SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED
舜 宇 光 學 科 技（集 團）有 限 公 司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2382)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

RESULTS HIGHLIGHTS

- Achieved impressive revenue growth of 53.4% year-on-year to RMB1,381.9 million
- Gross profit margin remained stable at 27.3%, as compared to 27.5% for 2006
- Net profit attributable to equity holders rose 92.3% to RMB225.4 million
- Further broadened international customer base, with Samsung as the largest customer, accounting for 12.0% of revenue
- Ranked as one of the "China Best SMEs 2008" by *Forbes*
- Proposed a final dividend of RMB0.021 (equivalent to approximately HK$0.022) per ordinary share

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Sunny Optical Technology (Group) Company Limited ("Sunny" or the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007, together with the comparative figures for the corresponding period for 2006 as follows:

Consolidated Income Statement
For the year ended 31 December

	2007	2006
	RMB'000	*RMB'000*
Revenue	**1,381,865**	900,698
Cost of sales	**(1,005,268)**	(652,917)
Gross profit	**376,597**	247,781
Other income	**46,063**	4,965
Selling and distribution expenses	**(32,942)**	(19,087)
Research and development expenditure	**(28,535)**	(12,310)
Administrative expenses	**(121,093)**	(55,723)
Discount on acquisition of additional interest in subsidiaries	**—**	3,408
Loss on disposal of a subsidiary	**—**	(136)
Finance costs	**(3,795)**	(2,913)
Profit before taxation	**236,295**	165,985
Income tax charge	**(10,424)**	—
Profit for the year	**225,871**	165,985
Attributable to:		
Equity holders of the Company	**225,436**	117,158
Minority interests	**435**	48,827
	225,871	165,985
Dividends		
Dividends declared	**—**	103,215
Final dividends proposed of RMB0.021 (equivalent to approximately HK$0.022) per ordinary share	**21,000**	—
Earnings per share — Basic	**RMB0.25**	RMB0.20

Consolidated Balance Sheet
At 31 December

	2007 *RMB'000*	2006 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**401,142**	301,890
Prepaid lease payments	**20,264**	10,848
Available-for-sale investments	**7,511**	—
Goodwill	**12,077**	—
	440,994	312,738
CURRENT ASSETS		
Inventories	**134,988**	108,342
Trade and other receivables	**378,252**	202,295
Prepaid lease payments	**502**	271
Amounts due from related parties	**2,298**	862
Available-for-sale investments	**66,188**	—
Pledged bank deposits	**1,690**	609
Bank balances and cash	**543,689**	160,275
	1,127,607	472,654
CURRENT LIABILITIES		
Trade and other payables	**265,225**	160,853
Dividends payable	**—**	236,009
Amounts due to related parties	**5,661**	33,648
Tax payable	**2,670**	—
	273,556	430,510
NET CURRENT ASSETS	**854,051**	42,144
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,295,045**	354,882
CAPITAL AND RESERVES		
Share capital	**97,520**	101
Reserves	**1,191,295**	354,776
Attributable to:		
Equity holders of the Company	**1,288,815**	354,877
Minority interests	**6,230**	5
	1,295,045	354,882

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 21 September 2006 as an exempted company under the Companies Law Chapter 21 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands and its shares have been listed on the Stock Exchange 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. The address of the registered office is located at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681 GT, George Town, Grand Cayman, British West Indies and its place of business is located at Unit 603, 6th Floor, Grand City Plaza, 1–17 Sai Lau Kok Road, Tsuen Wan, New Territories, Hong Kong. Under a group reorganisation scheme to rationalise the structure of the Group in preparation for the Listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 24 October 2006. Details of the group reorganisation were set out in the prospectus issued by the Company, dated 4 June 2007.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

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

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. The relevant comparative information based on the requirements of HKFRS 7 has been presented for the first time in current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

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

3. REVENUE AND SEGMENTAL INFORMATION

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts received and receivable for goods sold to outside customers, less returns and discount, if any, and net of value-added tax during the year.

Business segment

For management purposes, the Group is organised into three operating divisions — optical components, optoelectronic products and optical instruments. These divisions are the basis on which the Group reports its primary segment information.

	2007	2006
	RMB'000	*RMB'000*
Revenue		
— Optical components	**515,219**	309,259
— Optoelectronic products	**738,194**	468,016
— Optical instruments	**128,452**	123,423
	1,381,865	900,698
Segment results		
— Optical components	**99,161**	66,254
— Optoelectronic products	**116,371**	59,546
— Optical instruments	**26,202**	34,861
	241,734	160,661
Unallocated income	**46,063**	4,965
Unallocated corporate expenses	**(47,707)**	—
Discount on acquisition of additional interest in subsidiaries	**—**	3,408
Loss on disposal of a subsidiary	**—**	(136)
Finance costs	**(3,795)**	(2,913)
Profit before taxation	**236,295**	165,985
Income tax charge	**(10,424)**	—
Profit for the year	**225,871**	165,985

	2007	2006
	RMB'000	*RMB'000*
Other information		
Capital additions		
— Optical components	**104,393**	112,075
— Optoelectronic products	**28,624**	10,729
— Optical instruments	**22,004**	2,451
	155,021	125,255
Depreciation of property, plant and equipment:		
— Optical components	**47,184**	32,833
— Optoelectronic products	**3,710**	1,832
— Optical instruments	**3,461**	2,770
	54,355	37,435
(Gain) loss on disposal of property, plant and equipment:		
— Optical components	**(121)**	53
— Optoelectronic products	**7**	3
— Optical instruments	**(12)**	(18)
	(126)	38
Allowance for inventories:		
— Optical components	**18**	1,578
— Optoelectronic products	**2,851**	—
— Optical instruments	**765**	147
	3,634	1,725

Balance sheet

	2007	2006
	RMB'000	*RMB'000*
Assets		
Segment assets		
— Optical components	**567,203**	433,027
— Optoelectronic products	**267,864**	133,550
— Optical instruments	**114,315**	57,931
	949,382	624,508
Unallocated corporate assets	**619,219**	160,884
Consolidated total assets	**1,568,601**	785,392
Liabilities		
Segment liabilities		
— Optical components	**141,327**	112,991
— Optoelectronic products	**94,330**	21,915
— Optical instruments	**33,167**	26,308
	268,824	161,214
Unallocated corporate liabilities	**4,732**	269,296
Consolidated total liabilities	**273,556**	430,510

Geographical segments

The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods:

	2007	2006
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**746,480**	327,459
Hong Kong	**406,527**	337,522
Japan	**117,626**	83,374
Taiwan	**8,442**	37,736
Others *(Note)*	**102,790**	114,607
	1,381,865	900,698

Over 90% of the Group's assets are located in the PRC. Accordingly, no geographical segment analysis of segment assets and cost incurred to acquire segment assets are presented.

Note: Others composed of sales to Korea, Europe and other markets in which the individual amount is not over 10% of the Group's sales.

4. OTHER INCOME

	2007	2006
	RMB'000	*RMB'000*
Bank interest income	**14,212**	1,516
Interests income from share subscription *(Note 1)*	**20,408**	—
Government grants *(Note 2)*	**5,795**	1,084
Net gain on sales of scrap materials	**610**	534
Subcontracting service income	**878**	961
Gain on disposal of held-for-trading equity securities	**3,036**	—
Others	**1,124**	870
Total	**46,063**	4,965

Notes:

1. Interest income from share subscription represents deposit interest income arising from the Company's share application under Global offering which took place in June 2007.

2. Government grants are received from the local government unconditionally to recognise the eminence of development of new products and export business of the Group.

5. FINANCE COSTS

	2007	2006
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**3,103**	609
Loans from a related party	**572**	2,002
Discounted bills	**120**	302
Total	**3,795**	2,913

6. INCOME TAX CHARGE

	2007	2006
	RMB'000	*RMB'000*
The charge comprises:		
Current tax	**10,424**	—

7. PROFIT FOR THE YEAR

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

	2007	2006
	RMB'000	*RMB'000*
Directors' emoluments	**1,958**	931
Other staff's salaries and allowances	**165,084**	89,627
Other staff's discretionary bonuses	**27,050**	5,754
Other staff's contribution to retirement benefit scheme	**10,496**	7,222
Total staff costs	**204,588**	103,534
Auditors' remuneration	**2,500**	788
Depreciation of property, plant and equipment	**54,355**	37,435
Release of prepaid lease payments	**353**	272
Initial global offering expenses	**16,623**	—
Allowance for inventories	**3,634**	1,725
Foreign exchange gain	**(3,770)**	—
Foreign exchange losses	**25,087**	4,112
Net foreign exchange losses	**21,317**	4,112
(Gain) loss on disposal of property, plant and equipment	**(126)**	38

8. DIVIDENDS

	2007	2006
	RMB'000	*RMB'000*
Dividends declared during the year *(note 1)*	**—**	103,215
Final dividends proposed after balance sheet date *(note 2)*	**21,000**	—

Note 1: The amount for the year ended 31 December 2006 represented dividends declared by Sunny Optics, Ningbo Instruments and Sunny Opotech to their then shareholders prior to group reorganisation.

Note 2: Subsequent to the balance sheet date, a final dividend of RMB0.021, (equivalent to approximately HK$0.022) (2006: nil) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting. The final dividends proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the year attributable to equity holders of the Company)	**225,436**	117,158
	2007	2006
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**915,616**	574,869

No diluted earnings per share is presented as the Company did not have any potentially dilutive shares in issue during both years or at each of the balance sheet date.

For the year ended 31 December 2007, the weighted average number of ordinary shares has been adjusted to reflect the weighted average effect of the 1,000,000,000 shares in issue (note 13(1)), comprising 1,000,000 shares in issue before the capitalisation issue, 799,000,000 shares issued pursuant to the capitalisation issue as more fully described in note 13(2) and 200,000,000 shares issued in global offering.

For the year ended 31 December 2006, the weighted average number of ordinary shares has been adjusted to reflect the weighted average effect of the 800,000,000 shares in issue (note 13(1)), comprising 1,000,000 shares in issue and 799,000,000 shares upon capitalisation issue as stated above.

10. TRADE AND OTHER RECEIVABLES

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	**277,566**	146,895
Less: allowance for doubtful debts	**(3,057)**	(4,128)
	274,509	142,767
Bill receivables	**72,207**	39,640
Other receivables	**31,536**	19,888
Total trade and other receivables	**378,252**	202,295

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	2007	2006
	RMB'000	*RMB'000*
0–90 days	**259,672**	133,788
91–180 days	**13,259**	6,372
Over 180 days	**1,578**	2,607
	274,509	142,767

The ageing analysis of bill receivables at the balance sheet date is as follow:

	2007	2006
	RMB'000	*RMB'000*
0–90 days	**47,604**	33,540
91–180 days	**24,603**	6,100
	72,207	39,640

11. PLEDGED BANK DEPOSITS/BANK BALANCES

The balance of pledged bank deposits represents deposits pledged to banks for obtaining letter of credit facilities granted to the Group. The deposits carry prevailing market interest rate at 0.72% (2006: 0.72%) per annum.

Bank balances carry variable interest at market rates which range from 0.72% to 1.15% (2006: 0.72% to 1.15%) per annum.

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	2007	2006
	RMB'000	*RMB'000*
Trade payables		
Within 90 days	**173,700**	102,233
91 to 180 days	**10,164**	4,338
Over 180 days	**756**	252
Total trade payables	**184,620**	106,823
Payable for purchase of property, plant and equipment	**11,029**	16,448
Accrued staff costs	**41,407**	18,831
Advance from customers	**6,327**	8,450
Value added tax payables and other tax payables	**6,831**	482
Others	**15,011**	9,819
	80,605	54,030
	265,225	160,853

13. SHARE CAPITAL

	Number of shares	Amount	Equivalent to
		HK$'000	*RMB'000*
Authorised:			
Ordinary shares of HK$1 each on incorporation, as of 31 December 2006 and 1 January 2007	380,000	380	
Sub-division of shares *(note 1)*	3,420,000	—	
Increased on 25 May 2007 *(note 1)*	99,996,200,000	9,999,620	
Ordinary shares of HK$0.1 each as of 31 December 2007	100,000,000,000	10,000,000	
Issued & fully paid:			
Ordinary shares of HK$1 each on incorporation	1	1	
Issue of shares on 24 October 2006	99,999	99	
Ordinary shares of HK$1 each as of 31 December 2006 and 1 January 2007	100,000	100	101
Sub-division of shares *(note 1)*	900,000	—	
Capitalisation issue *(note 2)*	799,000,000	79,900	
Issue of new shares *(note 3)*	200,000,000	20,000	
Ordinary shares of HK$0.1 each as of 31 December 2007	1,000,000,000	100,000	97,520

Note:

(1) On 25 May 2007, resolutions of all the shareholders were passed pursuant to which each share of HK$1.00 in the share capital of the Company was sub-divided into 10 shares so that the authorised share capital of the Company became HK$380,000 divided into 3,800,000 shares and 100,000 issued shares of HK$1.00 each became 1,000,000 issued shares and the authorised share capital of the Company was then increased from HK$380,000 to HK$10,000,000,000 by the creation of additional 99,996,200,000 shares which rank pari passu in all respects with the shares then in issue.

(2) During the year, the Board of Directors authorised to capitalise HK$79,900,000 standing to the credit of the special reserve account of the Company by applying such sum in paying up in full at par of 799,000,000 shares.

(3) In June 2007, the Company issued 200,000,000 shares with a nominal value of HK$0.1 each, at a price of HK$3.82 per share by way of a global offering to Hong Kong and overseas investors.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group is a leading integrated optical component and product manufacturer in terms of revenue and profitability in the People's Republic of China ("PRC"). The Group possesses strong design capabilities and an efficient production base to offer a comprehensive range of optical and optical-related products through its ability to integrate optical, mechanical and electronic technologies by utilizing its expertise in vertically integrating its principal business segments of manufacturing optical components, optoelectronic products and optical instruments.

For the year ended 31 December 2007, the Group has recorded strong growth in sales mainly due to the strong demand for various types of optical components and optical-related products in the prevalent trend of image digitization.

Financial Review

Revenue

For the year ended 31 December 2007, the Group's revenue increased by approximately 53.4% from approximately RMB900.7 million in the year of 2006 to approximately RMB1,381.9 million. Revenue from optical components reached approximately RMB515.2 million, representing a considerable growth of approximately 66.6% as compared with the year of 2006. Revenue from optoelectronic products surged by 57.7% from approximately RMB468.0 million for the year ended 31 December 2006 to approximately RMB738.2 million during the year of 2007. Revenue from optical instrument increased by 4.1% from approximately RMB123.4 million for the year of 2006 to approximately RMB128.5 million. The strong increase was mainly due to the increase in revenue from optoelectronic products by approximately RMB270.2 million and from optical components by approximately RMB205.9 million, as a result of the rising demand for mobile phones with camera function as well as demand for other end-products with optical-related application.

Costs of sales

For the year ended 31 December 2007, the costs of sales of the Group amounted to approximately RMB1,005.3 million. The costs of parts and components, direct labour and overhead represented approximately 74.5%, 12.9% and 12.6% of the total costs of sales respectively. For the year ended 31 December 2006, the total costs of sales amounted to approximately RMB652.9 million. The costs of parts and components, direct labour and overhead represented approximately 71.7%, 11.1% and 17.2% of the total costs of sales respectively.

Gross profit and margin

Gross profit increased by approximately 52.0% from around RMB247.8 million for the year ended 31 December 2006 to approximately RMB376.6 million for the year of 2007. With the benefit of economy of scale, effective cost control and decrease in the price of certain main raw materials, such as complementary MOS (CMOS) sensors, the Group was able to alleviate the pressure from decreasing gross profit margin of the existing products. As a result, the Group's gross profit margin was maintained at a stable level at approximately 27.3% in 2007, as compared to 27.5% in the previous year.

Other income

Other income increased significantly by approximately 822.0% from approximately RMB5.0 million for the year ended 31 December 2006 to approximately RMB46.1 million in 2007. The increase was mainly due to the interest income from share application and subsidy income.

Selling and distribution expenses

Selling and distribution expenses, which represented approximately 2.4% to the Group's revenue, increased by approximately 72.3% from approximately RMB19.1 million for the year ended 31 December 2006 to approximately RMB32.9 million for the year of 2007. The significant increase was primarily due to the increase in the costs for selling, marketing, and distribution personnel, and the increase in transportation fees and other expenses arising from the growth in sales activities from the optical component and optoelectronic products segments at 66.6% and 57.7% growth in sales respectively.

Research and development expenditure

Research and development expenditures, represented 2.1% to the Group's revenue, increased from approximately RMB12.3 million for the year ended 31 December 2006 to approximately RMB28.5 million for the year of 2007. Such increase mainly represented the increase in salary expenses of the research and development team and the number of research and development projects in respect of the Group's optical component, optoelectronic products and optical instrument businesses. Aspheric glass lens project named "GMP" under optical components segment, chip-on-board ("COB") technology and closed circuit television ("CCTV") modules project under optoelectronic products segment and gas chromatographs under optical instruments segment are the major research and development projects for the Group during the year.

Administrative expenses

Administrative expenses, which represented approximately 8.8% to the Group's revenue, increased by approximately 117.4% from approximately RMB55.7 million for the year ended 31 December 2006 to approximately RMB121.1 million for the year of 2007. Such increase was mainly attributable to the non-recurring Global Offering expenses of RMB16.6 million.

Administrative expenses also included the increase in staff and administrative costs. Moreover, given the increased headcounts, the related welfare costs increased accordingly.

Income tax charge

Income tax increased from zero for the year ended 31 December 2006 to approximately RMB10.4 million for the year of 2007 due to the lapse of tax exemption periods of first 2 years that some of the Company's subsidiaries in the PRC had enjoyed under the applicable laws of the PRC as sino-foreign joint ventures and foreign owned enterprises.

PRC enterprise income tax for the Group under relevant laws is calculated based on applicable tax rates and profits before tax of the relevant subsidiaries of the Group and according to the tax benefits awarded by the PRC government. The effective tax rate for the Group for the year ended 31 December 2007 is approximately 4.4%.

Tax rates attributable to the Group's subsidiaries of China are shown as follows:

	2006	**2007**	2008	2009
Zhejiang Sunny Optics Co., Ltd.	—	**13.2%**	12.5%	12.5%
Ningbo Sunny Instruments Co., Ltd.	—	**13.2%**	12.5%	12.5%
Sunny Optics (Zhongshan) Co., Ltd.	—	**—**	—	12.5%
Ningbo Sunny Opotech Co., Ltd.	—	**—**	12.5%	12.5%
Ningbo Sunny Infrared Technologies Company Ltd.	33.0%	**33.0%**	25.0%	25.0%
Nanjing Sunny Optical Instruments Co., Ltd.	33.0%	**33.0%**	25.0%	25.0%
Shanghai Sunny Hengping Scientific Instrument Co., Ltd.	N.A.	**15.0%**	15.0%	25.0%

Profit for the year

Profit for the year increased by approximately 36.1% from approximately RMB166.0 million for the year ended 31 December 2006 to approximately RMB225.9 million for the year of 2007. The increase in net profit was attributable to the increase in revenue and gross profit.

Net profit margin decreased slightly from approximately 18.4% for the year ended 31 December 2006 to approximately 16.3% for 2007. The adjustment in net profit margin was mainly attributable to the increase in effective tax rate, faster growth rates in cost of sales and other expenditure.

Profit attributable to the equity holders of the Company

In light of the foregoing, profit attributable to the equity holders of the Company increased by approximately 92.3% from approximately RMB117.2 million for the year ended 31 December 2006 to approximately RMB225.4 million for the year of 2007.

Major Financial Ratios

The following table sets out the summary of the Group's major financial ratios as of 31 December 2006 and 2007:

	2007	2006
Trade receivable turnover (days)	**73**	58
Trade payable turnover (days)	**67**	60
Inventory turnover (days)	**49**	61
Gearing ratio	**—**	—

Trade receivable turnover

The trade receivable turnover is calculated by dividing the trade receivables as of the end of the respective year by revenue for the year, multiplied by 365 days. With the exception of optoelectronic products customers, the Group typically grants a credit period of 60 to 90 days to its credible customers. The credit period granted to optoelectronic products customers is typically 60 days due to the differences in industry practice for optoelectronic products as compared to that for optical components and optical instruments. The trade receivable turnover days increased from 58 days as of 31 December 2006 to 73 days as of 31 December 2007. The significant growth in the Group's business has fostered longer and more well-established relationships with customers, especially engaging more and more internationally renowned clients and improving customers' quality of optoelectronic products segment, the Group granted a longer credit term to those customers. The Group's longer trade receivable turnover days is a sign of the Group's customer base gradually leaning towards more reputable and long-established ones.

Trade payable turnover

The trade payable turnover is calculated by dividing the trade payable as of the end of the respective year by cost of sales for the year, multiplied by 365 days. The trade payable turnover days increased from 60 days as of 31 December 2006 to 67 days as of 31 December 2007. With the exception of optoelectronic products suppliers, credit period offered by suppliers typically ranged from 60 to 90 days. With a larger business scale, especially for our optoelectronic products, a higher level of purchases has to be made to satisfy our production needs. In particular, our payment terms to optoelectronic products suppliers were changed from the way of letter of credit at sight to the way of letter of credit in 30 days as a result of more purchases made for our production plans.

Inventory turnover

The inventory turnover is calculated by dividing the inventory as of the end of the respective year by cost of sales for the year, multiplied by 365 days. The inventory turnover days decreased from 61 days as of 31 December 2006 to 49 days as of 31 December 2007. To control price fluctuation risks, the Group adopted minimum inventory level policy for the manufacturing of its optoelectronic products.

During the year, the contribution of optoelectronic products to overall revenue of the Group was further increased. The inventory turnover decreased accordingly. As the Group adopted stringent measures in inventory management, the inventory turnover decreased accordingly.

Gearing ratio

The Group financed its business mainly through internally generated resources and in some cases, short-term loans from banks. To meet additional working capital requirements for business expansion, the Group obtained short-term bank loans during the year. All loans are paid off before the two years ended 31 December 2007; consequently, the gearing ratios were zero as of 31 December 2006 and 2007.

As of 31 December 2007, the Group did not have any material contingent liabilities or guarantees.

Operational Review

Products

The Group is principally engaged in the design, research and development, manufacturing and sale of optical and optical-related products, which can be broadly classified into three categories, namely: (i) optical components, including glass/aspheric plastic lenses, plates, prisms, various lens sets and infrared materials: (ii) optoelectronic products, including mobile phone camera modules and other optoelectronic modules; and (iii) optical instruments, including microscopes, surveying and analytical instruments etc.

Optical Components

For the year ended 31 December 2007, revenue from optical components reached approximately RMB515.2 million, representing a considerable growth of approximately 66.6% as compared with year 2006. It accounted for approximately 37.3% of the Group's revenue.

The revenue increase was a result of the robust growth in electronic consumer products which has in turn boosted the demand for lenses and lens sets. Furthermore, during the year, the Company strategically enhanced its sales by expanding its production capacity and utilization rate, and developing new marketing channels.

During the year, the Group's rapid growth was attributable to the expansion of its customer base into renowned and well-established customers. Its new reputable customers are namely, Pentax Hongkong Ltd., NEC Display Solutions Ltd., Tamron Optical (FoShan) Co, Ltd. and Topcon Optical (Dongguan) Technology Ltd. etc.

In view of the growing market demand for electronic consumer products and the automobile industry, the Group expected the optical components business to be in line with market. As aforementioned, with increasing applications developed for optical components, several optical system projects have been developed, such as front-view lens and rear-view lens. Furthermore, the demand for optical lens for digital cameras, scanners, mobile phones will continue to rise. During the year, the Group invested USD1.0 million in a Korean company. The Group cooperated with this company to commence the research and development of 3-time zoom, 3.0 mega pixel camera lens sets for mobile phones. It is expected that these camera lens sets will commence small scale production and launch for sale in 2008.

Optoelectronic Products

For the year ended 31 December 2007, optoelectronic products, which accounted for approximately 53.4% of the Group's revenue, continued to be the primary revenue driver of the Group. Revenue from this segment surged around 57.7% from approximately RMB468.0 million for the year ended 31 December 2006 to approximately RMB738.2 million for the year of 2007.

In 2007, customers base of its optoelectronic products further expanded. First-tier domestic customers such as Tianyu, Lenovo and Huawei have become the Group's major customers. Moreover, with the Group's capability of developing integrated opt-mechanic electronic products, it is capable of offering a wide range of optoelectronic camera modules from 0.16 million to 5.0 million pixel under chip scale package and COB technologies. In particular, optoelectronic camera modules with COB technology open the door for the Group to pursue cooperation with globally renowned mobile phone manufacturers.

The Group has successfully developed IP camera module.

During the year, the rapid business growth was attributable to new clients including Skyworth Mobile Communication Limited, Hisense Communication Co., Ltd. and Qingdao Haier Telecom Co., Ltd. etc.

Optical Instruments

The Group has focused on product research and development during the year. Revenue from optical instruments increased by approximately 4.1% from approximately RMB123.4 million for the year of 2006 to approximately RMB128.5 million. It accounted for 9.3% of the Group's total revenue.

In 2007, the Group invested RMB22.5 million to acquire the controlling stake of 64.29% in an instrument company named Shanghai Hengping Scientific Instrument Co., Ltd. (now known as Shanghai Sunny Hengping Scientific Instrument Co., Ltd.). The acquisition was made to diversify the range of analytical instrument products and to enhance the Group's R&D capability in this area. The company acquired contributed RMB10.3 million and RMB1.2 million to the segment's revenue and profit for the year.

The Group developed a wide variety of products during the year. For analytical instruments, there are UV-spectrophotometer, gas chromatographs and chemical oxygen demand analytical system. For balance instruments, there are electronic analytical balance, other electronic balances and counting balance. For microscopes, there are metallurgical microscope and enhancement on other microscopes.

In order to strengthen the Group's competitiveness, the Group cooperated with 3 industry experts to set up a company in Singapore in the year of 2008. The newly established company focuses mainly on R&D, production and sales of 3 dimension ("3D") optical vision measuring machines and microscopic interferometer.

Production

As of 31 December 2007, the Group's products were manufactured in its two production bases in Yuyao, Zhejiang, PRC and Zhongshan, Guangdong, PRC, respectively. The total operating site area owned by the Group is approximately 105,261 square meters.

Production capacity attributable to each segment are shown as follows:

	2007	2006	Change
Lenses	**168 mn units**	86 mn units	95%
Lens sets	**144 mn units**	45 mn units	220%
Optoelectronic products	**72 mn units**	16 mn units	350%
Optical instruments	**199 k sets**	146 k sets	36%

Research & Development

As of 31 December 2007, the Group had a dedicated team of 208 research staff to constantly review and improve the Group's production know-how, develop more advanced technologies and products. Currently, the Group is engaged in several major R&D projects applicable to each of its major product categories.

In 2007, the Group commenced the production of camera modules with COB technology successfully. Improvement in molding technology of aspheric lens also increased the capacity efficiency per mould.

Global Offering

As part of the expansion plan, the Group successfully listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 15 June 2007. The offering was well-received by both retail and institutional investors. The retail tranche registered an over-subscription rate of approximately 290.6 times and the placing tranche was also significantly over-subscribed. The Listing has strengthened the Group's financial position, enlarged the shareholder base and enhanced the Group's brand recognition.

The aggregate gross proceeds to the Company from the Public Offer and the Placing ("Global Offering") was approximately HK$764.0 million. After deduction of underwriting fees for the new shares and the expenses paid by the Company in connection with the Global Offering, the Company properly allocated the proceeds for the use as mentioned in the prospectus dated on 4 June 2007. For the year ended 31 December 2007, the Group invested approximately RMB70.7 million for the expansion of production capability and capacity, approximately RMB30.9 million for the enhancement of research and development activities and facilities, approximately RMB28.0 million for the acquisition of land and the buildings erected thereon, approximately RMB1.3 million for the enhancement of information systems, approximately RMB130.0 million for the repayment of short term bank loans for working capital in July 2007.

Outlook And Future Strategies

Consumer electronic products such as camera mobile phones, digital still cameras, digital video disc ("DVD") players and CCTV, have sustained continuous growth trends. With optical applications becoming more common in consumer electronic products, global demand for optical components and related products has continued to increase with substantial room for further growth. Since the PRC has become the main global manufacturing base for consumer electronic products, these trends will continue to sustain immense opportunities for optical component manufacturers in the country. The Group, as a leading integrated optical component and product manufacturer, is well-poised to capture such opportunities.

The Group's goal is to become a leading integrated optical products manufacturer in the world. In order to achieve this goal, the Group will continue to:

- *Enhance its R&D capability and develop more advanced and better quality products*

  In 2008, the Group will accelerate the development of aspheric glass lens GMP; set up a separate department for assembling aspheric lens moulds; promote the use of auto focus/zoom function on camera modules, and develop 3D optical vision measuring machines and microscopic interferometer.

- *Leverage its professional knowledge and core competencies to expand product sales*

  In 2008, the Group will launch the mass production of COB camera modules, CCTV, 3-time zoom, 3.0 mega pixel camera lenses and modules of mobile phones, vehicle monitoring systems, and ultraviolet-visible-spectrophotometer etc.

- *Strengthen and expand its market network*

  In 2008, apart from strengthen and optimize the marketing channels, the Korean subsidiary set up in 2007 will allow the Group to develop the sales and marketing function in order to penetrate into the Korean market. Moreover, the Group plans to set up selling points in Europe and the United States of America in order to capture more market share in these regions.

- *Reinforce human resources*

  The Group will retain and recruit more technical staff with industry experience to strengthen its staff force.

- *Provide incentives and rewards to eligible participants who contribute to the success of the Group by granting share options*

Looking ahead, the management believes the year 2008 will be full of challenges due to the following reasons:

1. Currently, the Group's major revenue source is the domestic mobile phone industry in China in which we provide camera lens sets, camera modules and glass lenses for mobile phones to domestic manufacturers of mobile phones in China. The above products accounted for approximately 70% of the Group's overall revenue. In the first quarter of the year, the domestic mobile phone manufacturers in China recorded a decrease of approximately 20% in delivery volume and the Group's mobile-phone-related business was affected accordingly.

2. The Group's operation is affected by factors such as Renminbi appreciation, the increase in labour cost and increase in effective tax rate.

3. In year 2008, the Group will accelerate the development of aspheric glass lens—glass mould press ("GMP"); set up a separate department for developing and manufacturing aspheric lens moulds; promote the use of auto focus/zoom function on camera modules, and develop 3D optical vision measuring machines and microscopic interferometers. Despite the relatively large investment and expenditure during the year, these projects will bring along opportunities for our future development.

To tackle the above factors, the management of the Group has adopted the following measures:

1. Strive for new customers and new orders

We will try to gain orders from leading global mobile phone manufacturers to minimise the Group's risk in relying heavily on domestic mobile phone manufacturers for its mobile-phone-related business, and to increase the utilisation rate of production capacity.

2. Enhance the marketing of high-pixel camera lens sets and camera modules for mobile phones

With the capability of conducting mass production of camera lens sets and camera modules of 2 mega pixels or above for mobile phones, the Group will further enhance the marketing of the above products, increase the delivery proportion of high-pixel camera lens sets and camera modules and improve its overall gross profit margin.

3. Enlarge the portion of non-mobile-phone related business in the Group's revenue

Presently, the Group's development trend of non-mobile-phone-related business with products such as glass lenses for digital cameras, vehicle monitoring lens sets, optical image heads and necks, CCTV security modules, DVD lenses and analytical instruments is promising. The Group will facilitate the rapid development of the above business by allocating more resources and enhance the portion of non-mobile-phone-related business in the Group's overall revenue.

4. Minimize the Group's exposure to pressure against Renminbi appreciation, the increase in labour cost and increase in effective tax rate by further increasing productivity, optimizing supply chain and controlling operational costs.

5. Strive to develop new income sources for the Group by accelerating the progress of launching research and development projects to the market.

The Group's management believes these measures will alleviate the negative impacts of the above market factors.

Liquidity and Financial Resources

The Group's principal sources of liquidity and capital resources have been, and are expected to be internally generated cash flow given our stronger and healthier than ever financial position. The Group's principal uses of cash have been, and are expected to continue to be, operational costs and the expansion of production capacity and the Group's sales network.

Cash flows

The table below summaries the Group's cash flows for the year ended 31 December 2006 and 31 December 2007:

	2007	2006
	RMB million	*RMB million*
Net cash from operating activities	**160.1**	258.2
Net cash used in investing activities	**(208.9)**	(129.0)
Net cash from (used in) financing activities	**432.2**	(101.8)

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

The Group recorded a net increase in cash and cash equivalent of approximately RMB383.4 million for the year ended 31 December 2007 and net decrease in cash and cash equivalents of approximately RMB27.3 million for the year of 2006.

Operating activities

Cash inflow from operations is mainly derived from cash receipt from sales of the Group's products. Cash outflow from operations is principally generated for the purchase of raw materials, staff costs, selling and distribution expenses and administrative expenses. Net cash from operating activities was approximately RMB258.2 million and RMB160.1 million for the year ended 31 December 2006 and 31 December 2007 respectively. The decrease in net cash generated from operating activities was mainly because of the expansion of business scale, which is proven by our financial results from our stronger sales. Trade receivables balance increased accordingly. Moreover, the Group granted a longer credit term to those internationally renowned customers during the year.

Investing activities

The Group recorded a net cash outflow from investing activities of approximately RMB208.9 million for the year ended 31 December 2007, mainly for the purchase of property, plant and equipment. Approximately RMB28.0 million was paid in July 2007 for the acquisition of land and buildings erected thereon, which were previously leased by the Group for manufacture and research and development of optical instruments. Moreover, the Group has invested USD1.0 million, equivalent to RMB7.5 million (at an exchange rate as at 30 September 2007), in a Korean company, representing 8.56% shareholding. In addition, the Group has invested RMB22.5 million to acquire an instrument company named Shanghai Hengping Scientific Instrument Co., Ltd. (now known as Shanghai Sunny Hengping Scientific Instrument Co., Ltd.), with a controlling shareholding by 64.29%. It was purchased to diversify the range of analytical instrument products.

Financing activities

The Group also recorded a net cash inflow from financing activities of approximately RMB432.2 million for the year ended 31 December 2007. The inflow mainly came from the proceeds from the issue of new shares for approximately RMB745.1 million. Major outflow was the payment of dividend to shareholders of approximately RMB236.0 million as declared in the previous years.

Capital expenditures

Capital expenditure was mainly used for purchase of property, plant and equipment in order to expand production capacity with our larger business scale. For the year ended 31 December 2007, the Group's capital expenditure was approximately RMB170.3 million.

Capital Structure

Indebtedness

Borrowings

The Group did not have any outstanding borrowings as of 31 December 2007.

Bank facilities

As of 31 December 2007, the Group had unutilised banking facilities of approximately RMB380.0 million and RMB80.0 million with Yuyao Branch of Agricultural Bank of China and Ningbo Branch of Pudong Development Bank, respectively.

Debt securities

As of 31 December 2007, the Group did not have any debt securities.

Contingent liabilities

As of 31 December 2007, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

The Group did not have any pledge or charge on assets as of 31 December 2007 other than pledged bank deposits of approximately RMB1.7 million.

Capital commitments and other commitments

As of 31 December 2007, the future aggregate minimum lease payments under non-cancellable operating lease in respect of rental properties amounted to approximately RMB8.3 million and the Group had capital commitment in respect of acquisition of equipment amounted to approximately RMB31.7 million.

Performance of Investments Made and Future Investment

The Group's investing activities mainly include the purchase of property, plant and equipment.

During the year ended 31 December 2007, the Group used approximately RMB208.9 million in investing activities, mainly in relation to the purchase of plants and equipment for the expansion of the production capacity for both optical components and optoelectronic products.

Sufficient capital expenditure investment is fundamental to the Group's expansion plans in order to meet the expected increase in demand for optical components and optoelectronic products.

The Company intends to invest approximately RMB275.0 million from its Global Offering for the expansion of production capability and capacity: approximately RMB173.0 million for the enhancement of research and development activities and facilities, in which the transfer of land and buildings was completed on 20 August 2007; approximately RMB28.0 million for the acquisition of land and the buildings erected thereon, which were previously leased by Sunny Group Limited for the manufacture and research and development of optical instruments; approximately RMB25.0 million for the enhancement of information systems; approximately RMB130.0 million for the repayment of short-term bank loans for working capital. The remaining amount will provide funding for working capital and other general corporate purposes.

The proceeds from the Global Offering amounted to RMB745.1 million, and RMB260.9 million of which were used by the Company as of 31 December 2007.

To the extent that any part of the net proceeds to the Company from the Global Offering are not immediately used for the above purposes, the Directors may allocate such proceeds to short-term interest-bearing deposits and/or money-market instruments with authorised financial institutions and/or licensed banks in Hong Kong.

The Group did not have any significant investment position in stocks, bonds and other or any material acquisition and disposal of subsidiaries and associates of the Group during the year covered by this annual result announcement, save as disclosed the acquisitions of investment funds and Shanghai Sunny Hengping Scientific Instrument Co., Ltd.

Off-Balance Sheet Transactions

As of 31 December 2007, the Group did not have any material off-balance sheet transactions.

Quantitative and Qualitative Disclosure about Market Risk

Interest rate risk

The Group is exposed to interest rate risks on its bank borrowings for working capital and capital expenditures that are associated with the Group's expansion and for other uses. Upward fluctuations in interest rates increase the cost of both existing and new debt. During the year ended 31 December 2007, the effective interest rate on bank loans was approximately 5.1% per annum. The Group has not entered into any type of interest rate agreements or derivative transactions to hedge against interest rate changes.

Foreign exchange rate fluctuation risk

The Group exports a significant portion of its products to and makes purchases from international markets where transactions are denominated in U.S. dollars or other foreign currencies. To reduce the risk, the Group has considered entering into certain foreign exchange trading facilities to hedge against its currency risks.

Credit risk

The Group's financial assets are bank balances and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimize the credit risk in relation to trade receivables, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced. The amounts presented in the balance sheet are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience, their assessment of the current economic environment and future discounted cash flow to receive.

The Group has no significant concentration of credit risk for its trade receivables which spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate for bank deposits which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Liquidity risk

The Group manages liquidity risk by maintaining adequate level of cash and cash equivalents by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities.

Employees

As of 31 December 2007, the Group employed 8,677 full time employees (5,594 employees as of 31 December 2006). Their functions include management and administration, 1,059 employees, production, 7,439 employees, and supporting operations, 179 employees. The remuneration package of the Group's employees is based on individual experience and work profile. The packages including salary, bonuses and allowance, are reviewed annually by the management by taking into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. The Group endeavours to provide training facilities for its employees. The scope of the induction and on-going training programmes includes management skill and technology training and other courses.

Dividend

The Directors recommend a payment from the distributable reserves of the Company a final dividend of RMB0.021 (equivalent to approximately HK$0.022) per share in respect of the year ended 31 December 2007 to the shareholders whose names appear on the register of members of the Company at the close of business on 19 May 2008. The final dividend, payable on 29 May 2008, is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 21 May 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from 19 May 2008 to 21 May 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 16 May 2008.

Share Option Scheme

On 25 May 2007, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of Scheme include, without limitation, employees, Directors and shareholders of the Group. Up to 31 December 2007, no share option has been granted or agreed to be granted to any person under the Scheme.

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 or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the period from the Company's Global Offering to 31 December 2007.

DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS

As of 31 December 2007, 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 member of the Group:

Name	Long/short Position	Type of interest	Number of Share	Approximate percentage of shareholding
Sun Xu Limited ("Sun Xu")	Long position	Beneficial owner	421,460,060	42.15%
Sun Ji Limited ("Sun Ji") *(Note 1)*	Long position	Interest in a controlled corporation	421,460,060	42.15%
Mr. Wang Wenjian *(Note 2)*	Long position	Interest in a controlled corporation, trustee of a trust and trustee and one of beneficiaries of a trust	479,401,000	47.94%
Mr. Ye Liaoning *(Note 3)*	Long position	Beneficiary of a trust	421,460,060	42.15%

Name	Long/short Position	Type of interest	Number of Share	Approximate percentage of shareholding
Mr. Wu Jinxian *(Note 4)*	Long position	Beneficiary of a trust	421,460,060	42.15%
Summit Optical Holdings Inc ("Summit")	Long position	Beneficial owner	171,174,508	17.12%
Chengwei Ventures Evergreen Fund, L.P. *(Note 5)*	Long position	Interest in a controlled corporation	171,174,508	17.12%
Sun Zhong Limited ("Sun Zhong")	Long position	Beneficial owner	57,940,940	5.79%

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) As Mr. Wang Wenjian is the sole shareholder of Sun Guang Limited and the trustee and one of the beneficiaries of the Sunny Employee Trust, Mr. Wang Wenjian is deemed to be interested in the 421,460,060 shares held by Sun Xu under the provisions of SFO. As Mr. Wang Wenjian is the trustee of the PRC Investor Trust, Mr. Wang Wenjian is deemed to be interested in the 57,940,940 shares held by Sun Zhong under the provisions of SFO.

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

(4) Mr. Wu Jinxian is a beneficiary under the Sunny Employee Trust, under which he is entitled to 2.81% 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. Wu Jinxian is deemed to be interested in 421,460,060 shares under the SFO.

(5) As Chengwei Ventures Evergreen Fund, L.P. owns more than one-third of the voting power of general meetings of Summit, Chengwei Ventures Evergreen Fund, L.P. is deemed to be interested in the 171,174,508 shares held by Summit under the SFO.

Definition of terms:

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

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

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

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

As of 31 December 2007, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Director	**Name of Corporation**	**Long/short position**	**Capacity/Nature of interest**	**Number of shares**	**Approximate Name of percentage of shareholding**
Mr. Wang Wenjian	The Company	Long position	Trustee *(Note 1)*	57,940,940	5.79%
	The Company	Long position	Trustee and Beneficiary of a trust *(Note 2)*	421,460,060	42.15%
Mr. Ye Liaoning	The Company	Long position	Beneficiary of a trust *(Note 3)*	421,460,060	42.15%
Mr. Wu Jinxian	The Company	Long position	Beneficiary of a trust *(Note 4)*	421,460,060	42.15%

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 5.79% of the issued share capital of the Company. Accordingly, Mr. Wang Wenjian is deemed to be interested in 57,940,940 shares under the SFO.

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

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

(4) Mr. Wu Jinxian is a beneficiary under the Sunny Employee Trust, under which he is entitled to 2.81% 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. Wu Jinxian is deemed to be interested in 421,460,060 shares under the SFO.

DIRECTORS AND KEY EXECUTIVES

The Board comprises 10 Directors, including 4 independent non-executive Directors. The Directors are all well-educated, have extensive experience in different areas and professionals and are appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. The Board acts collectively by majority decisions in accordance with the Articles and the laws, and no single Director is supposed to make important decisions unless authorised by the Board.

The key executives of the Company include Mr. Wang Wenjian, Executive Director and Chairman of the Board, Mr. Ye Liaoning, Executive Director and Chief Executive Officer of the Company, Mr. Xie Minghua, Executive Director and Mr. Wu Jinxian, Executive Director.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference. The Group's audited final results for the year ended 31 December 2007 were reviewed by the Audit Committee which comprises of 5 members, namely, Mr. Zhang Yuqing, Dr. Chang Mei Dick and Dr. Liu Xu (all are independent non-executive Directors), Mr. Michael David Ricks and Mr. Shao Yang Dong (both are non-executive Director).

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference. The Remuneration Committee comprises of 3 members, namely, Mr Koji Suzuki and Mr Zhang Yuqing (both are independent non-executive Directors) and Mr Shao Yang Dong (who is a non-executive Director). Mr. Koji Suzuki was appointed as the Chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Company has established a Nomination Committee with written terms of reference. The Nomination Committee comprises of 3 members, namely, Dr Dick Mei Chang and Dr Liu Xu (both are independent non-executive Directors) and Mr Wang (an executive Director). Dr. Chang was appointed as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Code of Corporate Governance Practices

The Group has adopted and complied with the code provisions as set out in the Code of Corporate Governance Practices as stated in Appendix 14 to the Listing Rules from the listing date to 31 December 2007.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the said Model Code from the listing date to 31 December 2007.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's 2007 Annual Report, as well as this announcement of annual results, containing the relevant information required by the Listing Rules will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at www.sunnyoptical.com in due course. An annual report containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 21 May 2008. A notice of the annual general meeting will be published on the Company's website at www.sunnyoptical.com and the Stock Exchange of Hong Kong Limited's website at www.hkex.com.hk, on or about 16 April 2008 and will be dispatched to the shareholders together with the Company's annual report 2007.

APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to our shareholders, distributors and customers for their continued support, and to our employees for their dedication and hard work.

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

China, 6 April 2008

As at the date of this announcement, the Board comprises Mr. Wang Wenjian, Mr. Ye Liaoning, Mr. Xie Minghua and Mr. Wu Jinxian, who are Executive Directors, and Mr. Micael David Ricks, Mr. Shao Yang Dong, who are Non-executive Directors, and Dr. Chang Mei Dick, Mr. Koji Suzuki, Dr. Liu Xu and Mr. Zhang Yuqing, who are independent Non-executive Directors.