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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES UNDER GENERAL MANDATE

Sole Placing Agent

NOMURA

Nomura International (Hong Kong) Limited

On 23 September 2013 (after trading hours), the Company, the Vendor and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which (i) the Placing Agent has agreed to act as agent for the Vendor to place, on a fully underwritten basis, the Placing Shares, and the Vendor has agreed to sell, through the Placing Agent, the Placing Shares to not less than six Placees who and whose ultimate beneficial owners will be third parties independent of, not acting in concert and not connected with the Vendor, the Company and their respective associates and connected persons; and (ii) the Vendor has conditionally agreed to subscribe for the Subscription Shares, upon the terms and subject to the conditions under the Placing and Subscription Agreement. The Placing Price was HK\$8.06.

The Placing Shares represent, in aggregate, 9.7% of the existing issued share capital of the Company of 1,000,000,000 Shares as at the date of this announcement; and approximately 8.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares as a result of the Subscription.

The Subscription is conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Subscription Shares; (ii) the completion of the Placing; and (iii) the Executive granting to the Vendor the Waiver from the obligation to make a general offer under the Takeovers Code with respect to the Subscription.

The aggregate net proceeds of the Placing and the Subscription amount to approximately HK\$770,000,000 and will be applied (i) to production capacity expansion; (ii) to the future development of the Company; and (iii) as general working capital of the Company.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date: 23 September 2013 (after trading hours of the Stock Exchange)

Parties Involved: The Company, the Vendor and the Placing Agent

Vendor: Sun Xu Limited, a controlling Shareholder (as defined under the Listing Rules). As at the date of this announcement, the Vendor is interested in 421,460,060 Shares, representing approximately 42.2% of the existing issued share capital of the Company

Placing Agent: Nomura International (Hong Kong) Limited

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are independent of and not connected with the Company or any of its connected persons

(1) The Placing

Placing Shares

The Placing Shares represent, in aggregate, 9.7% of the existing issued share capital of the Company of 1,000,000,000 Shares as at the date of this announcement; and approximately 8.8% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares as a result of the Subscription.

Placing Price

The Placing Price of HK\$8.06 per Share represents (i) a discount of approximately 4.39% to the closing price of HK\$8.43 per Share as quoted on the Stock Exchange on the date of the Placing and Subscription Agreement; (ii) a discount of approximately 8.72% to the average closing price of approximately HK\$8.83 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the date of the Placing and Subscription Agreement on 23 September 2013, being the last full trading day prior to the release of this announcement; and (iii) a discount of approximately 9.84% to the average closing price of approximately HK\$8.94 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including 23 September 2013.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that the Placing Price and the

terms and conditions of the Placing and Subscription Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net Placing Price after deduction of the relevant expenses was approximately HK\$7.94.

Rights

The Placing Shares will be sold free from all liens, charges and any other encumbrances or third party rights or claims of any kind, and together with all rights attaching to them, including the right to receive all dividends declared, made or paid on or after the Closing Date.

Independence of the Placing Agent and the Placees

The Placing Shares will be placed by the Placing Agent to not less than six Placees. It is expected that no Placee will become a substantial Shareholder (as defined under the Listing Rules) as a result of the Placing.

The Placing Agent and the Placees to be procured by the Placing Agent who and whose ultimate beneficial owners are or will be (as the case may) be third parties independent of, not acting in concert and not connected with the Vendor, the Company or any of their respective associates and connected persons.

Completion of the Placing

Completion of the Placing shall be subject to the Placing and Subscription Agreement not being terminated by the Placing Agent pursuant to the terms contained therein. Please refer to the sub-section headed “Termination Events” below in relation to the Placing Agent’s rights to terminate the Placing and Subscription Agreement. Completion of the Placing shall take place in CCASS on a free of payment basis on the Closing Date on which the relevant order for settlement of the Placing Shares will be executed by the Placing Agent.

Termination Events

At any time prior to completion of the Placing on the Closing Date, the Placing Agent may terminate the Placing and Subscription Agreement without liability to the Vendor and the Company by giving notice in writing to the Vendor and the Company if:

- (a) there is any new law or regulation or any change or prospective change in existing laws or regulations which in the reasonable opinion of the Placing Agent makes it impracticable or inadvisable or inexpedient to proceed with the Placing or has or is likely to have a material adverse effect on the financial position, business, results of operation or prospects of the Group as a whole;
- (b) the occurrence of any significant event, development or change or prospective change (whether or not permanent or forming part of a series of event, developments or changes occurring or continuing before, on and/or after the date of the Placing and Subscription Agreement) in local, national or international economic, financial, fiscal, industrial, regulatory, political or military conditions, securities market conditions or currency exchange rates or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by the United States, the United Kingdom, the PRC or Hong Kong of a national emergency or other calamity or crisis, the effect of which in the reasonable opinion of the Placing Agent is or would be materially adverse to the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith;

- (c) there is any declaration of a banking moratorium by the United States, the United Kingdom, the PRC or Hong Kong authorities, or any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the Shanghai Stock Exchange or the New York Stock Exchange;
- (d) there is any suspension of dealings in the Shares for any period whatsoever except for suspension relating to any transaction under the Placing and Subscription Agreement;
- (e) any breach of any of the representations, warranties and undertakings by the Vendor and/or the Company set out in the Placing and Subscription Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing and Subscription Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing and Subscription Agreement would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect or there has been a breach of, or failure to perform, any other provision of the Placing and Subscription Agreement on the part of the Vendor and/or the Company; or
- (f) there is any change or any development involving a prospective change in the general affairs, prospects, earnings, business, properties, stockholders' equity or in the financial or trading position of the Group as a whole which in the reasonable opinion of the Placing Agent is so material and adverse as to make it impractical or inadvisable to proceed with the Placing.

Without prejudice to any other provisions of the Placing and Subscription Agreement, the Placing Agent shall have the right exercisable at any time by notice in writing to the Vendor and the Company to terminate the Placing and Subscription Agreement if any of the Placing Shares is not delivered by or on behalf of the Vendor.

Upon termination of the Placing and Subscription Agreement pursuant to the above mentioned events, all obligations of each of the parties thereto shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing and Subscription Agreement except for any antecedent breach of any obligation under the Placing and Subscription Agreement, the liabilities and indemnity incurred in accordance with the terms of the Placing and Subscription Agreement and the payment of all reasonable costs, charges and expenses to the extent already incurred.

Completion of the Placing

The completion of the Placing is expected to take place on the Closing Date.

Lock-Up Undertakings

Pursuant to the Placing and Subscription Agreement, the Vendor undertakes to the Placing Agent that (except for the Subscription Shares to be allotted and issued pursuant to the Placing and Subscription Agreement) for a period of 90 days from the Closing Date, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or

indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Placing Agent.

The Company undertakes to the Placing Agent, and the Vendor undertakes to the Placing Agent to procure, that for a period of 90 days from the Closing Date, the Company will not, except for the Subscription Shares and save pursuant to the terms of the share option scheme of the Company adopted on 25 May 2007 and/or the share award scheme adopted on 22 March 2010, (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agent.

Placing Commission

The placing commission shall be equal to, on a per Placing Share basis, 1.25% of the Placing Price.

(2) The Subscription

Number of new Shares to be subscribed

The number of the Subscription Shares is equivalent to the number of the Placing Shares.

Subscription Price

The Subscription Price is HK\$8.06 per Share which is the same as the Placing Price.

General Mandate to issue the Subscription Shares

The Subscription Shares will be issued under the General Mandate granted by the Shareholders to the Directors pursuant to the resolution of the Shareholders passed in the annual general meeting held on 10 May 2013, subject to the limit of up to 200,000,000 Shares (representing 20% of the issued share capital of the Company in issue on the day of granting the General Mandate of the Company). As at the date of this announcement, the Company has not issued any Shares pursuant to such General Mandate. No Shareholders' approval is required in respect of the Subscription.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the issued Shares as at the date of allotment of the Subscription Shares.

Conditions of the Subscription

The Subscription is conditional upon fulfillment of the following conditions:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares under the Placing and Subscription Agreement);
- (b) the completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement; and
- (c) the Executive granting the Waiver to the Vendor.

In the event that the conditions are not fulfilled within 14 days after the date of the Placing and Subscription Agreement (or such later date as may be agreed between the Vendor and the Company subject to compliance with the Listing Rules), the obligations and liabilities of the Vendor and the Company under the Subscription shall be null and void and neither the Company nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise provided that the Company shall reimburse the Vendor any legal fees and out-of-pocket expenses which the Vendor shall be obliged to pay in connection with the Placing.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares. Application will be made to the Executive for the granting of the Waiver. The Placing and Subscription Agreement has not provided for the right of the parties to waive the above conditions.

Completion of the Subscription

Completion of the Subscription shall take place on the second Business Day after the date upon which the last of the conditions listed above to be satisfied shall have been so satisfied provided that it shall take place on a date no later than a date falling 14 days after the date of the Placing and Subscription Agreement or such other later date as the Vendor and the Company may agree subject to compliance with the Listing Rules.

Under Rule 14A.31(3)(d) of the Listing Rules, the Subscription must be completed on or before 7 October 2013, being the fourteenth day after the date of the Placing and Subscription Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issue of a separate announcement and approval by the independent Shareholders (being Shareholders other than the Vendor, its ultimate beneficial owners and their respective associates).

EFFECT OF THE PLACING AND THE SUBSCRIPTION ON SHAREHOLDING:

The following table illustrates (1) the existing shareholding structure as at the date of this announcement; (2) the shareholding structure immediately after completion of the Placing but before completion of the Subscription; and (3) the shareholding structure immediately after the Placing and the Subscription. Solely for illustration purposes, this table has been prepared, on the assumption that (a) there will be no other change in the share capital of the Company between the date of this announcement and the completion of the Placing and the Subscription save for the issue of the Subscription Shares; and (b) the Placees do not and will not hold any Shares other than the Placing Shares.

| Shareholders | As at the date of this application | | Immediately after completion of the Placing but before the Subscription | | Immediately after completion of the Placing and the Subscription | |
|-------------------------------|------------------------------------|---------------|---|---------------|--|---------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % | Number of Shares | Approximate % |
| Sun Xu | 421,460,060 | 42.2 | 324,460,060 | 32.5 | 421,460,060 | 38.4 |
| Wang Wenjian | 1,296,000 | 0.1 | 1,296,000 | 0.1 | 1,296,000 | 0.1 |
| Ye Liaoning | 2,160,000 | 0.2 | 2,160,000 | 0.2 | 2,160,000 | 0.2 |
| Sun Yang | 2,160,000 | 0.2 | 2,160,000 | 0.2 | 2,160,000 | 0.2 |
| Other substantial Shareholder | 60,294,000 | 6.0 | 60,294,000 | 6.0 | 60,294,000 | 5.5 |
| Placees | – | – | 97,000,000 | 9.7 | 97,000,000 | 8.8 |
| Other public Shareholders | 512,629,940 | 51.3 | 512,629,940 | 51.3 | 512,629,940 | 46.8 |
| Total | <u>1,000,000,000</u> | <u>100.0</u> | <u>1,000,000,000</u> | <u>100.0</u> | <u>1,097,000,000</u> | <u>100.0</u> |

Immediately after completion of the Placing and the Subscription, the Vendor's shareholding in the Company would reduce from approximately 42.2% to approximately 38.4% of the existing issued share capital of the Company. Notwithstanding the said reduction in shareholdings, the Vendor will continue to be the controlling Shareholder (as defined under the Listing Rules) who has control over the financial and operating decisions of the Company.

REASON FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Placing and the Subscription are being undertaken to optimise the Company's capital structure. The Company intends to apply the proceeds of the Subscription (i) to production capacity expansion; (ii) to the future development of the Company; and (iii) as general working capital of the Company. The Directors consider the Placing and the Subscription will provide additional funding to the Company's development whilst broadening the shareholder base and strengthening the capital base of the Company. The gross proceeds and net proceeds (after deducting relevant commissions, taxes and other expenses) from the Subscription are expected to be HK\$781,820,000 and approximately HK\$770,000,000, respectively.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities involving the issue of its securities in the past 12 months from the date of this announcement.

INFORMATION ON THE GROUP

The Group is principally engaged in the design, research and development, manufacture and sales of optical and optical-related products.

DISPENSATION FROM RULE 26 OF THE TAKEOVERS CODE

As a result of the Placing, the aggregate percentage shareholding of the Vendor will be reduced from approximately 42.2% to approximately 32.5% (a decrease of approximately 9.7%) and as a result of the Subscription, the aggregate percentage shareholding will be increased from approximately 32.5% to approximately 38.4% (an increase of approximately 5.9%). An application will be made to the Executive for granting of Waiver to make a mandatory general offer for all of the issued Shares other than those already owned by it under Note 6 on dispensations from Rule 26 of the Takeovers Code. As stated above, completion of the Subscription will be subject to the granting of the Waiver by the Executive to the Vendor.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

| | |
|-----------------------|--|
| “acting in concert” | has the meaning ascribed to it under the Takeovers Code |
| “associates” | has the meaning ascribed to it under the Listing Rules |
| “Business Day” | any day (excluding a Saturday, a Sunday or a public holiday) on which banks generally are open for business in Hong Kong |
| “Closing Date” | 26 September 2013, or such other date as the Vendor and the Placing Agent may agree in writing |
| “Company” | Sunny Optical Technology (Group) Company Limited, a company incorporated under the laws of the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange (stock code: 02382) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “General Mandate” | the general mandate granted to the Directors by the Shareholders at the annual general meeting to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting on 10 May 2013 |
| “Group” | the Company and its subsidiaries |

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|--------------------------------------|--|
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Listing Committee” | the listing committee of the Stock Exchange for considering applications for listing and the granting of listing |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Placee(s)” | any professional, institutional and/or other individual investors whom the Placing Agent has procured to purchase any of the Placing Shares pursuant to its obligations under the Placing and Subscription Agreement |
| “Placing” | the placement of the Placing Shares by or on behalf of the Placing Agent to independent investors at the Placing Price pursuant to the Placing and Subscription Agreement |
| “Placing Agent” | Nomura International (Hong Kong) Limited, a corporation limited under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities |
| “Placing and Subscription Agreement” | the placing and subscription agreement dated 23 September 2013 entered into among the Vendor, the Company and the Placing Agent in relation to the Placing and the Subscription |
| “Placing Price” | the placing price of HK\$8.06 per Share |
| “Placing Shares” | 97,000,000 existing Shares to be sold by the Vendor pursuant to the Placing and Subscription Agreement |
| “PRC” | the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “SFC” | Securities and Futures Commission |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | the subscription of the Subscription Shares by the Vendor at the Subscription Price pursuant to the Placing and Subscription Agreement |

| | |
|-----------------------|--|
| “Subscription Price” | the subscription price of HK\$8.06 per Share |
| “Subscription Shares” | 97,000,000 new Shares to be allotted and issued by the Company to the Vendor equal to the number of the Placing Shares pursuant to the terms and conditions of the Placing and Subscription Agreement |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “United States” | the United States of America, its territories and possessions, any state of the United States and the District of Columbia |
| “United Kingdom” | the United Kingdom of Great Britain and Northern Ireland |
| “Vendor” | Sun Xu Limited, a company incorporated under the laws of British Virgin Islands with limited liability, and a controlling Shareholder (as defined under the Listing Rules) |
| “Waiver” | a waiver application made to the Executive pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Vendor to make a mandatory general offer under Rule 26 of the Takeovers Code for all securities of the Company other than those already owned or agreed to be acquired by the Vendor as a result of the allotment and issue of the Subscription Shares |
| “%” | per cent. |

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

China, 24 September 2013

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the date of the announcement, the Board comprised of:

Executive Directors: *Mr. Ye Liaoning*
Mr. Sun Yang

Non-executive Directors: *Mr. Wang Wenjian*
Mr. Sha Ye

Independent non-executive Directors: *Dr. Liu Xu*
Mr. Zhang Yuqing
Mr. Chu Peng Fei Richard