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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)

THE SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED RESTRICTED SHARE AWARD SCHEME

The Board has adopted the Scheme on the Adoption Date. The purposes of the Scheme are (a) to provide the Selected Participants with an opportunity to acquire a proprietary interest in the Company; (b) to encourage and retain such individuals to work with the Company; and (c) 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 the shareholders of the Company through ownership of Shares.

Pursuant to the Scheme, the Company shall transfer cash to the Trustee from time to time for it to acquire Shares to be held upon trust for the benefits of Selected Participants. Shares granted to the Selected Participants shall be Restricted Shares which shall become unrestricted upon vesting at the end of each vesting period. No Shares shall be granted under the Scheme if the number of Shares granted at any time during the Scheme Period has exceeded 10% of the issued share capital of the Company as at the Adoption Date. Apart from the expenses incurred by the Trustee attributable or payable in connection with the vesting of the Restricted Shares which shall be borne by the Selected Participants, vested Shares shall be transferred at no cost to the Selected Participants.

Introduction

The Board has adopted the Scheme on the Adoption Date. As at the date of this announcement, the Company has, in addition to the Scheme, the Share Option Scheme. The Share Option Scheme is effectively the only share option scheme under which the Company may continue to grant options to eligible participants. The Company believes that being able to attract to and retain talented resources within the Company is vital to its success and it will not be possible to do so without having a competitive and attractive remuneration package in place. The introduction of the Scheme will facilitate the Company's objectives of attracting new and motivating existing talents and retaining both in the Company.

A summary of the Scheme Rules is set out below:

Purposes, Duration and Administration

The purposes of the Scheme are:

- (a) to provide the Selected Participants with an opportunity to acquire a proprietary interest in the Company;
- (b) to encourage and retain such individuals to work with the Company; and
- (c) 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 the shareholders of the Company through ownership of Shares.

Subject to any early termination of the Scheme and without prejudicing the subsisting rights of any Selected Participant, the Scheme shall be valid for the Scheme Period.

The Scheme shall be administered by the Administration Committee and the Trustee in accordance with the Scheme Rules.

Maximum Limit

The maximum number of Shares administered under the Scheme shall not exceed in total 10% (i.e. 100,000,000 Shares) of the Company's issued share capital as at the Adoption Date (i.e. 1,000,000,000 Shares). The maximum number of Restricted Shares that may be granted to a Selected Participant may not exceed 1% (i.e. 10,000,000 Shares) of the Company's issued share capital as at the Adoption Date.

Restrictions

No grant shall be made to any Selected Participant:

- (a) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive information has been published in accordance with the Listing Rules;
- (b) on any day on which the financial results of the Company are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

- (c) in any circumstances which are prohibited under the Listing Rules or where the requisite approval from any applicable regulatory authorities has not been granted.

No payment shall be made to the Trustee and no instructions to purchase Shares shall be given to the Trustee where any Director is in possession of unpublished price sensitive information in relation to the Company or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Operation

Subject to the Scheme Rules, the Administration Committee may, from time to time at its absolute discretion, select any Participant to be a Selected Participant and grant to such Selected Participant Restricted Shares. Where any grant of Restricted Shares is proposed to be made to any Selected Participant who is a Director (including the independent non-executive Director) or a member of the Administration Committee, such grant must first be approved by all the independent non-executive Directors and in each case excluding any independent non-executive Director who is the proposed Selected Participant.

The Administration Committee shall cause to be paid to the Trustee the purchase price and the related expenses from the Company's resources. The Trustee shall purchase from the market the relevant number of Shares granted and shall hold such Shares upon trust for the benefits of the Selected Participants until they are vested in accordance with the Scheme Rules. The Trustee is an independent third party within the definition of the Listing Rules. 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 Trustee 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 Trustee shall hold the Additional Shares, Unaccepted Shares and Unvested Shares upon trust and may make any grant to existing or new Selected Participants after considering the recommendations from the Administration Committee.

The Restricted Shares shall vest in the Selected Participants and become unrestricted at the end of the vesting period. Upon confirmation received from the Administration Committee that the vesting conditions have been satisfied, the Trustee shall transfer the vested Restricted Shares to the relevant Selected Participants at no cost except that the expenses attributable or payable in respect of the vesting of such Shares shall be borne by the Selected Participants.

Vesting

Restricted Shares granted under the 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 (as the case may be). Vesting of Restricted Shares shall be subject to the conditions that the Selected Participant shall remain as a Participant of the Company or any Subsidiary until and on each of the Vesting Dates and inform the Administration Committee of his/her securities account details no later than the Vesting Date to effect the transfer of the Restricted Shares from the Trustee.

Lapse

A grant of Restricted Shares shall automatically lapse if a Selected Participant ceases to be a Participant:

- (a) as a result of termination by the Company or any Subsidiary for cause;
- (b) if he is an Employee, by reason of redundancy, severance or dismissal or because he has tendered his resignation;
- (c) the Subsidiary by which such Selected Participant is employed or contracted with (as the case may be) ceases to be a Subsidiary;
- (d) an order for the winding up of the Company is made or a resolution is passed for the voluntary winding up of the Company; or
- (e) by reason of death.

In the event that a Selected Participant fails to return the relevant document containing his/her securities account details to the Administration Committee prior to the Vesting Date, the relevant part of the Restricted Shares granted to such Selected Participant shall also automatically lapse.

Where Shares, referable to a Selected Participant, do not vest in accordance with the Scheme Rules, the Trustee shall hold such Unvested Shares and all income derived therefrom for the benefit of all or one or more of the Participants, as the Trustee shall at any time grant, in accordance with the recommendations of the Administration Committee.

If an offer by way of takeover, merger, scheme of arrangement, share repurchase or otherwise is made to all the holders of Shares resulting in a change in control of the Company (as specified in the Takeovers Code), and such offer becomes or is declared unconditional prior to the vesting of Restricted Shares in the Selected Participant, then all Restricted Shares shall immediately so vest.

Limitation of Restricted Shares

A Selected Participant shall have no rights in (a) any cash and non-cash income in respect of a Share; and (b) any cash remaining in the trust fund of the Trust in respect of a Share. All restrictions and limitations on the Restricted Shares shall be removed upon vesting.

The Trustee shall not exercise any voting rights in respect of any Shares held under the Trust. The Trustee may not subscribe for any new Shares pertaining to either (a) an open offer of new securities; or (b) bonus warrants issued in respect of any Shares held by the Trustee. In the event of a rights issue, the Trustee shall sell any nil-paid rights allotted to it. In the event of the issue of a bonus warrant, the Trustee shall sell the bonus warrants granted to it. The net proceeds from the sale of such rights shall be held as cash income of the trust fund of the Trust and shall be applied in accordance with the Scheme Rules to purchase Additional Shares for the benefit of all or one or more of the Participants.

Termination

The Scheme shall terminate on the earlier of the 10th anniversary of the Adoption Date or such date of early termination as determined by a resolution of the Board. Any termination shall be without prejudice to any subsisting rights of any Selected Participant. Upon termination (whether due to early termination or upon expiry of the Scheme Period), no further Restricted Shares shall be granted. The Company shall notify the Trustee of such termination.

Upon receipt of a termination notice from the Company, the Trustee shall vest in the Selected Participants all Restricted Shares referable to the date of termination which are not vested by transferring the same held by and in the trust fund of the Trust to the relevant Selected Participants; and sell all Unaccepted Shares, Unvested Shares, Additional Shares and non-cash income remaining in the Trust and remit the proceeds of sale of the same together with any residual cash accrued in the Trust, net of all appropriate expenses in connection with such sale in accordance with the Trust Deed, to the Company forthwith after the sale.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Additional Shares”	additional Shares purchased by the Trustee which are funded by the cash and non-cash income received by the Trustee in respect of the Shares held upon trust
“Administrative Committee”	the Remuneration Committee (a sub-committee of the Board) and senior management of the Company which shall include the Chief Executive Officer, the Company Secretary(ies), the Head of Human Resources Department and the Head of Finance Department of the Company, delegated with the power and authority by the Board to administer the Scheme
“Adoption Date”	22 March 2010, (the date on which the Scheme is adopted by the Board upon recommendation of the Remuneration Committee)
“Board”	the board of Directors
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Sunny Optical Technology (Group) Company Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Employee”	an employee of the Group
“Grant Date”	in relation to any Restricted Share, the date on which the Restricted Share is, was or is to be granted

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Participant”	any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any Subsidiary
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of PRC and Taiwan)
“Restricted Shares”	Shares granted pursuant to the Scheme
“Scheme”	the restricted share award scheme known as “The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme” and adopted by the Company on the Adoption Date, in its present or any amended form
“Scheme Period”	the period of 10 years commencing from the Adoption Date
“Scheme Rules”	the rules of the Scheme
“Selected Participants”	any Participant selected by the Administration Committee in accordance with the terms of and entitled to receive a grant under the Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 25 May 2007
“Shares”	shares with a par value of HK\$0.10 each (or such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary of the Company; and “Subsidiaries” shall be construed accordingly
“subsidiary”	has the meaning ascribed to such term in Section 2 of the Companies Ordinance whether incorporated in Hong Kong or elsewhere
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchase of Hong Kong for the time being in force

“Trust”	the Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme Trust from which Restricted Shares may be granted to a Selected Participant pursuant to the Scheme
“Trust Deed”	the trust deed constituting the Trust, as restated, supplemented and amended from time to time
“Trustee”	BOCI-Prudential Trustee Limited, being the trustee for the time being of the Trust or any additional or replacement trustee(s)
“Unaccepted Shares”	such Shares pursuant to a grant which are not accepted by the Selected Participants within twenty eight (28) days after the Grant Date and have been or will be dealt with in accordance with the Scheme Rules
“Unvested Shares”	such Shares which do not vest in the Selected Participants and have been or will be forfeited in accordance with the Scheme Rules
“Vesting Date”	the date on which Shares are vested in the Selected Participants in accordance with the Scheme Rules
“Vesting Period”	the period between three (3) to five (5) years which shall have been passed before any Share is vested in the Selected Participant
“%”	per cent.

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

PRC, 26 March 2010

As at the date of this announcement, the Board comprises 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 and Mr. Zhang Yuqing, who are independent non-executive Directors.