment	14	**483,576**	454,371
Entrusted loan receivables	15	**355,000**	585,000
Prepaid lease payments		**502**	502
Tax recoverable		**–**	195
Amount due from a related party		**–**	926
Amount due from an associate		**176**	1,136
Financial assets designated as at fair value through profit or loss	16	**51,000**	–
Pledged bank deposits		**48,000**	76,180
Bank balances and cash		**298,243**	188,278
		1,509,781	1,527,186
CURRENT LIABILITIES			
Trade and other payables	17	**402,274**	397,683
Amounts due to related parties		**3,055**	6,650
Amount due to an associate		**702**	–
Amount due to a non-controlling interest of a subsidiary		**479**	487
Tax payable		**18,139**	3,545
Borrowings	18	**69,390**	87,548
		494,039	495,913
NET CURRENT ASSETS		**1,015,742**	1,031,273
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,592,961**	1,561,736
NON-CURRENT LIABILITIES			
Borrowings	18	**17,044**	25,412
Deferred tax liabilities		**6,716**	6,908
Deferred income		**1,066**	1,469
		24,826	33,789
		1,568,135	1,527,947
CAPITAL AND RESERVES			
Share capital	19	**97,520**	97,520
Reserves		**1,442,308**	1,398,415
Equity attributable to owners of the Company		**1,539,828**	1,495,935
Non-controlling interests		**28,307**	32,012
Total equity		**1,568,135**	1,527,947

1. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2010, except as described below.

In the current interim period, the Group has applied, the following accounting policy since the Group acquired financial asset designated at fair value through profit or loss during this period.

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

Financial assets other than those held for trading may be designed as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Application of new and revised HKFRS

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

- Improvements to HKFRSs issued in 2010

- HKAS 24 (as revised in 2009) Related Party Disclosure

- Amendment to HKAS 32 Classification of Rights Issues

- Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding requirement

- HK(IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments

The application of above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

HKFRSs issued but not yet effective:

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statement[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 27 (as revised in 2011)	Separate Financial Statement[2]
HKFRS 28 (as revised in 2011)	Investment in Associates and Joint Ventures[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipated that the application of these new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

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

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

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

For the six months ended 30 June 2011

	Optical components *RMB'000* **(unaudited)**	**Optoelectronic products** *RMB'000* **(unaudited)**	**Optical instruments** *RMB'000* **(unaudited)**	**Segment total** *RMB'000* **(unaudited)**	**Elimination** *RMB'000* **(unaudited)**	**Consolidated** *RMB'000* **(unaudited)**
Revenue						
External sales	494,258	517,756	90,674	1,102,688	–	1,102,688
Inter-segment sales	64,372	1,249	377	65,998	(65,998)	–
Total	558,630	519,005	91,051	1,168,686	(65,998)	1,102,688

Inter-segment sales are charged at prevailing market rates.

Result						
Segment profit	84,033	38,747	15,206	137,986	–	137,986
Unallocated expenses						(27,738)
Profit before taxation						110,248

For the six months ended 30 June 2010

	Optical components RMB'000 (unaudited)	Optoelectronic products RMB'000 (unaudited)	Optical instruments RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Elimination RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Revenue						
External sales	407,366	333,766	92,814	833,946	–	833,946
Inter-segment sales	44,735	1,393	69	46,197	(46,197)	–
Total	452,101	335,159	92,883	880,143	(46,197)	833,946

Inter-segment sales are charged at prevailing market rates.

Result						
Segment profit	55,329	11,475	17,649	84,453	–	84,453
Unallocated expenses						(18,433)
Profit before taxation						66,020

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, impairment recognised in respect of goodwill, impairment loss recognised in respect of intangible asset, share of result of an associate and finance costs.

4. OTHER INCOME

	Six months ended 30 June **2011** *RMB'000* **(unaudited)**	2010 *RMB'000* (unaudited)
Entrusted loans interest income	**22,604**	–
Government grants	**3,245**	3,217
Bank interest income	**2,184**	11,759
Mould income	**1,834**	890
Net income from sales of scrap materials	**303**	394
Others	**2,076**	1,503
Total	**32,246**	17,763

5. OTHER GAINS AND LOSSES

	Six months ended 30 June **2011** *RMB'000* **(unaudited)**	2010 *RMB'000* (unaudited)
Net foreign exchange loss	**3,466**	1,752
Net loss (gain) on disposal of property, plant and equipment	**191**	(590)
	3,657	1,162

6. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL

During the period ended 30 June 2011, the Group recognised an impairment loss of RMB4,071,000 in relation to goodwill arising on acquisition of Shanghai Sunny Hengping Scientific Co., Ltd. ("Shanghai Hengping") (the corresponding period in 2010: RMB8,097,000 recognised for goodwill arising on acquisition of Power Optics Co., Ltd.). The main factor contributing to the impairment of the cash-generating unit was the delay of new product line for the optical instrument product and that the sales from new products was not as good as expected. No write-down of the carrying amounts of other assets in the cash-generating unit was necessary.

The recoverable amount of this cash generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 15.1% (2010: 14%). Shanghai Hengping's cash flows beyond the five-year period are extrapolated using a steady 5% growth rate. This growth rate is based on the past few years growth trend of Shanghai Hengping and relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTANGIBLE ASSET

During the period ended 30 June 2011, the Group recognised an impairment loss of RMB5,391,000 (2010: Nil) in relation to patent owned by a subsidiary, Jiang Su Sunny Medical Instruments Co., Ltd. The main factor contributing to the impairment of the intangible asset was that the sales of products related to the patent did not get satisfactory response from market and was below management's expectation.

The recoverable amount of the cash generating unit containing the intangible asset has been determined based on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering the period up to the useful life of the patent, and discount rate of 15.1% (2010: 14%) Other key assumptions for the value in use calculations relate to the estimation are based on the unit's past performance and management's expectations for the market development.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
– The People's Republic of China (the "PRC") Enterprise Income Tax calculated at the prevailing tax rates	**23,642**	15,099
Deferred tax:		
– Current period	**(947)**	867
	22,695	15,966

For both periods of six months ended 30 June 2011 and 30 June 2010, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 12.5% to 25%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff's salaries and allowances	**175,868**	144,552
Staff's contribution to retirement benefit scheme	**12,268**	10,604
Share award scheme expense	**6,361**	1,983
Total staff costs	**194,497**	157,139
Auditor's remuneration	**1,115**	1,125
Depreciation of property, plant and equipment	**43,482**	43,071
Release of prepaid lease payments	**251**	251
Amortisation of an intangible asset	**2,317**	2,005
Allowance for bad and doubtful debts	**1,527**	2,003
Provision (reversal) of allowance for inventories	**3,732**	(442)

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit for the period attributable to owners of the Company and the weighted average number of shares 965,630,149 (2010: 990,118,000). The number of shares for both reporting periods have been arrived at after eliminating the shares of the Company held under the share award scheme as detailed in note 20.

The computation of diluted earnings per share for both reporting periods assume the effect of unvested awarded shares under the Company's share award scheme since their vesting would result in a decrease in earnings per share. The calculation is based on the profit for the period attributable to owners of the Company. The weighted average number of ordinary share for the purpose of diluted earnings per share for the current interim period increased by 7,991,650 (2010: 489,000) to approximately 973,621,799 (2010: 990,607,000).

11. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Final dividend paid for 2010 of RMB4.35 cents (2010: RMB2 cents for 2009) per share	**43,500**	20,000

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: nil).

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired manufacturing equipments and incurred construction of manufacturing plants of approximately RMB83 million in order to upgrade its manufacturing capabilities.

In addition, the Group disposed of certain of its plant and equipment with a carrying amount of approximately RMB11.6 million.

13. INTEREST IN AN ASSOCIATE

As at 30 June 2011, the Group held approximately 30.85% (31 December 2010: 26.16%) interest in Visiondigi (Shanghai) Technology Co., Ltd. (上海威乾視頻技術有限公司) ("Visiondigi") which was firstly acquired on 4 January 2010 at a consideration of approximately RMB20,050,000. The Group had made additional capital injection of approximately RMB3,085,000 for the six months ended 30 June 2011.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

The Group allows a credit period from 60 to 90 days to its trade customers. The following is an aged analysis of trade receivables by age, presented based on the invoice date and bill receivables at the end of the reporting period:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables		
Within 90 days	**322,959**	289,114
91 to 180 days	**12,793**	12,001
Over 180 days	**2,011**	889
	337,763	302,004
Bill receivables		
Within 90 days	**84,793**	92,367
91 to 180 days	**1,277**	22,122
	86,070	114,489
Other receivables and prepayment	**59,743**	37,878
	483,576	454,371

15. ENTRUSTED LOAN RECEIVABLES

The Group entered into entrusted loan arrangements with banks, in which the subsidiaries acted as the entrusting parties and the banks acted as the lenders to provide funding to specified borrowers. All of the entrusted loans are current and due within one year, bearing fixed interest rates which ranged from 5.5% to 11.6% per annum (2010: 4.6% to 17.5% per annum).

During the period, the Group has granted new entrusted loans amounting to RMB315,000,000 to third parties. In addition, RMB545,000,000 of the entrusted loan receivable has been settled.

At 30 June 2011, no entrusted loan receivables have been past due or impaired (2010: NIL). The entrusted loan receivables are guaranteed by respective banks. In the opinion of directors, the entrusted loan borrowers have good credit quality and accordingly, no impairment is considered necessary.

Subsequent to the reporting period, approximately RMB50,000,000 has been repaid.

16. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the six months ended 30 June 2011, the Group entered into several contracts of structured deposits with banks for a period from 8 days to 1 month. The structured deposits contain embedded derivatives which were not closely related to the host contract. The entire combined contracts have been designated as at financial assets at FVTPL on initial recognition. The return and principal were not guaranteed by the relevant banks and the return was determined by reference with the performance of underlying assets including debt instruments and treasury notes acquired by the banks. The expected return rate stated in the contracts were ranged from 4.3% to 5.2% per annum.

In the opinion of the directors, the fair value of the structured deposits at 30 June 2011 approximated their principal amounts. All the structured deposits have been settled after the reporting period ended 30 June 2011 at their principal amounts together with returns which approximated the expected return.

17. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period and the credit period taken for the trade purchases is typically within 90 days.

	30 June 2011 *RMB'000* **(unaudited)**	31 December 2010 *RMB'000* (audited)
Trade payables		
Within 90 days	**283,727**	283,481
91 to 180 days	**23,327**	16,397
Over 180 days	**603**	655
	307,657	300,533
Payables for purchase of property, plant and equipment	**17,318**	3,769
Staff salaries and welfare payables	**46,673**	62,673
Advance from customers	**7,459**	9,227
Value added tax payables and other tax payables	**4,638**	5,404
Deferred income	**1,000**	1,000
Others	**17,529**	15,077
	94,617	97,150
	402,274	397,683

18. BORROWINGS

During the period, the Group obtained new bank borrowings in the amount of approximately RMB49,290,000. The proceeds were used to meet short-term expenditure needs. Repayment of bank borrowings amounting to approximately RMB76,949,000 were made in accordance with the relevant repayment terms.

19. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*	**Equivalent to** *RMB'000*
Authorised:			
Ordinary shares of HK$0.1 each as of 1 January 2010, 31 December 2010, 1 January 2011 and 30 June 2011	100,000,000,000	10,000,000	
Issued & fully paid:			
Ordinary shares of HK$0.1 each as of 1 January 2010, 31 December 2010, 1 January 2011 and 30 June 2011	1,000,000,000	100,000	97,520

20. RESTRICTED SHARE AWARD SCHEME

The Company adopted The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme ("Restricted Share Award Scheme") on 22 March 2010 ("Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Restricted Share Award Scheme is to provide the selected participants including directors, employees, agents or consultants of the Company and its subsidiaries (the "Selected Participants") with an opportunity to acquire a proprietary interest in the Company; to encourage and retain such individuals to work with the Group; and to provide additional incentive for them to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Selected Participants directly to be the owners of the Company through ownership of shares. The Group has set up The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme Trust ("Trust") to administer and hold the Company's shares (the "Shares") before they are vested and transferred to Selected Participants.

Upon granting of shares to the Selected Participants ("Restricted Shares"), the Trust purchases the Company's shares being awarded from the open market with funds provided by the Company by way of contributions. Restricted Shares granted under the Restricted Share Award Scheme are subject to a vesting scale in tranches of one-third to one-fifth each (as the case may be) on every anniversary date of the grant date starting from the first anniversary date until the third to the fifth anniversary (as the case may be). The vested shares are transferred to Selected Participants at no cost except that the expenses attributable or payable in respect of the transfer of such shares of the Company shall be borne by the Selected Participants.

The grant of Restricted Shares is subject to acceptance by the Selected Participants. Restricted Shares granted to but not accepted by the Selected Participants shall become unaccepted shares. The Trustee may use any remainder of cash and non-cash income received by the Trust in respect of the Shares held upon trust to purchase additional Shares after defraying all expenses incurred by the Trust prior to the purchase of additional shares. The Trust shall hold the additional shares, unaccepted shares and unvested shares upon trust and may make any grant to existing or new Selected Participants after receiving instructions from the committee comprising the remuneration committee of the board of directors and the senior management of the Company including the Chief Executive Officer, the Company secretaries, the head of human resources department and the head of finance department.

The fair value of Restricted Shares awarded was determined based on the market value of the Company's shares at the grant date.

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

	Weighted average fair value (per share) *HKD*	No. of restricted shares *('000)*
As at 1 January 2010	–	–
Granted	1.637	33,560
As at 31 December 2010 and 1 January 2011	1.637	33,560
Lapsed	1.637	(1,186)
Vested	1.637	(7,695)
Granted	2.67	5,798
As at 30 June 2011	1.83	30,477

The equity-settled share-based payments charged to the profit or loss was RMB6,361,000 for the six months ended 30 June 2011 (the corresponding period of 2010: RMB1,983,000).

21. CAPITAL COMMITMENTS

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**35,015**	10,558

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading integrated optical components and products manufacturer in the People's Republic of China (the "PRC" or "China"). The Group is principally engaged in the design, research and development ("R&D"), manufacturing and sales of optical and optical-related products. Such products include optical components (such as glass spherical and aspherical lenses, plates, prisms, handset lens sets, vehicle lens sets and other various lens sets), optoelectronic products (such as handset camera modules, security cameras and other optoelectronic modules) and optical instruments (such as microscopes, optical measuring instruments and optical analytical instruments). We focus on the market of optoelectronic related products, such as handsets, digital cameras, vehicle imaging systems, security surveillance systems, optical measuring instruments and optical analytical instruments, which are combined with optical, electronic and mechanical technologies.

Save as disclosed in this announcement, there has been no material change in the development or future developments of the Group's business and financial position, and no important events affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 December 2010.

A. FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2011 was approximately RMB1,102.7 million, representing an increase of approximately 32.2% or approximately RMB268.7 million compared with the corresponding period of the previous year. The increase was mainly attributable to the benefit from business opportunities brought by the rapid growth of smartphones and 3G handsets and the increase in demand for consumer DSLR.

Revenue generated from the optical components business segment increased by approximately 21.3% to approximately RMB494.3 million compared with the corresponding period of the previous year. The increase was mainly attributable to the improvement in product mix, the increase in average selling price and the considerable increase in shipment volume for certain products.

Revenue generated from the optoelectronic products business segment increased by approximately 55.1% to approximately RMB517.7 million compared with the corresponding period of the previous year. The increase in revenue was also mainly attributable to the improvement in product mix and the increase in shipment volume.

Revenue generated from the optical instruments business segment decreased by approximately 2.3% to approximately RMB90.7 million compared with the corresponding period of the previous year. The decrease was mainly attributable to a special factor that there was a one-off bid-order from the Japanese Government in the corresponding period of the previous year. Excluding this factor, revenue generated from the optical instruments business segment increased by approximately 11.5% over the corresponding period of the previous year.

Gross profit and margin

The gross profit for the first half of financial year 2011 was approximately RMB235.6 million, and the gross margin improved to approximately 21.4%, which was 0.1 percentage point higher than that of the corresponding period of the previous year. This was mainly attributable to the improvement in product mix, higher capacity utilization rate of certain products as well as the effective implementation of “Lean Production”. The gross margin of optical components business segment, optoelectronic products business segment and optical instruments business segment were approximately 23.2%, 14.2% and 35.9% respectively (the corresponding period of 2010: 22.3%, 12.0% and 39.2% respectively).

Selling and distribution expenses

For the six months ended 30 June 2011, selling and distribution expenses increased by approximately 25.7% or approximately RMB5.3 million to approximately RMB25.9 million for the period under review, accounting for approximately 2.4% of the Group’s revenue, which was 0.1 percentage point lower than that of the corresponding period of the previous year. The increase in absolute value was primarily due to the increase in costs of selling, marketing and distribution personnel arising from the growth in sales activities.

R&D expenditure

R&D expenditure, which was kept under effective control to account for approximately 4.7% of the Group’s revenue during the period under review, increased from approximately RMB45.5 million for the six months ended 30 June 2010 to approximately RMB51.7 million for the corresponding period of 2011. The increase was attributable to the continuous investment in R&D activities and business development, including the research and development of high resolution handset lens sets and camera modules, vehicle lens sets, infrared products, security surveillance systems, mid- to high-end optical instruments and the R&D upgrading of existing product categories.

Administrative expenses

Administrative expenses, which reduced to account for approximately 5.7% of the Group’s revenue which was 1.4 percentage point lower than that of the corresponding period of the previous year, increased from approximately RMB49.8 million during the six months ended 30 June 2010 to approximately RMB63.1 million for the corresponding period of 2011, representing an increase of approximately 26.9%. The increase in overall expenses was mainly attributable to the increase in the headcount of administrative staff, the increase in remuneration, the grant of Restricted Shares and the corresponding increase in relevant fringe benefits.

Income tax expense

Income tax charge for the six months ended 30 June 2011 increased to approximately RMB22.7 million from approximately RMB16.0 million for the corresponding period of 2010. Such increase was mainly due to an increase in profits. The Group’s effective tax rate was approximately 20.6% for the first half of the year and 24.2% for the corresponding period of the previous year. In order to keep the effective tax rate steady in the future, the Group has successfully applied for the status of hi-tech enterprises for several PRC subsidiaries. The income tax rate applicable to hi-tech enterprises is 15% according to the national policy.

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

	2010	**2011**	**2012**	**2013**
*Zhejiang Sunny Optics Co., Ltd. ("Sunny Optics")	15.0%	15.0%	15.0%	15.0%
*Ningbo Sunny Instruments Co., Ltd. ("Sunny Instruments")	15.0%	15.0%	15.0%	15.0%
*Sunny Optics (Zhongshan) Co., Ltd. ("Sunny Zhongshan Optics")	12.5%	12.5%	15.0%	15.0%
*Ningbo Sunny Opotech Co., Ltd. ("Sunny Opotech")	12.5%	15.0%	15.0%	15.0%
Ningbo Sunny Infrared Technologies Company Ltd. ("Sunny Infrared")	25.0%	25.0%	25.0%	25.0%
#Shanghai Sunny Hengping Scientific Instrument Co., Ltd. ("Sunny Hengping")	15.0%	15.0%	15.0%	15.0%
Ningbo Sunny Automotive Optech Co., Ltd. ("Sunny Automotive Optech")	25.0%	25.0%	25.0%	25.0%
Suzhou Shun Xin Instruments Co., Ltd. ("Suzhou Shun Xin Instruments")	25.0%	25.0%	25.0%	25.0%
Jiangsu Sunny Medical Instruments Co., Ltd. ("Sunny Medical")	25.0%	25.0%	25.0%	25.0%
Sunny Optics (Tianjin) Co., Ltd. ("Sunny Tianjin Optics")	25.0%	25.0%	25.0%	25.0%
Hangzhou Sunny Security Technology Co., Ltd. ("Sunny Security")	25.0%	25.0%	25.0%	25.0%
Xinyang Sunny Optics Co., Ltd. ("Sunny Xinyang")	N/A	25.0%	25.0%	25.0%

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

\# *The Company was in the process of applying for a renewal of the qualification as a hi-tech enterprise as of 30 June 2011.*

Profit for the Period and Margin

Profit for the period increased by approximately 74.9% from approximately RMB50.1 million for the six months ended 30 June 2010 to approximately RMB87.6 million for the same period of 2011. The increase in net profit was mainly due to the increase in gross profit and effective control in operating expenses. The net profit margin was approximately 7.9%.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately RMB91.5 million, representing an increase of approximately RMB36.7 million or approximately 67.0% as compared with approximately RMB54.8 million for the corresponding period of last year.

Interim Dividend

For the year ended 31 December 2010, the dividend proposed by the Board was approximately RMB0.0435 (equivalent to HK$0.051) per share, with payout ratio of approximately 30.2% of the profit attributable to Owners of the Company for the year. Such dividend was paid to shareholders in May 2011.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (corresponding period of 2010: nil).

B. BUSINESS REVIEW

In the first half of 2011, demand for consumer goods revived gradually along with the modest recovery in the global economy. Although the global consumer electronic market was hit to some extent by the earthquake that struck northeastern Japan in March, thanks to the recovery in production ability of the manufacturers in the disaster-stricken area that was better than expected, the overall market recovered gradually within a few months after the calamity. So far as the Group is concerned, up to the publication date of this interim results, the earthquake in Japan has not caused any significant impact on the Group directly. This was mainly due to the fact that neither the main production areas of the Group's Japanese customers nor the raw material suppliers are situated in the main earthquake-stricken area, and the Group had sufficient inventories.

During the period under review, smartphones, 3G mobile phones and Digital Single Lens Reflex ("DSLR") cameras in the consumer electronic market saw a lively market and thus recorded a satisfactory growth. In the first half of 2011, global shipments of smartphones and DSLR camera were approximately 200 million units (source: IDC) and approximately 6.75 million units (source: CIPA) respectively.

During the period under review, the Group continued to follow the guidelines of "Speed Up Transformation and Upgrade" issued by the Board, by actively penetrating into new markets, improving internal management standards and strengthening the development of products and technologies continuously. During the period under review, all our initiatives achieved their intended effects. All of the Group's three major business segments – optical components, optoelectronic products and optical instruments performed well as a whole, and continued the growth. Both the customer base and product mix have been improved, resulting in an increase in sales revenue and gross margin as compared with the same period of the previous year. At the same time, the Group has started the construction of the production base in Xinyang of Henan Province to further implement the industrial transfer strategy.

During the period under review, our three major business segments have upgraded their respective existing products in R&D and further improved their processing technology standards with a view to further strengthening their R&D capabilities and consolidating their technical leadership in the respective industries. In addition, given the rapid expansion of the emerging optical application fields, the Group kept pace with the market needs by conducting R&D on the relevant products with focus. For optical components business segment, the production for 5-mega and 8-mega pixel handset lens sets has commenced; the mass production for various new vehicle lens sets has commenced; the R&D on various infrared lens sets for vehicles and security surveillance has been completed; the development for several types of micro-projectors and engines has been accomplished; the mass production for glass aspheric lenses with several cavities per mold has commenced; the application of plastic injection molding technology with narrow runway was already in full swing; automatic production and inspection technology for lens sets was further developed and applied. In respect of the optoelectronic products business segment, the development of 12-mega pixel handset camera modules has been accomplished; security surveillance products have entered the R&D upgrading process and the market operation model of which was preliminarily established. In respect of the optical instruments business segment, R&D upgrade for a number of high-end microscopes, analytical and measuring instruments has been accomplished. In addition, typical sales have been made in areas concerning environmental protection and food safety, which laid a solid foundation for further expansion of optical instrument market. Currently, the Group owns 131 issued patents and 45 patents are pending for approval.

During the period under review, the Company has been added to Morgan Stanley Capital International ("MSCI") Global Small Cap Indices – China Index. Inclusion into the MSCI Global Small Cap Index will help investors to better assess the Group's future potential.

The Group has received numerous honours during the period under review. Ningbo Sunny Instruments Co., Ltd, one of the subsidiaries, was granted the "Certificate of Prestigious Product in Zhejiang Province" by Zhejiang Bureau of Quality and Technical Supervision in January 2011, which represented the excellent quality and good reputation of microscopes produced by the Group, and built up the brand presence for further exploring the domestic market; Zhejiang Sunny Optics Co., Ltd., a subsidiary of the Company, was awarded the medal of "Zhejiang Delicacy Management Model Enterprise" by the Economic and Information Technology Committee of Zhejiang Province to recognize the Group's achievements in driving forward the delicate production over the past two years. In addition, the Group was honoured with the title of "Pioneering and Innovative Complex Model Enterprise" in the 2010 Ningbo Ranking for pioneering and innovative enterprises, which was described as the "Oscar" selection for Ningbo economy. This award is designed to honour the best-performing enterprises in implementing the pioneering and innovative strategy. Being awarded this title validates the Group's vigorous efforts in promoting in-house innovation and speeding up transformation and upgrading and advancing scientific developments during the last year.

Optical Components

The optical components business segment benefited from the increase in market demands for handset lens sets and digital camera lenses and lens assemblies and thus recorded strong growth. During the period, sales income of this business segment was approximately RMB494.3 million, representing an increase of approximately 21.3% as compared with the corresponding period of last year. This business segment accounted for approximately 44.8% of the Group's revenue as compared with approximately 48.9% in the corresponding period of last year.

With the increasing demand for high resolution handset lens sets, the product mix of optical components business segment was improved. The optical lens set department under the optical components business segment has started to promote the automatic lens set testing process, which played an important role in providing stable output of high resolution products and was more able to meet the needs of high quality products by international branded customers, and significantly improved production efficiency and reduced labor costs. As for handset lens set business, the proportion of 2-mega pixel or above products increased to approximately 55.4% of the total shipment volume from approximately 36.9% for the corresponding period of last year.

During the period under review, the Group has obtained mass production qualifications from Sharp and Nokia, whereby its handset lens sets successfully entered into the supply chain of Nokia and started bulk shipment since the second quarter of this year and has thereby become one of the handset lens set suppliers for Nokia. Furthermore, the Group also entered into a long term cooperative agreement with Samsung Electronics Corporation to establish a strategic partnership. After the execution of the above agreement, Samsung Electronics will provide the necessary technical support to the Group and will cooperate with the Group in areas such as lenses and lens assemblies for digital cameras (including DSLR cameras). The long term cooperation between both parties will further enhance the strengths of the Group in lens sets and module assemblies, which will add new impetus to the Group's transformation and upgrade.

Optoelectronic Products

Benefiting from the rapid development of domestic branded smartphones and 3G handsets in the PRC, the domestic demand for handset lens sets increased, and thus the Group's handset camera module business realized significant growth. Revenue from optoelectronic products business segment for the six months ended 30 June 2011 amounted to approximately RMB517.7 million, representing an increase of approximately 55.1% over the corresponding period of last year. This business segment accounted for approximately 47.0% of the Group's revenue as compared with approximately 40.0% in the corresponding period of last year.

During the period, the shipment volume of modules with 2-mega pixel or above increased to approximately 45.2% of the total shipment volume of handset camera modules from approximately 36.3% in the corresponding period of last year. The successful mass production of 5-mega and 8-mega pixel handset camera modules with auto-focus function, together with the invention patented "particle-resistant gluing technique for handset camera modules with high resolution" and our outstanding high resolution products, allowed the Group to maintain its leading position as the supplier for domestic 3G handset and smartphone manufacturers. At the same time, reflow handset camera modules, which enjoyed cost advantages and were applicable to front cameras of smartphones, have commenced mass production.

Optical Instruments

The revenue from our optical instruments business segment slightly decreased to approximately RMB90.7 million, representing a decrease of approximately 2.3% over the corresponding period of last year. The decrease was mainly due to an one-off Japanese bid-order of approximately RMB11.5 million obtained in the corresponding period of last year. This business segment accounted for approximately 8.2% of the Group's total revenue compared with approximately 11.1% for the corresponding period of last year.

During the period under review, this business segment has been developing several kinds of mid- to high-end microscopes, high-end analytical instruments, and upgrading high-end measuring instruments. This will strengthen the foundation for future development of optical instruments business segment.

Production

The Group mainly operates from four production bases in Yuyao City of Zhejiang Province, Zhongshan of Guangdong Province, Shanghai and Tianjin in the PRC respectively. Meanwhile, the Group has also set up offices and production areas in Seoul of Korea and Singapore through its subsidiaries, namely Power Optics Co., Ltd. and Sunny Instruments Singapore Pte. Ltd. In addition, during the period under review, the Group has commenced the construction plan of the new production base in Xinyang of Henan Province, and intends to produce glass spherical lenses and plane products at that production base.

C. OUTLOOK AND FUTURE STRATEGIES

During the period under review, the Group achieved a favorable business performance. The Group stays positive towards its operations for the whole year as it did at the beginning of the year in spite of some uncertainties in the global economy. The Group will integrate its internal and external resources to leverage its competitive advantages within the industries, and continue to implement the development strategies adopted at the beginning of the year in order to maintain the favourable development trend extending from the first half of 2011.

1. Continue to be dedicated to and focused on the existing industries

According to Gartner, a global information technology research and consultant firm, the total shipment volume of the global smartphone market in 2011 is expected to reach 468 million units, representing an increase of 57.7% as compared to the corresponding period of 2010. As for digital cameras, according to MIC, a market research institute of information and communication technologies, the total shipment volume of the global DSLR camera market in 2011 is expected to reach 11.5 million units, representing an increase of 15.0% as compared to the corresponding period of 2010. With the rapid development of mobile broadband networks in the PRC and the growing popularity of smartphones, high resolution handset lens sets and camera modules will become cornerstones in the handset production chain. As one of the major suppliers who engaged in the supply of handset lens sets, handset camera modules and lenses for digital cameras, the Group will seize the development opportunities brought by the existing industrial chains.

The Group will continue to strengthen its effective marketing strategies implanted in the first half of the year and reinforce its close cooperation with its existing customers so as to become their most valuable supplier. The Group will adhere to expand its international brand customer base so as to pave the way for the accelerated development in the next two years. As for the R&D of products and production technologies, the Group will continue to increase its investment to maintain its advantageous position in the industries. At the same time, the Group will integrate its internal and external resources and speed up the construction of its production base in Henan Province, so as to transfer part of its production capacity to that region according to the plan.

2. **Continue to accelerate the development of new businesses**

The Group will continue to strengthen the construction of the organization, manpower and systems of its new businesses, and inject more resources in developing the new businesses, so as to further promote the strategic transformation of the Group.

According to IDC, a market research institution, turnover of the domestic video security surveillance market in 2011 is expected to increase by 26.0% to US$54.3 billion as compared with the corresponding period of last year. In addition, Techno System Research forecasts that the global demand for vehicle camera modules in 2011 is expected to increase by 38.7% to 11.5 million units as compared with the corresponding period of last year. All these will provide positive support towards the Group's continuous development of security surveillance and vehicle-related products. As for the booming vehicle-related optical business, the Group will optimize its business footprint in key areas and consider to set up additional marketing offices in these areas. The Group will continue to promote the commercialization of its security surveillance products, and seize growing opportunities in the domestic market and to become China's leading mid- to high-end security surveillance product supplier. As for infrared product business, the Group will continue to expand new applications in the civilian area, so as to maximize its product superiority. The Group will also strengthen the R&D of its optical instruments, with an aim to build our mid- to high-end optical instruments to become the number one domestic brand.

3. **Continue to carry out "Management Innovation"**

During the first half of 2011, "Management Innovation" carried by the Group has achieved remarkable results. In the second half of the year, the Group will continue to work towards the "Management Innovation" goal for the whole year based on the relevant policies implemented in the first half of the year. The Group will continue to implement "Lean Production", and fully operate the SAP system to improve its operational efficiency and quality. The Group will continue to adopt the restricted share awards scheme, implement the "Length of Service Allowance" system, as well as to improve the appraisal system, training system and remuneration system, with an aim to stabilize the core workforce.

In conclusion, in 2011, the Group will adhere to its transformation and upgrading policies by leveraging on its existing industrial strength and accelerating the development of new businesses with a view to achieve industrial upgrade, and to achieve management upgrade by strengthening the building of its management system, so as to lay a solid foundation for future full-scale transformation of the Group.

D. LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summaries the Group's cash flows for the six months ended 30 June 2010 and 30 June 2011.

	For the six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Net cash from operating activities	**47.3**	49.1
Net cash from (used in) investing activities	**146.1**	(126.4)
Net cash (used in) from financing activities	**(83.5)**	3.6

The Group, being a self-sufficient company, derives its working capital mainly from net cash generated from operating and investing activities. The Board expects that the Group will rely on net cash from operating activities and the net proceeds from the global offering to meet its working capital and other capital expenditure requirements in the near future. In the long run, the Group will be funded by net cash from operating activities and, if necessary, by additional equity financing or bank borrowings.

The Group recorded a net inflow of cash and cash equivalent of approximately RMB109.9 million for the six months ended 30 June 2011.

Capital Expenditure

For the six months ended 30 June 2011, capital expenditure of the Group amounted to approximately RMB94.7 million, which was mainly spent on expanding production capacity of existing products, initializing capacities for new products and setting up a new production base in Henan Province. All of the capital expenditure was financed by internal resources.

E. CAPITAL STRUCTURE

Indebtedness

Borrowings

Bank loans of the Group as of 30 June 2011 amounted to approximately RMB86.4 million (2010: approximately RMB113.0 million). Pledged bank deposit amounting to approximately RMB48.0 million was arranged (2010: approximately RMB76.2 million).

As of 30 June 2011, among all of the bank loans, approximately RMB36.5 million were denominated in Korean Won, approximately RMB3.7 million were denominated in Japanese Yen, while approximately RMB46.2 million were denominated in U.S. Dollars. The gearing ratio of the Group by reference to the total debt to total book capitalization ratio (with total book capitalization representing the sum of total liabilities and shareholders' equity) was approximately 4.1%, reflecting that the Group's financial position was at a sound level.

Bank facilities

As of 30 June 2011, the Group had unutilized banking facilities of RMB240.0 million with Yuyao Branch of Agricultural Bank of China and RMB55.0 million with Yuyao Branch of Bank of Ningbo.

Debt securities

As of 30 June 2011, the Group did not have any debt securities.

Contingent liabilities

As of 30 June 2011, the Group did not have any material contingent liabilities or guarantees.

F. PLEDGE OF ASSETS

As of 30 June 2011, the Group did not have any pledge or charge on assets except the pledged bank deposits of RMB48.0 million.

Capital commitments

As of 30 June 2011, the Group had capital commitment in respect of acquisition of property, plant and equipment amounted to approximately RMB35.0 million (2010: approximately RMB10.6 million).

As of 30 June 2011, the Group had no other capital commitments save as disclosed herein.

G OFF-BALANCE SHEET TRANSACTIONS AND CONTINGENT LIABILITIES

As of 30 June 2011, the Group did not enter into any material off balance sheet transactions.

H. PERFORMANCE OF INVESTMENTS MADE AND FUTURE INVESTMENTS

The Group's investment activities mainly include the purchase of property, plant and equipment. During the six months ended 30 June 2011, the Group used approximately RMB104.3 million in investment activities, which mainly related to expanding production capacity of existing products, initializing capacities for new products and setting up a new production base in Henan Province. These investments enhanced the capabilities of our R&D and technology applications as well as production efficiency, and thus broaden the sources of revenue.

The proceeds from the Global Offering amounted to approximately RMB745.1 million, of which approximately RMB698.0 million had been used by the Company and the unutilized proceeds were placed with financial institutions as short term deposits. No substantial acquisition and large investment plan is intended for the year of 2011.

I. EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 9,439 dedicated full time employees as of 30 June 2011, including 1,886 management and administrative staff, 7,381 production staff and 172 operation supporting staff. In line with the Group's and individual performance, a competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund scheme for employees in Hong Kong and state-managed retirement benefit scheme for employees in the PRC. The Group has also adopted a share option scheme and a restricted share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution and enhancing their devotion to the Group. For the six months ended 30 June 2011, no share option was granted or agreed to be granted by the Group under the share option scheme. As of 30 June 2011, a total of 39,358,000 Restricted Shares have been offered to eligible participants in accordance with the restricted share award scheme.

OTHER INFORMATION

A. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable Companies Law of the Cayman Islands and the Articles of the Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale, redemption or writing-off by the Company or any of its subsidiaries with the exception of restricted share award scheme trustees, of the Company's listed shares during the six months ended 30 June 2011.

B. SHARE OPTION SCHEME

On 25 May 2007, the Company adopted the Share Option Scheme (the "Scheme") with the aim of providing incentives and rewards to eligible participants who contribute to the success of the Company. Eligible participants of the Scheme include, without limitation, employees, Directors and shareholders of the Group. Up to 30 June 2011, no share option has been granted or agreed to be granted to any person or exercised by any person under the Scheme.

C. RESTRICTED SHARE AWARD SCHEME

On 22 March 2010 (the "Adoption Date"), the Board has adopted the restricted share award scheme (the "Restricted Share Award Scheme"). Pursuant to the Restricted Share Award Scheme, the Directors, all employees, senior staff, agents and consultants of the Company and its subsidiaries are entitled to participate in this scheme. The purpose of the Restricted Share Award Scheme is to assist the Company in attracting new talents as well as motivating and retaining its current staff. The Restricted Share Award Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years and be managed by its administrative committee and the trustee.

Pursuant to the Restricted Share Award Scheme, the Company shall transfer cash to the trustee from time to time for the acquisition of Shares (the "Restricted Shares") to be held upon trust for the benefits of the selected participants. Restricted Shares granted to the selected participants are subject to restrictions and limitations and will become unrestricted upon vesting at the end of each vesting period. No Restricted Shares will be granted under the scheme if the number of shares granted at any time during the scheme period has exceeded 10% of 1,000,000,000 issued shares of the Company as at the Adoption Date (i.e., 100,000,000 Shares). Vested shares shall be transferred at no cost to the selected participants. Details of the Restricted Share Award Scheme and the Restricted Shares awarded thereunder are set out in note 20 of the condensed consolidated financial statements.

Details of movements of the Restricted Shares under the Restricted Share Award Scheme for the six months ended 30 June 2011 are as follows:

Date of grant	Fair value of each Restricted Share (Note) HK$	Number of Restricted Shares					Vesting period
		1 January 2011	Granted During the period	Vested During the period	Lapsed the period	30 June 2011	
7 May 2010	1.637	33,560,000	–	(7,695,500)	(1,186,000)	24,678,500	From 6 May 2014 to 6 May 2015
14 March 2011	2.67		5,798,000			5,798,000	From 13 March 2014 to 13 March 2015
		33,560,000	5,798,000	(7,695,500)	(1,186,000)	30,476,500	

Note: The fair value of the Restricted Shares was calculated based on the closing price per share on the date of grant.

During the six months ended 30 June 2011, 5,798,000 Restricted Shares were granted to eligible participants pursuant to the Restricted Share Award Scheme. 7,695,500 Restricted Shares were vested and 1,186,000 Restricted Shares lapsed during the year. As of 30 June 2011, the number of Restricted Shares granted under the Restricted Share Award Scheme, except for those lapsed, amounted to 39,358,000 Restricted Shares, representing approximately 3.936% of the issued shares of the Company as at the Adoption Date.

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

D. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS

As of 30 June 2011, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance, Cap 571 of the Laws of Hong Kong ("SFO"), or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Long/short position	Type of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding
Sun Xu Limited ("Sun Xu")	Long position	Beneficial owner	421,460,060	42.15%
Sun Ji Limited ("Sun Ji")	Long position	Interest in a controlled corporation *(Note 1)*	421,460,060	42.15%
Mr. Wang Wenjian	Long position	Beneficial owner *(Note 2)*	2,160,000	0.22%
	Long position	Interest in a controlled corporation, and trustee and one of beneficiaries of a trust *(Note 3)*	421,460,060	42.15%
	Long position	Trustee of a trust *(Note 4)*	8,200,000	0.82%
Equity Trust (HK) Limited	Long position	Interest in a controlled corporation and trustee of a trust *(Note 5)*	421,460,060	42.15%
Mr. Ye Liaoning	Long position	Beneficial owner *(Note 6)*	918,000	0.09%
	Long position	Beneficiary of a trust *(Note 7)*	421,460,060	42.15%
Mr. Sun Yang	Long position	Beneficial owner *(Note 8)*	918,000	0.09%
	Long position	Beneficiary of a trust *(Note 9)*	421,460,060	42.15%
Summit Optical Holdings Inc ("Summit")	Long position	Beneficial owner	127,332,408	12.73%
Chengwei Ventures Evergreen Fund, L.P.	Long position	Beneficial owner *(Note 10)*	146,351,912	14.64%
IGC Asia Cooperatiel U.A. ("IGC")	Long position	Beneficial owner *(Note 11)*	61,363,296	6.14%

Notes:

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

(2) Mr. Wang Wenjian is taken to be interested as a grantee of 2,160,000 Restricted Shares granted under the Restricted Share Award Scheme.

(3) As Mr. Wang Wenjian is the sole shareholder of Sun Guang Limited and one of the two trustees (together with Equity Trust (HK) Limited) and one of the beneficiaries of the Sunny Employee Trust, Mr. Wang Wenjian is deemed to be interested in the 421,460,060 shares held by Sun Xu under the provisions of SFO.

(4) As Mr. Wang Wenjian is the trustee of the PRC Investor Trust, Mr. Wang Wenjian is deemed to be interested in the 8,200,000 shares held by Sun Zhong Limited under the provisions of SFO.

(5) As Equity Trust (HK) Limited is one of the two trustees (together with Mr. Wang Wenjian) of the Sunny Employee Trust, Equity Trust (HK) Limited is deemed to be interested in the 421,460,060 shares held by Sun Xu under the provisions of SFO.

(6) Mr. Ye Liaoning is taken to be interested as a grantee of 918,000 Restricted Shares granted under the Restricted Share Award Scheme.

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

(8) Mr. Sun Yang is taken to be interested as a grantee of 918,000 Restricted Shares granted under the Restricted Share Award Scheme.

(9) Mr. Sun Yang is a beneficiary under the Sunny Employee Trust, under which he is entitled to 0.84% of the beneficial interests. As a beneficiary of the trust, he is deemed to be interested in all the equity interest that Sunny Employee Trust owns under the SFO. Sun Ji owns 92.32% equity interest in Sun Xu, which in turn owns 421,460,060 shares of the Company. As a controlling shareholder, Sun Ji is deemed to be interested in all the shares that Sun Xu owns under the SFO. Accordingly, Mr. Sun Yang is deemed to be interested in 421,460,060 shares under the SFO.

(10) CWI Optical Holdings, Inc. ("CWI") is interested in 19,019,504 shares. As Chengwei Ventures Evergreen Fund, L.P. owns more than one third of the voting power of general meetings of each of CWI and Summit, Chengwei Ventures Evergreen Fund, L.P. is deemed to be interested in the 146,351,912 shares held by CWI and Summit in aggregate under the SFO.

Chengwei Ventures Evergreen Management, LLC is the general partner of Chengwei Ventures Evergreen Fund, L.P., accordingly, Chengwei Ventures Evergreen Management, LLC is deemed to be interested in 146,351,912 shares under the SFO.

EXL Holdings, LLC owns more than one-third of the voting power of general meetings of Chengwei Ventures Evergreen Management, LLC and EXL Holdings, LLC is a company controlled by Mr. Li Eric Xun, accordingly, each of EXL Holdings, LLC and Mr. Li Eric Xun is deemed to be interested in 146,351,912 shares under the SFO.

(11) IGC is interested in 61,363,296 shares.

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

As Knul and Alice Wallenberg Foundation owns more than one-third of the voting shares in Investor AB, it is also deemed to be interested in 61,363,296 shares under the SFO.

Definition of terms:

– "Equity Trust (HK) Limited" refers to the additional trustee of the Sunny Employment Trust appointed pursuant to the Deed of Appointment of Additional Trustee dated 2 July 2011

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

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

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

Save as disclosed above, as of 30 June 2011, no other shareholder of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

As of 30 June 2011, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Director	Name of Corporation	Long/short position	Capacity/Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding
Mr. Wang Wenjian	The Company	Long position	Trustee *(Note 1)*	8,200,000	0.82%
	The Company	Long position	Trustee and Beneficiary of a trust *(Note 2)*	421,460,060	42.15%
	The Company	Long position	Beneficial owner *(Note 3)*	2,160,000	0.22%
Mr. Ye Liaoning	The Company	Long position	Beneficiary of a trust *(Note 4)*	421,460,060	42.15%
	The Company	Long position	Beneficial owner *(Note 5)*	918,000	0.09%
Mr. Sun Yang	The Company	Long position	Beneficiary of a trust *(Note 6)*	421,460,060	42.15%
	The Company	Long position	Beneficial owner *(Note 7)*	918,000	0.09%

Notes:

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

(2) Mr. Wang Wenjian is one of the two trustees (together with Equity Trust (HK) Limited) and one of the beneficiaries of the Sunny Employee Trust. The Sunny Employee Trust is a trust on the entire issued share capital of Sun Ji. Sun Ji owns 92.32% equity interest in Sun Xu, which in turn owns 42.15% of the issued share capital of the Company. Accordingly, Mr. Wang Wenjian is deemed to be interested in 421,460,060 shares under the SFO.

(3) Mr. Wang is taken to be interested as a grantee of 2,160,000 Restricted Shares granted under the Restricted Share Award Scheme.

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

(5) Mr. Ye is taken to be interested as a grantee of 918,000 Restricted Shares granted under the Restricted Share Award Scheme.

(6) Mr. Sun Yang is a beneficiary under the Sunny Employee Trust, under which he is entitled to 0.84% of the beneficial interests. As a beneficiary of the trust, he is deemed to be interested in all the equity interest that Sunny Employee Trust owns under the SFO. Sun Ji owns 92.32% equity interest in Sun Xu, which in turn owns 421,460,060 shares of the Company. As a controlling shareholder, Sun Ji is deemed to be interested in all the shares that Sun Xu owns under the SFO. Accordingly, Mr. Sun Yang is deemed to be interested in 421,460,060 shares under the SFO.

(7) Mr. Sun is taken to be interested as a grantee of 918,000 Restricted Shares granted under the Restricted Share Award Scheme.

Other than as disclosed above, none of the Director and chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as of 30 June 2011.

F. CORPORATE GOVERNANCE

Code of Corporate Governance Practices

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability and to maximise the shareholders' benefits.

For the six months ended 30 June 2011, the Company complied with all the principles and code provisions and most of the recommended best practices of the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rule").

With effect from 21 July 2009, Mr. Wang Wenjian, as the existing Chairman of the Company, had been re-designated as Chief Executive Officer and Chairman of the Company.

The Directors note that the above re-designation deviates from the Corporate Governance Code, which suggests that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

In this regard, the Company will comply with the disclosure requirements under Appendix 14 to the Listing Rules. Whilst the Directors fully recognize the importance of the division of responsibilities between the Chairman and the Chief Executive Officer, the Board, after thorough considerations, is of the opinion that given the expertise and experience of Mr. Wang Wenjian, the re-designation and reallocation of responsibilities could assist to alleviate the negative impacts of the instable economic conditions on the developments of the Group and better apply the Group's strategy consistently. As of 30 June 2011, the audit committee, the remuneration committee, the nomination committee and the strategy and development committee have been established with their respective terms of reference in force.

Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules, and after having made specific enquiries with regard to securities transactions after the Global Offering by the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the period ended 30 June 2011.

G. AUDIT COMMITTEE

The audit committee comprises of 2 independent non-executive Directors, namely, Mr. Zhang Yuqing as Committee Chairman and Mr. Chu Peng Fei Richard, and 1 non-executive Director namely Mr. Sha Ye. The audit committee and the Company's external auditors have reviewed and discussed matters relating to auditing, internal controls and financial statements, including a review of the unaudited financial statements for the six months ended 30 June 2011.

H. INVESTOR RELATIONS AND COMMUNICATIONS

The Company recognises the importance of the shareholders' right to understand its businesses and prospects, and therefore has always taken a proactive approach to communicate with the investment community, including institutional investors and retail investors.

Newsletter is sent to investors every month to improve the Group's transparency. Immediately after the annual results announcement in March, the Company held a results announcement conference and a couple of one-on-one meetings in Hong Kong. In May, the Company held its Annual General Meeting. In addition, the Company participated in the Industries Selected Strategy Conference in 2011 hosted by Guoyun Securities (Hong Kong) Company Limited in Jiangsu in January and held the non-deal roadshows in Shanghai and Hong Kong in March and May respectively. In late June, the Company also held a reverse roadshow in the PRC headquarter, in order to maintain close relationship with the investors.

Shareholders of the Company are recommended to visit the Company's website (www.sunnyoptical.com) from time to time, where up-to date information of the Group can be accessed.

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

China, 18 August 2011

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