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## **SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED**

**舜宇光學科技（集團）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2382)**

### **RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Company's prospectus dated 4 June 2007 and various announcements made previously regarding various continuing connected transactions entered into by the Group.

The Group has been (a) leasing certain premises under the Tenancy Agreements; and (b) conducting transactions under the Xingbang Product Sale Agreements and the Xingli Product Sale Agreement, all of which were subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Tenancy Agreements, the Xingbang Product Sale Agreements and the Xingli Product Sale Agreement, and their respective approved annual caps, have all expired on 31 December 2009. The Group has on 1 January 2010 entered into the Tenancy Renewal Agreements, the Xingbang Renewal Agreements and the Xingli Renewal Agreement with Sunny Group, Xingbang and Xingli respectively in order to renew the aforesaid agreements on similar terms.

Mr. Wang is the chairman and chief executive officer of the Company, and is therefore a connected person of the Company. Since Mr. Wang is able to control more than 30% of the equity interests in Sunny Group, Sunny Group is hence the associate of a connected person of the Company and any transactions between the Group and Sunny Group shall constitute connected transactions under the Listing Rules.

Xingbang is a limited company established in the PRC whose principal business activity is manufacturing and sale of parts for optical instruments. Xingbang is wholly-owned by a cousin of Mr. Wu and Mr. Wu, being an executive Director, is a connected person of the Company. Accordingly, Xingbang is the associate of a connected person of the Company and any transactions between the Group and Xingbang shall constitute connected transactions under the Listing Rules.

Xingli is a limited company established in the PRC whose principal business activity is manufacturing and sale of parts for optical components. Xingli is wholly-owned by a brother-in-law of Mr. Ye and Mr. Ye, being an executive Director, is a connected person of the Company. Accordingly, Xingli is the associate of a connected person of the Company and any transactions between the Group and Xingli shall constitute connected transactions under the Listing Rules.

Based on the proposed annual caps for the transactions to be involved under the Tenancy Renewal Agreements, the Xingbang Renewal Agreements and the Xingli Renewal Agreement, the continuing connected transactions thereunder are subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the Company's prospectus dated 4 June 2007 and the announcements dated 22 November 2007, 9 October 2008 and 10 November 2008 previously made regarding various continuing connected transactions entered into by the Group under the Tenancy Agreements, the Xingbang Product Sale Agreements and the Xingli Product Sale Agreement.

The Group has been (a) leasing certain premises under the Tenancy Agreements; and (b) conducting transactions under the Xingbang Product Sale Agreements and the Xingli Product Sale Agreement, all of which were subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

In view of the fact that the aforesaid agreements and their respective annual caps have expired on 31 December 2009, the Group has entered into the Tenancy Renewal Agreements, the Xingbang Renewal Agreements and the Xingli Renewal Agreement with particulars set out below. The transactions under the aforesaid renewal agreements constitute continuing connected transactions and based on the proposed annual caps for the transactions to be involved thereunder, and the aforesaid renewal agreements are subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules.

## **DETAILS OF CONTINUING CONNECTED TRANSACTIONS**

### **Tenancy Renewal Agreements**

The Tenancy Agreements and the annual caps have all expired on 31 December 2009. The Group has on 1 January 2010 entered into the Tenancy Renewal Agreements, all of which were effective on 1 January 2010.

The terms of the Tenancy Renewal Agreements are mostly similar to their respective Tenancy Agreements with some modifications, the major terms of which are set out below:

	<b>Address of premises/ Dates of Tenancy Agreements</b>	<b>Landlords and tenants under the Tenancy Renewal Agreements</b>	<b>Use/ Approximate Floor Area under the Tenancy Renewal Agreements</b>	<b>Term under the Tenancy Renewal Agreements</b>	<b>Annual Rent under the Tenancy Renewal Agreements (including all other expenses) (RMB)</b>	<b>Terms of payment under the Tenancy Renewal Agreements</b>
1.	North of Nos. 66–68 Shunyu Road, Beijiao Village, Cheng District, Yuyao City, Zhejiang Province, the PRC  Tenancy Agreements entered into on 1 January 2007 and 16 November 2007	Sunny Group as landlord  Sunny Optics, Sunny Instruments, Sunny Opotech, Sunny Infrared, Hengping and Sunny Automotive as tenants	Dormitory in Yuyao City, PRC, with 161 standard rooms  Floor area 30 sq.m. for each standard room	3 years from 1 January 2010 to 31 December 2012	approximately 318,780	Rents are calculated based on the number of standard rooms rented each month and payable monthly in arrears at the end of the month
2.	West of Zhongjiang, Bus Station North, Cheng District, Yuyao City, Zhejiang Province, the PRC  Tenancy Agreements entered into on 1 January 2007 and 16 November 2007	Sunny Group as landlord  Sunny Optics, Sunny Instruments, Sunny Opotech, Sunny Infrared, Hengping and Sunny Automotive as tenants	Dormitory in Yuyao City, PRC, with 275 standard rooms and 14 suites  Floor areas 27.4 sq.m. for each standard room and 66 sq.m. for each suite	3 years from 1 January 2010 to 31 December 2012	approximately 700,260	Rents are calculated based on the number of standard rooms and suites rented each month and payable monthly in arrears at the end of the month
3.	Nos. 66–68 Shunyu Road, Cheng District, Yuyao City, Zhejiang Province, the PRC  Tenancy Agreement entered into on 1 January 2007	Sunny Group as landlord  Sunny Optics as tenant	Waste water treatment facilities in Yuyao City, PRC  Floor area 150.3 sq.m.	3 years from 1 January 2010 to 31 December 2012	19,839.60	Rents payable monthly in arrears at the end of each month
4.	No. 2, Level 9, Jinsong Court, No. 98 Qifeng Road, Cheng District, Dongguan, Guangdong Province, the PRC  Tenancy Agreement entered into on 1 January 2007	Sunny Group as landlord  Sunny Instruments as tenant	Dormitory in Dongguan, PRC  Floor area 127.96 sq.m.	3 years from 1 January 2010 to 31 December 2012	33,781.44	Rents payable monthly in arrears at the end of each month

	<b>Address of premises/ Dates of Tenancy Agreements</b>	<b>Landlords and tenants under the Tenancy Renewal Agreements</b>	<b>Use/ Approximate Floor Area under the Tenancy Renewal Agreements</b>	<b>Term under the Tenancy Renewal Agreements</b>	<b>Annual Rent under the Tenancy Renewal Agreements (including all other expenses) (RMB)</b>	<b>Terms of payment under the Tenancy Renewal Agreements</b>
5.	Nos. 66–68 Shunyu Road, Cheng District, Yuyao City, Zhejiang Province, the PRC  Tenancy Agreement entered into on 1 January 2007	Sunny Group as landlord  Sunny Optics as tenant	Office, industrial facilities, etc. in Yuyao City, PRC  Floor area 7,560.82 sq.m.	3 years from 1 January 2010 to 31 December 2012	972,664.18	Rents payable monthly in arrears at the end of each month
6.	Block 8, No. 1001, North Qin Zhou Road, Shanghai Municipality, the PRC  Tenancy Agreement entered into on 8 October 2008	Sunny Group as landlord  Hengping and Sunny Opotech as tenants	Dormitory in Shanghai, PRC  Floor area 2,376.68 sq.m.	3 years from 1 January 2010 to 31 December 2012	1,904,576.28	Rents payable monthly in arrears at the end of each month
7.	Room No. 702 on 1st Floor of Block 18, Haidian Suzhou Street, Haidian District, Beijing Municipality, the PRC  Tenancy Agreement entered into on 8 October 2008	Sunny Group as landlord  Sunny Opotech as tenant	Dormitory in Beijing, PRC  Floor area 202.37 sq.m.	3 years from 1 January 2010 to 31 December 2012	160,277.04	Rents payable monthly in arrears at the end of each month
8.	Car-parking spaces situated at Nos. 66-68, Shun Yu Road, Yuyao City, Zhejiang Province, the PRC  Tenancy Agreements entered into on 8 October 2008	Sunny Group as landlord  Sunny Infrared, Sunny Optics, Sunny Instruments and Sunny Opotech as tenants	113 Car- parking spaces	3 years from 1 January 2010 to 31 December 2012	89,496.00	Rents payable monthly in arrears at the end of each month
<b>Total:</b>					<u><u>4,199,674.54</u></u>	

To cater for the operation of the Group, the Directors consider appropriate to enter into the Tenancy Renewal Agreements. The Directors (including the independent non-executive Directors) are of the opinion that all of the Tenancy Renewal Agreements are made on normal commercial terms in the ordinary and usual course of business of the Group and is in the best interests of the Company and its shareholders as a whole and that the terms and conditions, which were arrived at after arm's length negotiations between the parties involved, are fair and reasonable to the Group.

Mr. Wang is the chairman and chief executive officer of the Company, and is therefore a connected person of the Company. Since Mr. Wang is able to control more than 30% of the equity interests in Sunny Group, Sunny Group is therefore the associate of a connected person of the Company. The Tenancy Renewal Agreements entered into between the Group and Sunny Group shall hence constitute continuing connected transactions under the Listing Rules.

### **Xingbang Renewal Agreements and Xingli Renewal Agreement**

The Xingbang Product Sale Agreements, the Xingli Product Sale Agreement and their respective annual caps have expired on 31 December 2009. The Group has on 1 January 2010 entered into the Xingbang Renewal Agreements and Xingli Renewal Agreement, both of which were effective on 1 January 2010.

The terms of the Xingbang Renewal Agreements and Xingli Renewal Agreement are similar to the Xingbang Product Sale Agreements and the Xingli Product Sale Agreement respectively with some minor modifications, the major terms of which are set out below:

#### *1. Xingbang Renewal Agreements*

Date: 1 January 2010

Parties: Xingbang on one part as the supplier, and Sunny Optics and Sunny Opotech on the other part as the customer in each of the agreements

Term: Three years from 1 January 2010 to 31 December 2012

#### *2. Xingli Renewal Agreement*

Date: 1 January 2010

Parties: Xingli as the supplier and Sunny Optics as the customer

Term: Three years from 1 January 2010 to 31 December 2012

The goods previously supplied by both Xingbang and Xingli met the standards of quality required by the Group and the prices offered by Xingbang and Xingli are both comparable with and not higher than similar goods and/or raw materials offered by other independent suppliers. Further, Xingbang and Xingli provide the Group with more choices in sourcing and procurement of goods and raw materials, thereby enhancing the stability of such supply to the Group.

The Directors (including the independent non-executive Directors) are of the opinion that the Xingbang Renewal Agreements and the Xingli Renewal Agreement are both made on normal commercial terms in the ordinary and usual course of business of the Group and is in the best interests of the Company and its shareholders as a whole and that the terms and conditions, which were arrived at after arm's length negotiations between the parties involved, are fair and reasonable to the Group.

Both Xingbang and Xingli are limited companies established in the PRC. Xingbang is wholly-owned by a cousin of Mr. Wu and Mr. Wu, being an executive Director, is a connected person of the Company. Accordingly, Xingbang is the associate of a connected person of the Company and the Xingbang Renewal Agreements entered into between the Group and Xingbang shall constitute continuing connected transactions under the Listing Rules. On the other hand, Xingli is wholly-owned by a brother-in-law of Mr. Ye and Mr. Ye, being an executive Director, is a connected person of the Company. Accordingly, Xingli is the associate of a connected person of the Company and the Xingli Renewal Agreement entered into between the Group and Xingli shall constitute continuing connected transactions under the Listing Rules.

## HISTORICAL VALUES

The following table sets out the respective historical amounts of the continuing connected transactions as described above for the 2 years ended 31 December 2008 and 9 months ended 30 September 2009:

	<b>For the year ended 31 December 2007</b> (audited) <i>RMB'000</i>	<b>For the year ended 31 December 2008</b> (audited) <i>RMB'000</i>	<b>For the 9 months ended 30 September 2009</b> (unaudited) <i>RMB'000</i>
Tenancy Agreements (in aggregate)	3,604	2,730	3,409
Xingbang Product Sale Agreements	1,975	4,694	1,975
Xingli Product Sale Agreement	606	1,296	841

## ANNUAL CAPS

### Proposed Annual Caps

The following table sets out the respective proposed annual caps for the continuing connected transactions under the Tenancy Renewal Agreements, the Xingbang Renewal Agreements and the Xingli Renewal Agreement.

	<b>For the year ended 31 December 2010</b> <i>RMB'000</i>	<b>For the year ended 31 December 2011</b> <i>RMB'000</i>	<b>For the year ended 31 December 2012</b> <i>RMB'000</i>
Tenancy Renewal Agreements (in aggregate)	4,600	4,600	4,600
Xingbang Renewal Agreements	8,600	8,600	8,600
Xingli Renewal Agreement	2,000	2,000	2,000

## **Reasons for the Proposed Annual Caps**

The Directors are of the view that the annual caps for the purchases from Xingbang under the Xingbang Renewal Agreements and from Xingli under the Xingli Renewal Agreement are reasonable estimates of the total purchases from Xingbang and Xingli respectively as they are arrived at after due consideration of the Group's production forecast.

The Directors are also of the view that rents under each of the Tenancy Renewal Agreements (and therefore the annual caps) were determined by arm's length negotiations between the respective parties with reference to the market rents for similar properties in the same regions at or about the time when they were signed by the relevant parties.

Since all of the annual caps are less than 2.5%, or more than 2.5% but less than 25% and each of the annual consideration is expected to be less than HK\$10,000,000, the transactions under the aforesaid agreements are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

The Group is principally engaged in the business of designing, researching, developing, manufacturing and selling optical and optical-related products and scientific instruments. Sunny Group is principally engaged in the activities of investment holding and property leasing while Xingbang and Xingli's principal business activities are manufacturing and sale of parts for optical instruments.

## **DEFINITIONS**

Unless otherwise defined or the context so requires herein, words used in this Announcement shall have the following meanings:

- “Company” means Sunny Optical Technology (Group) Company Limited, a company incorporated in the Cayman Islands with limited liability on 21 September 2006 whose shares are listed on the Stock Exchange;
- “Directors” means the directors of the Company, and the term “Director” shall be construed accordingly;
- “Group” means the Company and its subsidiaries;
- “Hengping” means 上海舜宇恆平科學儀器有限公司 (Shanghai Sunny Hengping Scientific Instrument Company Limited), a company established in the PRC with limited liability whose equity interest is owned as to 60.73% by the Company and 39.27% by independent third parties (save for their respective interests in Hengping);
- “Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange;



“Mr. Wang”	means Mr. Wang Wenjian, an executive Director;
“Mr. Wu”	means Mr. Wu Jinxian, an executive Director;
“Mr. Ye”	means Mr. Ye Liaoning, an executive Director;
“PRC”	means the People’s Republic of China;
“Stock Exchange”	means the Stock Exchange of Hong Kong Limited;
“Sunny Automotive”	means 寧波舜宇車載光學技術有限公司 (Ningbo Sunny Automotive Optech Co. Ltd), a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company;
“Sunny Group”	means 舜宇集團有限公司 (Sunny Group Limited), a limited liability company established in the PRC;
“Sunny Infrared”	means 寧波舜宇紅外技術有限公司 (Ningbo Sunny Infrared Technologies Company Ltd.), a limited liability company established in the PRC, an indirect non wholly-owned subsidiary of the Company, which is owned as to 95% by Sunny Optics and 5% by independent third party;
“Sunny Instruments”	means 寧波舜宇儀器有限公司 (Ningbo Sunny Instruments Co., Ltd.), a jointly foreign owned enterprise established in the PRC, an indirect wholly-owned subsidiary of the Company;
“Sunny Opotech”	means 寧波舜宇光電信息有限公司 (Ningbo Sunny Opotech Co., Ltd.), a sino-foreign joint venture enterprise, an indirect wholly-owned subsidiary of the Company;
“Sunny Optics”	means 浙江舜宇光學有限公司 (Zhejiang Sunny Optics Co., Ltd.), a jointly foreign owned enterprise established in the PRC, an indirect wholly-owned subsidiary of the Company;
“Tenancy Agreements”	means the tenancy agreements signed by the Group as the tenants and Sunny Group as the landlord in respect of the leasing of the premises as more particularly set out under the section headed “Details of Continuing Connected Transaction – Tenancy Renewal Agreements” herein, and the term “Tenancy Agreements” shall be construed accordingly;
“Tenancy Renewal Agreements”	means the tenancy agreements, all dated 1 January 2010, entered into between the Group and Sunny Group for the renewal of the lease of the premises as more particularly set out under the section headed “Details of Continuing Connected Transaction – Tenancy Renewal Agreements” herein;



“Xingbang”	means 餘姚市興邦光電儀器有限公司 (Yuyao City Xingbang Optoelectronic Instruments Company Limited), a limited company established in the PRC;
“Xingbang Product Sale Agreements”	means the product sale agreements dated 1 January 2007 entered into between the Group and Xingbang for the purchase of raw materials such as glasses and lenses by the Group from Xingbang from time to time;
“Xingbang Renewal Agreements”	means two product sale agreements both dated 1 January 2010 entered into between the Group and Xingbang to extend the Xingbang Product Sale Agreements on similar terms;
“Xingli”	means 餘姚市興立光學器材廠 (Yuyao City Xingli Optics Instruments Factory), an entity established in the PRC;
“Xingli Product Sale Agreement”	means the product sale agreement dated 1 January 2007 entered into between the Group and Xingli for the purchase of raw materials such as glasses and lenses by the Group from Xingli from time to time; and
“Xingli Renewal Agreement”	means the product sale agreement dated 1 January 2010 entered into between the Group and Xingli to extend the Xingli Product Sale Agreement on similar terms.

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

PRC, 4 January 2010

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