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 2013

FINANCIAL HIGHLIGHTS

- The Group's unaudited consolidated revenue increased by approximately 57.4% compared with the corresponding period of the previous year to approximately RMB2,785.7 million. The increase was mainly attributable to the benefit from business opportunities brought by the rapid growth of smartphones with notably strong performance in the PRC market.

- The gross profit for the first half of financial year 2013 was approximately RMB440.4 million, representing an increase of approximately 29.6% compared with the corresponding period of the previous year. The gross profit margin was approximately 15.8%.

- The net profit for the period increased by approximately 25.6% to approximately RMB194.9 million compared with the corresponding period in 2012. 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 7.0%.

FINANCIAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sunny Optical Technology (Group) Company Limited (the "**Company**") presents the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2013, along with the comparative figures for the corresponding period in last year as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**2,785,719**	1,769,566
Cost of sales		**(2,345,282)**	(1,429,615)
Gross profit		**440,437**	339,951
Other income	*4*	**19,345**	24,042
Other gains and losses	*5*	**2,250**	3,212
Selling and distribution expenses		**(42,112)**	(31,637)
Research and development expenditure		**(101,739)**	(67,913)
Administrative expenses		**(80,609)**	(75,288)
Reversal of impairment loss recognised on intangible assets		**–**	5,058
Impairment loss recognised on interest in an associate	*11*	**–**	(6,262)
Share of results of associates		**(310)**	(2,510)
Finance costs		**(1,814)**	(1,115)
Profit before tax		**235,448**	187,538
Income tax expense	*6*	**(40,512)**	(32,390)
Profit for the period	*7*	**194,936**	155,148
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(469)**	(240)
Total comprehensive income for the period		**194,467**	154,908
Profit for the period attributable to:			
Owners of the Company		**196,821**	156,527
Non-controlling interests		**(1,885)**	(1,379)
		194,936	155,148
Total comprehensive income attributable to:			
Owners of the Company		**196,396**	156,614
Non-controlling interests		**(1,929)**	(1,706)
		194,467	154,908
Earnings per share – Basic *(RMB cents)*	*8*	**20.39**	16.23
– Diluted *(RMB cents)*		**19.92**	16.07

Condensed Consolidated Statement of Financial Position
At 30 June 2013

	NOTES	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**647,347**	646,060
Prepaid lease payments		**23,129**	23,450
Intangible assets		**31**	39
Interests in associates	11	**672**	982
Deferred tax assets		**1,971**	1,679
Deposits for acquisition of property, plant and equipment	12	**114,267**	50,056
Other receivables	13	**13,000**	13,000
		800,417	735,266
CURRENT ASSETS			
Inventories		**840,247**	747,673
Trade and other receivables and prepayment	13	**1,472,215**	900,931
Entrusted loans receivable	14	**–**	90,000
Prepaid lease payments		**642**	642
Financial assets designated as at fair value through profit or loss	15	**202,510**	280,773
Amounts due from related parties		**175**	194
Amount due from associates		**–**	3,087
Pledged bank deposits		**750**	240
Bank balances and cash		**330,391**	243,442
		2,846,930	2,266,982
CURRENT LIABILITIES			
Trade and other payables	16	**1,251,096**	938,527
Amounts due to related parties		**2,897**	2,893
Amount due to a non-controlling interest of a subsidiary		**249**	147
Tax payable		**19,647**	8,128
Borrowings	17	**332,561**	102,642
		1,606,450	1,052,337
NET CURRENT ASSETS		**1,240,480**	1,214,645
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,040,897**	1,949,911

	NOTES	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,595**	5,595
Deferred income	*20*	**17,139**	12,469
		22,734	18,064
Net assets		**2,018,163**	1,931,847
CAPITAL AND RESERVES			
Share capital	*18*	**97,520**	97,520
Reserves		**1,912,381**	1,824,136
Equity attributable to owners of the Company		**2,009,901**	1,921,656
Non-controlling interests		**8,262**	10,191
Total equity		**2,018,163**	1,931,847

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PRESENTATION

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

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, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

Application of new or revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 has not resulted in any impact on profit or loss, other comprehensive loss, and total comprehensive income.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The application of HKFRS 13 has had no material impact on the fair value measurement of the Group’s financial instrument items.

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

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 segments:

For the six months ended 30 June 2013

	Optical components *RMB'000* (unaudited)	Optoelectronic products *RMB'000* (unaudited)	Optical instruments *RMB'000* (unaudited)	Segment total *RMB'000* (unaudited)	Eliminations *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Revenue						
External sales	**563,866**	**2,119,820**	**102,033**	**2,785,719**	**–**	**2,785,719**
Inter-segment sales	**69,330**	**24,361**	**314**	**94,005**	**(94,005)**	**–**
Total	**633,196**	**2,144,181**	**102,347**	**2,879,724**	**(94,005)**	**2,785,719**

Inter-segment sales are charged at prevailing market rates.

Result						
Segment profit	**54,581**	**177,209**	**13,050**	**244,840**	**–**	**244,840**
Share of results of associates						**(310)**
Unallocated expenses						**(9,082)**
Profit before tax						**235,448**

For the six months ended 30 June 2012

	Optical components *RMB'000* (unaudited)	Optoelectronic products *RMB'000* (unaudited)	Optical instruments *RMB'000* (unaudited)	Segment total *RMB'000* (unaudited)	Eliminations *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Revenue						
External sales	610,616	1,074,076	84,874	1,769,566	–	1,769,566
Inter-segment sales	58,677	2,127	621	61,425	(61,425)	–
Total	669,293	1,076,203	85,495	1,830,991	(61,425)	1,769,566

Inter-segment sales are charged at prevailing market rates.

Result						
Segment profit	82,785	102,959	9,137	194,881	–	194,881
Share of results of associates						(2,510)
Unallocated expenses						(4,833)
Profit before tax						187,538

Segment profit represents the profit earned by each segment without allocation of central administration costs, central research and development expenditure, directors' salaries, finance costs, impairment loss recognised on interests in associates, reversal of impairment loss recognised on intangible assets, share of result of associates and loss on disposal of a subsidiary.

4. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income from entrusted loans	**3,471**	10,648
Government grants *(Note)*	**6,546**	3,755
Bank interest income	**317**	441
Interest income from financial assets designated at FVTPL	**4,145**	2,958
Income from sales of moulds	**3,220**	1,496
Income from sales of scrap materials	**567**	699
Others	**1,079**	4,045
	19,345	24,042

Note: This relates to (i) government grants received from the local government unconditionally in recognition of the eminence of development of new products and export business of the Group; and (ii) government subsidy towards the cost of technology enhancement of its production lines and research and development of technology projects amortised in profit or loss over the useful lives of the relevant assets in the enhanced production lines from the deferred income.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net foreign exchange gain	**3,986**	2,927
Net gain (loss) on disposal of property, plant and equipment	**1,923**	(314)
Net (allowance) reversal of bad and doubtful debts		
– trade receivables	**(760)**	205
– other receivables	**186**	–
– amount due from associate	**(3,085)**	–
Loss on disposal of a subsidiary	**–**	(157)
Others	**–**	551
	2,250	3,212

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	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	**40,804**	33,802
Deferred tax:		
– Current period	**(292)**	(1,412)
	40,512	32,390

For both periods of six months ended 30 June 2013 and 30 June 2012, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25%.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June 2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Staff's salaries and allowances	**306,694**	232,777
Staff's contribution to retirement benefit scheme	**17,029**	13,926
Share award scheme expense	**12,431**	8,926
Total staff costs	**336,154**	255,629
Auditor's remuneration	**1,021**	1,005
Depreciation of property, plant and equipment	**64,011**	50,018
Release of prepaid lease payments	**321**	310
Amortisation of an intangible asset	**8**	6
(Reversal of) allowance for inventories	**(352)**	6,677

8. EARNINGS PER SHARE

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

	Six months ended 30 June 2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share Profit for the period attributable to the owners of the Company:	**196,821**	156,527
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share:	**965,478**	964,613
Effect of dilutive potential ordinary shares: Restricted Shares	**22,356**	9,510
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**987,834**	974,123

9. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Final dividend paid for 2012 of RMB10.50 cents (2012: RMB7.10 cents for 2011) per share	**105,000**	71,000

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (corresponding period of 2012: Nil).

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired manufacturing equipment and incurred construction costs for manufacturing plants of approximately RMB71,000,000 (the corresponding period of 2012: approximately RMB86,000,000) in order to upgrade its manufacturing capabilities.

In addition, the Group disposed certain of its plant and equipment with a carrying amount of approximately RMB5,882,000 (the corresponding period of 2012: approximately RMB1,400,000) which resulted in a gain of approximately RMB1,923,000 (the corresponding period of 2012: approximately RMB300,000).

11. INTERESTS IN ASSOCIATES

	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cost of investment in unlisted associates	**24,477**	24,477
Share of post-acquisition losses	**(13,808)**	(13,498)
Impairment loss	**(9,997)**	(9,997)
	672	982

As at 30 June 2013, the Group held 30.85% (31 December 2012: 30.85%) equity interests in Visiondigi (Shanghai) Technology Co., Ltd. (上海威乾視頻技術有限公司) ("Visiondigi") and 26% (31 December 2012: 26%) equity interests in Jiangsu Sunny Medical Equipments Co., Ltd. (江蘇舜宇醫療器械有限公司) ("Jiangsu Medical").

The investment in Visiondigi was fully impaired by 31 December 2012 and no further share of loss or impairment loss is recognised by the Group during the period ended 30 June 2013.

The amounts of unrecognised share of those associates extracted from the relevant management accounts of associates, both for the period and cumulatively, are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Unrecognised share of losses of associates for the period	**(56)**	–
Accumulated unrecognised share of losses of associates	**(56)**	–

12. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The deposits are paid for construction of factory buildings and acquisition of plant and equipment located in the People's Republic of China ("PRC") for the expansion of the Group's production plant. The deposits will be transferred to property, plant and equipment by batches by the end of 2013 or early 2014.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

The Group allows a credit period from 60 to 90 days to its trade customers and within 180 days for bills receivable. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) and bill receivables, presented based on the invoice date and the bills issue date, respectively, at the end of the reporting period:

	30 June 2013 *RMB'000* **(unaudited)**	31 December 2012 *RMB'000* (audited)
Current Asset		
Trade receivables		
Within 90 days	**1,094,261**	673,662
91 to 180 days	**10,386**	6,588
Over 180 days	**788**	116
	1,105,435	680,366
Bills receivables		
Within 90 days	**207,395**	156,353
91 to 180 days	**90,469**	2,632
	297,864	158,985
Other receivables and prepayments		
Value Added Tax and other tax receivables	**34,706**	42,766
Advance to suppliers	**13,746**	7,335
Interest receivables	**1,228**	758
Advance to staff	**4,613**	2,243
Others	**14,623**	8,478
	68,916	61,580
	1,472,215	900,931
Non-Current Asset		
Other receivable		
Advance to Yuyao City Government *(Note)*	**13,000**	13,000

Note: During the year ended 31 December 2012, Ningbo Sunny Opotech Co., Ltd ("Sunny Opotech"), a subsidiary of the Group, advanced funds of RMB13 million to the Yuyao City Government for land development expenditure cost to be incurred for the demolition and resettlement work. The advanced of approximately RMB13 million is unsecured, non-interest bearing and repayable when the piece of land is put into public auction and the Group does not secure the purchase of the land during the auction, or if the land development is not completed by 31 December 2013. It would be netted off against the consideration of acquisition of the piece of land if the Group is successful in acquiring the land. The directors expect this acquisition to occur in 2013.

Trade receivables which are past due but not impaired:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
91 to 180 days	**10,386**	6,588
Over 180 days	**788**	116
	11,174	6,704

Movement in the allowance for doubtful debts:

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Balance at the beginning of the reporting period	**1,714**	2,363
Impairment losses recognised	**1,834**	3,245
Impairment losses reversed	**(1,074)**	(3,894)
Balance at the end of the reporting period	**2,474**	1,714

14. 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 fully settled as at 30 June 2013.

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

	RMB'000
At 31 December 2012 (audited)	280,773
Additions	202,510
Redemptions	(280,773)
At 30 June 2013 (unaudited)	202,510

During the six months ended 30 June 2013, the Group entered into several contracts of structured deposits with banks. The structured deposits contain embedded derivatives which were not closely related to the host contracts. 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 on the structured deposits which was determined by reference to the performance of certain government debt instruments and treasury notes are expected to be ranged from 3.0% to 7.7% (31 December 2012: 3.9% to 4.8%) per annum as stated in the contracts. The balance is expected to mature within three months subsequent to the period end.

In the opinion of the directors, the fair value of the structured deposits at 30 June 2013 approximated their principal amounts, and the fair value of the embedded derivatives is insignificant. Approximately RMB164,510,000 of the structured deposits have been settled after the reporting period ended 30 June 2013 at their principal amounts together with returns which approximated the expected return.

16. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period. The credit period allowed for the purchases is typically within 90 days. The credit period allowed for bills payables is ranging from 90 days to 180 days.

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables		
Within 90 days	**759,294**	603,920
91 to 180 days	**45,161**	26,689
Over 180 days	**17,201**	1,127
Accrued purchases	**172,111**	142,606
	993,767	774,342
Bills payables		
Within 90 days	**3,000**	–
91 to 180 days	**50,547**	–
	53,547	–
Payables for purchases of property, plant and equipment	**20,553**	4,003
Staff salaries and welfare payables	**92,281**	105,454
Advances from customers	**20,483**	15,846
Value added tax payables and other tax payables	**24,183**	8,080
Utilities payable	**4,789**	2,125
Technology grant payable *(Note)*	**5,150**	8,099
Commission payables	**22,968**	8,688
Others	**13,375**	11,890
	203,782	164,185
	1,251,096	938,527

Note: Shanghai Sunny Hengping Scientific Instrument Co., Ltd ("Sunny Hengping"), a subsidiary of the Group, cooperates with several business partners to perform development and research projects on hi-tech products. The technology grant payables represent the government grant received on behalf of other business parties.

17. BANK BORROWINGS

During the six months ended 30 June 2013, the Group obtained new bank borrowings in the amount of approximately RMB468,652,000 (the corresponding period of 2012: RMB161,544,000). The proceeds were used to meet short-term expenditure needs and acquisition of property, plant and equipment. As at 30 June 2013, the Group has fixed-rate borrowings amounted to approximately RMB330,333,000 (approximately RMB100,130,000 as at 31 December 2012) which carry interest ranging from 1.27% to 5.60% per annum (corresponding period of 2012: 1.70% to 4.72% per annum) and variable-rate borrowings amounted to approximately RMB2,228,000 with variable rate of 5.11% (corresponding period of 2012: RMB2,512,000 with variable rate of 5.11%). Repayment of bank borrowings amounting to approximately RMB238,733,000 (the corresponding period of 2012: RMB90,205,000) were made in line with the relevant repayment terms.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are approximately RMB307,885,000 (31 December 2012: approximately RMB100,130,000) and RMB2,315,000 (31 December 2012: RMB2,511,000) which are denominated in United States Dollar ("USD") and Korean Won ("KRW"), respectively.

18. SHARE CAPITAL

Issued share capital as at 30 June 2013 amounted to HK$100,000,000 (equivalent to approximately RMB97,520,000) with number of ordinary shares amounted to 1,000,000,000 of HK$0.1 each. There were no movements in the issued share capital of the Company in the current interim period.

19. 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 with a duration of 10 years commencing from the adoption date. The objective of the 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 before they are vested and transferred to Selected Participants. Upon granting of shares to 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 Administration Committee.

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 2012	1.800	36,467
Lapsed	1.873	(1,754)
Vested	1.789	(10,985)
Granted *(Note 1)*	2.952	12,202
As at 31 December 2012 and I January 2013	2.193	35,930
Lapsed	1.637	(160)
Vested	1.931	(8,691)
Granted *(Note 2)*	8.100	2,352
As at 30 June 2013	2.745	29,431

The equity-settled share-based payments expense charged to profit or loss was approximately RMB12,431,000 for the six months ended 30 June 2013 (the corresponding period of 2012: approximately RMB8,926,000).

Notes:

1. The Restricted Shares granted in 2012 vested on every anniversary date of the grant date of each batch of Restricted Shares in tranches on the following scales:

Restricted Shares	**Scales**
4,068,000 shares	One-fourth
8,014,000 shares	One-half to one-fifth
120,000 shares	One-fourth

2. The Restricted Shares granted in 2013 vested on every anniversary date of the grant date of each batch of Restricted Shares in tranches on the following scales:

Restricted Shares	**Scale**
2,352,000 shares	One-fourth

20. DEFERRED INCOME

As at 30 June 2013, the deferred income comprised a government subsidy of approximately RMB3,833,000 (31 December 2012: approximately RMB4,382,000) towards the cost of technology enhancement of its production lines and approximately RMB13,306,000 (31 December 2012: approximately RMB8,087,000) towards the cost of research and development of technology projects. The amounts have been recognised as deferred income. The amounts are recognised in profit or loss over the useful lives of the relevant assets in the enhanced production lines. This policy has resulted in a credit to income in the current period of approximately RMB1,560,000 (corresponding period of 2012: approximately RMB548,000). As at 30 June 2013, an amount of approximately RMB17,139,000 (31 December 2012: approximately RMB12,469,000) remains to be amortised.

21. COMMITMENTS

	30 June 2013 ***RMB'000*** **(unaudited)**	31 December 2012 *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	**115,313**	58,177

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**"), manufacture and sales of optical and optical-related products. Such products include optical components (such as glass spherical and aspherical lenses, plane products, handset lens sets, vehicle lens sets and other various lens sets), optoelectronic products (such as handset camera modules, smart television video modules, three-dimensional ("**3D**") optoelectronic products, security cameras and other optoelectronic modules) and optical instruments (such as microscopes, optical measuring instruments and various optical analytical instruments). We focus on the market of optoelectronic related products, such as handsets, digital cameras, vehicle imaging systems, smart television video 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 2012.

A. FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2013 was approximately RMB2,785.7 million, representing an increase of approximately 57.4% or approximately RMB1,016.2 million compared with the corresponding period of the last year. The increase in revenue was mainly benefited from the rapid growth of smartphones and the rapid development of application of vehicle optical system.

Revenue generated from the optical components business segment decreased by approximately 7.7% to approximately RMB563.9 million compared with the corresponding period of the last year. The decrease was mainly due to the weak demand for digital camera market and slow development of handset lens sets business.

Revenue generated from the optoelectronic products business segment increased by approximately 97.4% to approximately RMB2,119.8 million compared with the corresponding period of the last year. The increase in revenue was mainly attributable to the substantial rise in average selling price due to the improvement in product mix of handset camera modules business, the rise in shipment volume and rapid growth of other optoelectronic modules.

Revenue generated from the optical instruments business segment increased by approximately 20.2% to approximately RMB102.0 million as compared with the corresponding period of the last year. The increase was mainly attributable to the growth in market demand for scientific instruments.

Gross Profit and Margin

The gross profit for the first half of financial year 2013 was approximately RMB440.4 million, and the gross profit margin was approximately 15.8%, which was 3.4% lower than that of the corresponding period of the last year. The decrease in gross profit margin was mainly attributable to the dilution effect arising from the rapid growth in sale of optoelectronic products business segment which has a lower gross profit margin than the general gross profit margin of the Group, and the decline of its gross profit margin as compared with the same period of the last year. The gross profit margins of optical components business segment, optoelectronic products business segment and optical instruments business segment were approximately 22.8%, 12.1% and 36.7% respectively (the corresponding period of 2012: approximately 22.4%, 15.0% and 33.7%, respectively).

Selling and Distribution Expenses

For the six months ended 30 June 2013, selling and distribution expenses increased by approximately 33.1% or approximately RMB10.5 million to approximately RMB42.1 million during the period under review, accounting for approximately 1.5% of the Group's revenue, which was 0.3% lower than that of the corresponding period of the last year. The increase in absolute value was primarily due to the increase in costs of selling, marketing and distribution personnel resulted from the growth in sales activities.

R&D Expenditure

R&D expenditure increased from approximately RMB67.9 million for the six months ended 30 June 2012 to approximately RMB101.7 million for the corresponding period of 2013, accounting for approximately 3.7% of the Group's revenue during the period under review. The increase was mainly 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, three-dimensional optoelectronic products, vehicle lens sets, infrared products, security surveillance systems, mid- to high-end optical instruments and the upgrade of other existing product categories.

Administrative Expenses

Administrative expenses, represented approximately 2.9% of the Group's revenue which was 1.4% lower than that of the corresponding period of the last year, increased from approximately RMB75.3 million during the six months ended 30 June 2012 to approximately RMB80.6 million for the corresponding period of 2013, representing an increase of approximately 7.1%. 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 of relevant fringe benefits.

Income Tax Expense

Income tax expense increased from approximately RMB32.4 million for the six months ended 30 June 2012 to approximately RMB40.5 million for the corresponding period of 2013. Such increase was mainly attributable to the growth in earnings. The Group's effective tax rate was approximately 17.2% for the first half of the year and approximately 17.3% for the corresponding period of the last year. In order to keep the effective tax rate steady in the future, currently several subsidiaries of the Group in the PRC have successfully applied for the status of Hi-Tech enterprises. The income tax rate applicable to Hi-Tech enterprises is 15.0% according to the national policy in the PRC.

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

	2012	**2013**	**2014**	**2015**
*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")	15.0%	15.0%	15.0%	15.0%
*Ningbo Sunny Opotech Co., Ltd. ("Sunny Opotech")	15.0%	15.0%	15.0%	15.0%
Ningbo Sunny Infrared Technologies Co., Ltd. ("Sunny Infrared")	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 Opotech Co., Ltd. ("Sunny Automotive Opotech")	15.0%	15.0%	15.0%	15.0%
Suzhou Shunxin Instruments Co., Ltd. ("Suzhou Shunxin Instruments")	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")	25.0%	25.0%	25.0%	25.0%

* Companies recognized as Hi-Tech enterprises prior to the balance sheet date

Profit for the Period and Margin

Profit for the period increased by approximately 25.6% from approximately RMB155.1 million for the six months ended 30 June 2012 to approximately RMB194.9 million for the corresponding period of 2013. The increase in net profit was mainly attributable to the increase in gross profit and effective control in operating expenses. The net profit margin was approximately 7.0%.

Profit for the Period Attributable to Owners of the Company

For the six months ended 30 June 2013, profit for the period attributable to owners of the Company amounted to approximately RMB196.8 million, representing an increase of approximately RMB40.3 million or approximately 25.7% as compared with approximately RMB156.5 million for the corresponding period of the last year.

Interim Dividend

For the year ended 31 December 2012, the dividend was approximately RMB0.105 (equivalent to HK$0.129) per share, with payout ratio of approximately 30.3% of the profit attributable to owners of the Company for the year. Such dividend was paid to shareholders in May 2013.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (corresponding period of 2012: nil).

B. BUSINESS REVIEW

In the first half of 2013, influenced by the bleak global economy and macroeconomic control policies adopted by the PRC government, the domestic economic growth experienced a notable slowdown. All industries were facing unprecedented challenges, but consumer electronic industry remained a sound trend for development. The growth of smartphone and tablet PC accomplished better achievements. Benefited from that, coupled with effective integration of the resources, the Group attained outstanding results from the development of various business segments.

During the period under review, the rapid development of smartphone market was still remarkable. The global smartphone shipment volume in the first half of 2013 amounted to approximately 453.2 million units (Source: Internet Data Center), in which the domestic branded smartphone shipment volume was approximately 115.0 million units. (Source: Cenotec/HQ Research)

The Group will speed up its strategic transformation, continue to strengthen R&D on products and technologies, and enhance competitiveness and market penetration globally. During the period under review, the Group's measures have successfully achieved favorable results. Two major business segments of the Group, namely optoelectronic products and optical instruments, performed well and recorded satisfactory growth. Though revenue generated under sales of optical components business segment recorded a decrease, its vehicle lens sets business was in a rapid rising trend. Furthermore, the relocation of production lines of digital camera related products has been proceeding smoothly, while the business of the subsidiary in California, the U.S., has been developing satisfactorily and a new project there has commenced mass production. Additional technicians were also deployed by the Group in Korea to provide local customers with more premium and timely services, which showed solid progress. In particular, the Group commenced mass production of handset lens sets for an important customer in Korea as from June of 2013.

During the period under review, the Group increased its investment in R&D and consolidated the technical leadership of its existing products in the respective fields, aiming to constantly strengthen its R&D capabilities. In particular, all the three major business segments conducted an upgrading R&D on their respective existing products. Meanwhile, the improvements have been seen in the processing technology, especially, the automation process has been propelled smoothly. The development of the Group's emerging businesses was favorable, and the growth in businesses associated with smartphones was rapid. For optical components business segment, 8-mega pixel handset lens sets commenced mass production while 10-mega pixel or above handset lens sets were in the processes of active R&D and trial production; in the second quarter of 2013, the Group started mass production of various vehicle lens sets for Japanese automotive component suppliers; infrared business continued the rapid development. For optoelectronic products business segment, innovation of Sunny Opotech has proudly received government's recognition and the Company was named "2012 Ningbo Innovative Pilot Enterprise" (2012年寧波市創新型試點企業). At present, there are only 18 enterprises identified as "Innovative Pilot Enterprise" in Ningbo, and among these enterprises, one is of national level and three are of provincial level. Furthermore, the "new model of Chip On Board ("COB") automatic film posting machine" (新型COB自動貼膜設備) developed by Sunny Opotech obtained an utility model patent. For optical instruments business segment, the "Three-Dimensional Laser Motion Measurement System and Method" (三維激光運動姿態測量系統及方法) of Suzhou Shunxin Instruments has obtained the national invention patent. Currently, the Group has obtained 152 patents and 79 patent applications are pending for approval.

The Group was awarded numerous honors and recognitions during the period under review. For optical components business segment, Sunny Optics has won the "2012 Ningbo Mayor Quality Award". This award indicates the government's recognition towards the execution of "Best Performance Management Model" and dedication of the management, which inspires the Company to further enhance its management level and create more economic value. Sunny Tianjin Optics was recognized as the "Excellent Supplier" on the Samsung Electronics Supplier Conference. The Group has been awarded this honor in the past consecutive years. This is a high level recognition by Samsung Electronics regarding to the Group's product quality, delivery and services.

For optoelectronic products business segment, the project of "Research and Industrialization of Key Technologies for High-reliable Chip On Film ("COF") Handset Camera Modules" which was applied by Sunny Opotech has won the second class prize of Ningbo City Technology Advancement Award. With the application of this technology, products would be more reliable with shorter production cycles and lower costs compared with traditional camera modules. Currently, this technology has reached a leading international standard and has been widely applied in different pixel of camera modules. Various major handset makers have shown strong interests in this application which reflects strong market demand.

For optical instruments business segment, Shanghai Sunny Hengping Scientific Instrument Co., Ltd. was recently awarded the "2012 Shanghai Innovative Enterprise". The Group won this honour twice since it was listed as one of the first batch of 200 "Shanghai Innovative Enterprises" in 2010. The award encourages the Group to further improve its innovation capabilities and to enhance its innovation effectiveness and efficiency.

Optical Components

Due to the weak demand for digital camera market and slow development of handset len sets business, the revenue generated under the optical components business segment recorded a decrease. During the period under review, revenue of this business segment was approximately RMB563.9 million, representing a decrease of approximately 7.7% as compared with the corresponding period of the last year. This business segment accounted for approximately 20.2% of the Group's revenue as compared with approximately 34.5% in the corresponding period of the last year.

The production lines for handset lens sets under the optical components business segment have launched the automatic assembling and the automatic testing, which significantly improved production efficiency and yield rate, and also reduced labor costs. During the period under review, for handset lens sets business, the proportion of shipment volume of 5-mega pixel or above products increased to approximately 23.7% from approximately 2.3% for the corresponding period of the last year. During the period under review, the Group has begun to supply 8-mega pixel handset lens sets for a famous handset manufacturer in Korea.

Optoelectronic Products

Benefited from the rapid development of smartphones and other mobile devices products, the Group's handset camera module business and other optoelectronic module business realized a strong growth. Revenue from optoelectronic products business segment for the six months ended 30 June 2013 amounted to approximately RMB2,119.8 million, representing an increase of approximately 97.4% over the corresponding period of the last year. This business segment accounted for approximately 76.1% of the Group's total revenue as compared with approximately 60.7% in the corresponding period of the last year.

During the period under review, the proportion of shipment volume of handset camera modules with 5-mega pixel or above increased to approximately 49.2% from approximately 22.3% in the corresponding period of the last year, in which the proportion of shipment volume of modules with 8-mega pixel or above was approximately 17.7%. Our outstanding high resolution products allowed the Group to maintain its leading position in the supply chain for domestic smartphones. During the period under review, the Group supplied a mass volume of handset camera modules with 13-mega pixel to a famous handset manufacturer in Korea. In addition, 3D touchless motion controller (非觸控式三維互動控制器) under this business segment also started mass production. In the meantime, the Group's subsidiary established in the U.S. has been working to explore internationally renowned customers under this business segment.

Optical Instruments

During the period under review, affected by the sluggish global economy, the European debt crisis and the slowdown in domestic economic growth, the demand for industrial instruments decreased. However, benefited from the growth of market demand for scientific instruments, revenue from this business segment increased by approximately 20.2% to approximately RMB102.0 million. This business segment accounted for approximately 3.7% of the Group's total revenue, as compared with approximately 4.8% in the corresponding period of the last year.

The PRC government will substantially increase its investment in areas like environmental protection and food safety in the "12th Five-Year Plan", which is expected to propel the demands for high-end optical analytical instruments. Therefore, the Group will further increase investment in the R&D and marketing of high-end optical instruments in order to foster its medium- to long-term steady development.

Production

The Group's products are mainly manufactured in five production bases in Yuyao of Zhejiang Province, Zhongshan of Guangdong Province, Shanghai, Tianjin and Xinyang of Henan Province in the PRC respectively. At the same time, the Group has also set up offices and production bases in Seoul of Korea and Singapore through its subsidiaries, namely Power Optics Co., Ltd. and Sunny Instruments Singapore Pte. Ltd. respectively. In addition, the Group has established a subsidiary in Silicon Valley, California, the U.S. and deployed marketing and sales personnel to provide technical support and to expand customer base in North America.

C. OUTLOOK AND FUTURE STRATEGIES

During the period under review, the Group recorded strong performance. In spite of uncertainties continued to overshadow the growth of the global economy, the Group remains positive on its full-year performance like its attitude at the beginning of the year. The Group has been accelerating its business transformation and upgrade, implementation of its development strategies formulated at the beginning of the year and striving to maintain the sound development momentum seen in the first half of 2013.

1. Continued in-depth exploration and dedicated to and focused on its business strengths;

During the period under review, the Group has utilized its business strengths and increased its respective market share of high-end handset camera modules and vehicle lens sets. In the second half of the year, the Group will continue to put resources to increase proportion of sales of high-end handset lens sets and handset camera modules, and to increase the market share of these products as well as vehicle lens sets and microscopes. Meanwhile, we will enhance our market penetration power through our subsidiary in the U.S. The Group will also further boost process automation and "Lean Production", in order to achieve stable increase in gross profit margin. Moreover, we will also keep the sound industrial transfer strategy to ensure stable production of the new production base in Xinyang, and to facilitate the medium- to long-term strategic layout of the Group.

2. Achieve breakthrough in emerging businesses and realise a balanced development;

The Group aims to increasing sales of relevant products through further expansion and optimisation of its sales channels of existing emerging businesses. At the same time, the Group will continue to explore new optical applications, especially the development in the emerging fields such as innovative optical applications on mobile devices and 3D imaging/controlling field. The Group will identify key emerging businesses to realise its sustainable medium- to long-term development.

3. **Continue to enhance management performance and facilitate management innovation;**

The Group will foster its managerial function, improve its performance evaluation system, enhance its financial management capability, further promote technology innovation by focusing on automation, and innovate its corporate culture and management mode. These will help consolidating and leveraging of resources, as well as flexibility of the management model of the Group.

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

D. LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows

The table below summaries the Group's cash flows for the six months ended 30 June 2012 and 30 June 2013:

	For the six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Net cash (used in) from operating activities	**(84.4)**	110.5
Net cash from (used in) investing activities	**64.2**	(27.2)
Net cash from (used in) financing activities	**107.6**	(8.8)

The Group derives its working capital mainly from cash on hand, net cash generated from financing and investing activities. In the long run, the Group will be funded by net cash from operating activities and, if necessary, by additional equity financing or borrowings.

During the period under review, there were no material changes in the funding and financial policy of the Group. The Group recorded the net increase in cash and cash equivalents of approximately RMB87.4 million for the six months ended 30 June 2013, representing an increase of approximately RMB13.0 million compared with the corresponding period of the last year.

Capital Expenditure

For the six months ended 30 June 2013, the Group's capital expenditure amounted to approximately RMB118.8 million, which was mainly used for the purchases of property, plant, equipment and other tangible assets. All of the capital expenditure was financed by internal resources.

E. CAPITAL STRUCTURE

Indebtedness

Borrowings

Bank loans of the Group as of 30 June 2013 amounted to approximately RMB332.6 million (as of 31 December 2012: approximately RMB102.6 million). Pledged bank deposit of the Group amounted to RMB0.8 million (as of 31 December 2012: approximately RMB0.2 million) was arranged.

As of 30 June 2013, among all bank loans, approximately RMB2.3 million were denominated in Korean Won, approximately RMB22.4 million were denominated in RMB Yuan, while approximately RMB307.9 million were denominated in U.S. Dollars. The gearing ratio of the Group by reference to the total debt to total book capitalization ratio (total book capitalisation means the sum of total liabilities and shareholders' equity) was approximately 9.1%, reflecting that the Group' s financial position was at a sound level.

Bank facilities

As of 30 June 2013, the Group had bank facilities of RMB375.0 million with Yuyao Branch of Agricultural Bank of China, USD10.0 million with Yuyao Branch of Ningbo Bank, USD17.5 million with BNP Paribas Hong Kong Branch and USD15.0 million with Yuyao Branch of Bank of Communication.

Debt securities

As of 30 June 2013, the Group did not have any debt securities.

Contingent liabilities

As of 30 June 2013, the Group did not have any material contingent liabilities or guarantees.

F. PLEDGE OF ASSETS

The Group did not have any pledge or charge on assets as of 30 June 2013, other than pledged bank deposits of RMB0.8 million.

Capital Commitments

As of 30 June 2013, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises amounted to approximately RMB115.3 million (as of 31 December 2012: approximately RMB58.2 million).

As of 30 June 2013, the Group had capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounting to approximately RMB115.3 million (as of 31 December 2012: approximately RMB58.2 million). The Group had not had any expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of land use right (as of 31 December 2012: nil).

As of 30 June 2013, the Group had no other capital commitments save as disclosed above.

G. OFF-BALANCE SHEET TRANSACTIONS

As of 30 June 2013, the Group did not enter into any material off-balance sheet transactions.

H. PERFORMANCE OF INVESTMENTS MADE AND FUTURE INVESTMENTS

The Group's investing activities mainly include the purchases of property, plant and equipment. For the six months ended 30 June 2013, the Group's investments amounted to approximately RMB118.8 million, mainly involving in the purchases of machinery and equipment, as well as the initial production settings of new products and the necessary equipment configurations of new projects. These investments enhanced the capabilities of the R&D and technology applications as well as production efficiency and thus, broadening the sources of revenue. No substantial acquisition and large investment plan is intended for the year of 2013.

I. EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 12,523 dedicated full-time employees as of 30 June 2013, including 1,671 management and administrative staff, 10,568 production staff and 284 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 fringe benefits as well as mandatory provident fund scheme for employees in Hong Kong and state-managed retirement benefit scheme for employees in the PRC.

The Group has also adopted a Share Option Scheme and a Restricted Share Award Scheme for its employees, for the purpose of providing incentives and rewards to eligible participants with reference to their contribution and enhancing its staff's spirit of ownership. For the six months ended 30 June 2013, no share option was granted or agreed to be granted by the Company under the Share Option Scheme. In addition, as of 30 June 2013, an aggregate of 56,802,750 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 purchases by the trustee of the Restricted Share Award Scheme, of the Company's listed shares during the six months ended 30 June 2013.

B. SHARE OPTION SCHEME

On 25 May 2007, the Company adopted the Share Option Scheme for the purpose 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 2013, 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. 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. Details of the Restricted Share Award Scheme could be found in the Note 19 of the condensed consolidated financial statements. As of 30 June 2013, an aggregate of 56,802,750 shares have been issued for qualified participants in accordance with the Restricted Share Award Scheme since the adoption date, accounting for 5.68% of the shares of the Company in issue.

Pursuant to the Restricted Share Award Scheme, the Company shall transfer cash to the trustee from time to time for the acquisition of shares to be held upon trust for the benefits of the selected participants. 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 shares shall be granted under the Restricted Share Award Scheme if the number of shares granted at any time during the Restricted Share Award Scheme period has exceeded 10% of the 1,000,000,000 issued shares of the Company as at the Adoption Date (i.e.,100,000,000 Shares). Apart from the expenses incurred by the trustee attributable or payable in connection with the vesting of the shares which shall be borne by the selected participants, vested shares shall be transferred at no cost to the selected participants.

Details of movements of the shares under the Restricted Share Award Scheme for the six months ended 30 June 2013 are as follows:

Date of grant	Fair value of each Share *(Note)* *HK$*	Number of Shares 1 January 2013	Granted during the period	Vested during the period	Lapsed during the period	30 June 2013	Vesting period
7 May 2010	1.637	15,585,250	–	(6,246,500)	(160,000)	9,178,750	From 6 May 2014 to 6 May 2015
14 March 2011	2.67	3,758,500	–	(1,512,000)	–	2,246,500	From 13 March 2014 to 13 March 2015
18 August 2011	1.64	4,384,000	–	–	–	4,384,000	From 17 August 2014 to 17 August 2015
14 March 2012	2.70	4,068,000	–	(932,000)	–	3,136,000	13 March 2016
17 August 2012	3.08	8,014,000	–	–	–	8,014,000	From 16 August 2015 to 16 August 2017
21 December 2012	–	120,000	–	–	–	120,000	20 December 2016
9 March 2013	8.10	–	2,352,000	–	–	2,352,000	From 8 March 2015 to 8 March 2017
		35,929,750	2,352,000	(8,690,500)	(160,000)	29,431,250	

Note:

The fair value of the shares was calculated based on the closing price per share on the date of grant.

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 2013, 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)*	1,296,000	0.13%
	Long position	Interest in a controlled corporation, and trustee and beneficiary of a trust *(Note 3)*	421,460,060	42.15%
Equity Trust (HK) Limited	Long position	Interest in a controlled corporation, and trustee of a trust *(Note 4)*	421,460,060	42.15%
Mr. Ye Liaoning	Long position	Beneficial owner *(Note 5)*	2,160,000	0.22%
	Long position	Beneficiary of a trust *(Note 6)*	421,460,060	42.15%
Mr. Sun Yang	Long position	Beneficial owner *(Note 7)*	2,160,000	0.22%
	Long position	Beneficiary of a trust *(Note 8)*	421,460,060	42.15%
FIL Limited	Long position	Beneficial owner	50,638,000	5.06%

Notes:

(1) As Sun Ji owns 92.32% equity interest in Sun Xu which in turn owns 421,460,060 shares of the Company, Sun Ji is deemed to be interested in the 421,460,060 shares held by Sun Xu under the SFO.

(2) Mr. Wang Wenjian is taken to be interested as a grantee of 1,296,000 shares granted under the Restricted Share Award Scheme.

(3) 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. 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 the 421,460,060 shares held by Sun Xu under the SFO.

(4) 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 SFO.

(5) Mr. Ye Liaoning is taken to be interested as a grantee of 2,160,000 shares granted under the Restricted Share Award Scheme.

(6) Mr. Ye Liaoning is a beneficiary under the Sunny Employee Trust, under which he is entitled to 6.80% 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.

(7) Mr. Sun Yang is taken to be interested as a grantee of 2,160,000 shares granted under the Restricted Share Award Scheme.

(8) Mr. Sun Yang is a beneficiary under the Sunny Employee Trust, under which he is entitled to 0.92% 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.

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; and

– "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 2013, no other persons 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 2013, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or of any associated corporations (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	Long/short position	Capacity/Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding
Mr. Wang Wenjian	Long position	Interest in a controlled corporation, and trustee and beneficiary of a trust *(Note 1)*	421,460,060	42.15%
	Long position	Beneficial owner *(Note 2)*	1,296,000	0.13%
Mr. Ye Liaoning	Long position	Beneficiary of a trust *(Note 3)*	421,460,060	42.15%
	Long position	Beneficial owner *(Note 4)*	2,160,000	0.22%
Mr. Sun Yang	Long position	Beneficiary of a trust *(Note 5)*	421,460,060	42.15%
	Long position	Beneficial owner *(Note 6)*	2,160,000	0.22%

Notes:

(1) 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. 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 held by Sun Xu under the SFO.

(2) Mr. Wang Wenjian is taken to be interested as a grantee of 1,296,000 shares granted under the Restricted Share Award Scheme.

(3) Mr. Ye Liaoning is a beneficiary under the Sunny Employee Trust, under which he is entitled to 6.80% 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. Ye Liaoning is taken to be interested as a grantee of 2,160,000 shares granted under the Restricted Share Award Scheme.

(5) Mr. Sun Yang is a beneficiary under the Sunny Employee Trust, under which he is entitled to 0.92% 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.

(6) Mr. Sun Yang is taken to be interested as a grantee of 2,160,000 shares granted under the Restricted Share Award Scheme.

Save 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 2013.

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 2013, the Company complied with all the principles and code provisions (including those amendments effective from 1 April 2012) 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 Rules**").

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, and after having made specific enquiries with regard to securities transactions by the Directors, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding Directors' securities transactions throughout the six months ended 30 June 2013.

G. AUDIT COMMITTEE

The audit committee comprises two independent non-executive Directors, namely, Mr. Zhang Yuqing as the chairman of the audit committee and Mr. Chu Peng Fei Richard, and one 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 2013.

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.

In January, the Company participated in the "Taiwan/Tech Corporate Day" held in Hong Kong by Credit Suisse (Hong Kong) Limited and the "Greater China Conference 2013" in Shanghai by United Bank of Switzerland, and in March, attended the "Smart Mobility Corporate Days" by Barclays Plc. Following the announcement of our annual results for the year 2012 in March, the Company organized a results presentation conference and a number of individual or group meetings with investors, and then participated in the "Taiwan, Technology & Beyond Conference" held by Merrill Lynch & Co., Inc. and the "Asian Investment Conference" by Credit Suisse (Hong Kong) Limited. In April, the Company organized a Non-deal Roadshow in Shenzhen, and in May, the Company participated in the "Greater China Conference" held by Macquarie Group, the "Asia Rising Dragons Forum" by JP Morgan Chase & Co., the "19th China Forum" by CLSA Limited, the "Fourth Annual Hong Kong Investor Summit" by Morgan Stanley Group and the "4th Annual Asia Pacific TMT Conference" by BNP Paribas Bank, and convened the annual general meeting of the Company. In addition, the Company participated in the "Pan-Asia Technology Forum" organized by Nomura International (Hong Kong) Limited in late May. In June, the Company organized a Reverse Roadshow at our headquarters in Yuyao City and participated in the "China/HK Emerging Corporate Day" held by Credit Suisse (Hong Kong) Limited, the "Corporate Day" by Cathay Securities Corporation and the "Taiwan Conference 2013" by United Bank of Switzerland, in a view to maintain close contacts and sound communications with investors.

The Group's website (www.sunnyoptical.com) offers timely access to the Group's press releases and other business information. Through its website, the Group provides shareholders with the electronic version of the financial reports, the latest slides presented at investors' conferences, as well as the up-to-date news about the Group's business, announcements and general information, etc. For environmental protection and to maintain effective communication with shareholders, the Group encourages all shareholders to browse the Group's information via the Group's website.

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

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

China, 13 August 2013

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