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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Sunny Optical Technology (Group) Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Sunny Optical Technology (Group) Company Limited.

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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)****DISCLOSEABLE AND CONNECTED TRANSACTION****Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders****大有融資有限公司****MESSIS CAPITAL LIMITED**

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Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter from Messis Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 33 of this circular.

A notice convening the EGM of the Company to be held at The Executive Center, Level 3, Three Pacific Place, Admiralty, Hong Kong on Monday, 22 September 2014 at 10:30 a.m., is set out on pages 56 to 58 of this circular. A form of proxy for use by the Independent Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the EGM. Such form of proxy for use at the EGM is also published on the websites of the Stock Exchange at "www.hkexnews.hk" and the Company at "www.sunnyoptical.com". Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

31 August 2014

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*This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at “[www.sunnyoptical.com](http://www.sunnyoptical.com)” and the Stock Exchange at “[www.hkexnews.hk](http://www.hkexnews.hk)”.*

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the expressions as stated below will have the following meanings:*

“Acquisition”	the proposed acquisition of the Equity Interests by Sunny Optics from the Sunny Nominees pursuant to the terms of the Agreement, and any other transactions as contemplated under the Agreement;
“Agreement”	the conditional agreement dated 15 August 2014 entered into between Sunny Nominees as the vendors and Sunny Optics as the purchaser in respect of the Acquisition;
“Announcement”	the announcement of the Company dated 15 August 2014 in relation to the Acquisition;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Associated Corporation(s)”	has the meaning ascribed to it in Part XV of the SFO;
“Board”	the board of Directors;
“Business Day(s)”	a day(s) (other than Saturday, Sundays and public holidays) on which banks in Hong Kong are open for general banking business;
“Company”	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;
“Completion”	completion of the Acquisition pursuant to the section headed “Completion” in this circular;
“Completion Date”	on or before the 30th day following the date of fulfillment or waiver of the last of the conditions precedent;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) (including the independent non-executive directors) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened, inter alia, to consider and, if thought fit, approve the Acquisition;

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## DEFINITIONS

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“Enlarged Group”	the Group as enlarged by the Acquisition;
“Equity Interests”	the entire equity interests in Sunny Group;
“Equity Trust (HK) Limited”	one of the two trustees (together with Mr. Wang) of Sunny Group Employee Offshore Trust holding approximately 38.42% of the issued share capital of the Company as at the Latest Practicable Date, and an associate of Mr. Wang, Mr. Ye and Mr. W. Wang;
“Group”	the Company and its subsidiaries;
“Guantao Law Firm”	Beijing Guantao Law Firm Hangzhou Office, the PRC legal advisers to the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company consisting Dr. Liu Xu, Mr. Zhang Yuqing and Mr. Chu Peng Fei Richard, who are independent non-executive Directors not having material interest in the Acquisition, formed for the purpose of advising the Independent Shareholders on the terms of the Agreement and the Acquisition;
“Independent Shareholders”	the Shareholders other than Sunny Staff Shareholders;
“Independent Third Parties”	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries and their respective associates, and the term “Independent Third Party” shall be construed accordingly;
“Jones Lang”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant;
“Latest Practicable Date”	28 August 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“Long Stop Date”	30 November 2014, or such later date as the parties to the Agreement may agree in writing;
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange, and for the avoidance of doubt, the Main Board excludes the Growth Enterprise Market;
“Messis Capital” or “IFA”	Messis Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and transactions contemplated thereunder;
“Mr. Wang”	Mr. Wang Wenjian, a non-executive Director;
“Mr. W. Wang”	Mr. Wang Wenjie, an executive Director;
“Mr. Ye”	Mr. Ye Liaoning, an executive Director;
“Notice of the EGM”	the notice convening the EGM, as set out on pages 56 to 58 of this circular;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purposes of this circular;
“Properties”	the properties owned by Sunny Group as at the Latest Practicable Date, details of which are set out under the section headed “Particulars of the Properties” in this circular;
“Prospectus”	the prospectus of the Company dated 4 June 2007;

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## DEFINITIONS

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“Restricted Share Award 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 22 March 2010, in its present or any amended form;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sunny Group”	舜宇集團有限公司 (Sunny Group Limited), a limited liability company established in the PRC;
“Sunny Group Employee Offshore Trust”	a trust arrangement established under the laws of Hong Kong by a trust deed dated 28 July 2006, entered into between Mr. Wang as original trustee and Sunny Staff Shareholders as settlors and initial beneficiaries;
“Sunny Huitong”	餘姚市舜宇匯通小額貸款股份有限公司 (Yuyao City Sunny Huitong Microcredit Co., Ltd.), a limited liability company established under the laws of the PRC which is owned as to 25.0% by Sunny Group and 75.0% by Independent Third Parties;
“Sunny Nominees”	the 25 registered holders of the Equity Interests, including Mr. Wang, Mr. Ye and Mr. W. Wang, who hold such interests for the benefit of themselves and/or other relevant Sunny Staff Shareholders under a trust arrangement;
“Sunny Optics”	浙江舜宇光學有限公司 (Zhejiang Sunny Optics Co., Ltd.), a limited liability company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company;

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## DEFINITIONS

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“Sunny Staff Shareholders”	employees or ex-employees of Sunny Group or its subsidiaries having beneficial interests in the registered capital of Sunny Group, and as at the Latest Practicable Date, comprising 427 persons;
“Unaudited Consolidated Financial Statements”	the unaudited consolidated financial statements of Sunny Group and its subsidiaries, if any, as at 25 July 2014;
“Zhenxing Yiqi”	浙江振興儀器儀錶有限責任公司 (Zhejiang Zhenxing Yiqi Yibiao Co., Ltd), a limited liability company established under the laws of the PRC which is owned as to 12.2% by Sunny Group and 87.8% by Independent Third Parties; and
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Ye Liaoning  
Mr. Sun Yang  
Mr. Wang Wenjie

*Non-executive Directors:*

Mr. Wang Wenjian

*Independent non-executive Directors:*

Dr. Liu Xu  
Mr. Zhang Yuqing  
Mr. Chu Peng Fei Richard

*Registered office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681, George Town  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

Unit 603, 6th Floor  
Grand City Plaza  
1-17 Sai Lau Kok Road  
Tsuen Wan  
New Territories  
Hong Kong

31 August 2014

*To the Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE AND CONNECTED TRANSACTION

#### INTRODUCTION

Reference is made to the Announcement.

On 15 August 2014, the Agreement was entered into between Sunny Nominees (as the vendors) and Sunny Optics (as the purchaser) pursuant to which Sunny Nominees, acting on behalf of Sunny Staff Shareholders, have agreed to sell the Equity Interests to Sunny Optics at a consideration of RMB351,372,444.7 in cash. The Equity Interests represent the entire registered and paid-up capital of Sunny Group which are wholly owned by Sunny Staff Shareholders beneficially as at the Latest Practicable Date.



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## LETTER FROM THE BOARD

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Mr. Wang is a non-executive Director and is therefore a connected person of the Company. Given Mr. Wang is one of Sunny Staff Shareholders and one of the beneficiaries under the trust arrangement of the Equity Interests, Sunny Nominees, being the trustees thereof, are therefore the associates of Mr. Wang and connected persons 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 Mr. Wang and a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under the Listing Rules and is subject to reporting and announcement requirements and the approval of the Independent Shareholders at the EGM by way of poll.

The Board is of the view that the terms of the Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. The EGM will be convened and held to approve the Acquisition.

The Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the Agreement and the Acquisition.

An independent financial adviser, Messis Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

The purpose of this circular is to:

- (a) provide the Shareholders with further details of the Agreement and the Acquisition and the valuation report of the Properties;
- (b) set out the opinion of Messis Capital to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition;
- (c) set out the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Agreement and the Acquisition; and
- (d) give the Shareholders the Notice of the EGM for the Independent Shareholders to consider and, if thought fit, to approve the Acquisition.

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## LETTER FROM THE BOARD

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### THE AGREEMENT AND THE ACQUISITION

#### The Agreement

The Agreement dated 15 August 2014 was entered into between the following parties in relation to the sale and purchase of the Equity Interests:

Vendors:	Sunny Nominees who hold the Equity Interests on trust for the Sunny Staff Shareholders
Purchaser:	Sunny Optics, an indirect wholly-owned subsidiary of the Company
Subject matter:	Following the Completion, Sunny Group will become an indirect wholly-owned subsidiary of the Company. Sunny Group's principal assets are the Properties and its 25.0% and 12.2% equity interests in Sunny Huitong and Zhenxing Yiqi, respectively

As at the Latest Practicable Date, Mr. Wang is a non-executive Director. Furthermore, Mr. Wang owns personally, indirectly through corporations and by being one of the trustees and one of the beneficiaries of the Sunny Group Employee Offshore Trust in respect of a total of 422,756,060 Shares, representing approximately 38.54% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Wang is therefore also a substantial shareholder of the Company. As such, Mr. Wang is a connected person of the Company. Given Mr. Wang is one of the Sunny Staff Shareholders and one of the beneficiaries under the trust arrangement of the Equity Interests, Sunny Nominees, being the trustees thereof, are therefore the associates of Mr. Wang and connected persons 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 Mr. Wang and a connected person of the Company.

#### Consideration of the Acquisition

The consideration for the purchase of the Equity Interests is RMB351,372,444.7 which will be paid by Sunny Optics from its internal resources. The consideration will be satisfied in cash in the following manners:

- (a) RMB10,000,000.0 shall be payable by Sunny Optics to Sunny Group as part payment of the consideration within three Business Days from the date of the EGM; and
- (b) RMB341,372,444.7 shall be payable by Sunny Optics to Sunny Group upon Completion.

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## LETTER FROM THE BOARD

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In the event the conditions precedent set out in the Agreement are not fulfilled (or as the case may be, waived) on or before the Long Stop Date or Completion does not take place in accordance with the terms thereof, Sunny Group shall refund the part payment being RMB10,000,000.0 (without interest) to Sunny Optics within seven Business Days after written demand from Sunny Optics.

### Basis of consideration

The consideration of RMB351,372,444.7 was determined after negotiations between Sunny Optics and Sunny Group with reference to the unaudited net asset value of Sunny Group of RMB351,372,444.7 referred to the Unaudited Consolidated Financial Statements prepared under PRC Generally Accepted Accounting Principles as at 25 July 2014, which has taken into account the appraised value of the Properties of RMB181,651,000.0 as at 31 May 2014 as per the valuation report dated 31 August 2014 prepared by Jones Lang.

### Particulars of the Properties

Property	Usage of the Property	Original cost of the Property <i>RMB'000</i>	Capital value in existing state as at 31 May 2014 <i>RMB'000</i>
A parcel of land, various buildings, structures and 2 buildings under construction Nos. 66 to 68 Shunyu Road, Yuyao City, Zhejiang Province, the PRC	Factory for the production of optical components	16,761	87,654
A parcel of land and various buildings Nos. 66 to 68 Shunyu Road North Shou, Yuyao City, Zhejiang Province, the PRC	Dormitory	7,455	11,377
A parcel of land and various buildings Zhongjiang West Shou, North Bus Station, Yuyao City, Zhejiang Province, the PRC	Dormitory	10,715	14,299
Unit 20B on Level 20 of a building No. 252 Wensan Road, Hangzhou City, Zhejiang Province, the PRC	Factory for the development of security surveillance business and sales and marketing centre	2,746	8,894

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## LETTER FROM THE BOARD

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<b>Property</b>	<b>Usage of the Property</b>	<b>Original cost of the Property RMB'000</b>	<b>Capital value in existing state as at 31 May 2014 RMB'000</b>
Units 501 and 517 on Level 5 of a building No. 1403 Minsheng Road, Pudong New District, Shanghai, the PRC	Sales and marketing centre	9,113	8,091
Levels 5 and 6 of Block 8 No. 1001 Qinzhou North Road, Xuhui District, Shanghai, the PRC	Factory for the production of optical instruments	24,513	51,336

As confirmed by Guantao Law Firm, the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

### **Conditions precedent of the Agreement**

Completion is conditional upon the fulfillment or waiver of the following conditions:

- (a) Sunny Optics being satisfied with the results of the due diligence review to be conducted on the Sunny Group;
- (b) all necessary consents, approvals and authorizations required to be obtained on the part of each of the party in respect of the Agreement and the transactions contemplated thereunder, including the power of attorney in respect of the Acquisition duly executed and delivered by all Sunny Staff Shareholders, having been obtained and remain in full force and effect;
- (c) Guantao Law Firm having issued a PRC legal opinion relating to the matters of the Agreement in the form and substance to the satisfaction of Sunny Optics;
- (d) each of the parties having undertaken all necessary actions in order to facilitate the Acquisition and the execution of the Agreement, and the shareholders of Sunny Group having passed all necessary resolutions to approve the Agreement and the transactions contemplated under the Agreement;
- (e) all representations and warranties given by Sunny Group and Sunny Nominees in the Agreement being true, accurate, complete and not misleading as at the execution date of the Agreement and remaining true, accurate, complete and not misleading in all material respects at Completion on the basis of the facts and circumstances then existing;
- (f) the dispatch of this circular to the Shareholders in relation to the Acquisition in compliance with the Listing Rules;

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## LETTER FROM THE BOARD

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- (g) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the Agreement and the transactions contemplated under the Agreement; and
- (h) the revised business license having been issued to Sunny Group.

Sunny Optics may in its absolute discretion waive in whole or in part the conditions set out in paragraphs (a) and (c) above at any time by notice in writing to Sunny Group. In exercising the right of waiver, the Board will act in the interest of Sunny Optics, the Company and the Independent Shareholders as a whole and will only waive any conditions precedent on minor issues or on issues that will not affect the substance of the Acquisition.

In the event that any of the conditions shall not have been fulfilled or waived on or before the Long Stop Date or such later date as agreed by the parties to the Agreement in writing, the Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Agreement. Save for (f) and (g) above, all the other conditions of the Agreement have been fulfilled as at the Latest Practicable Date.

### **Completion**

Completion is expected to take place at no later than 4:00 p.m. on the Completion Date at the office of Sunny Optics (or such other place and/or time as the parties may agree in writing) being within one (1) month after the last of the conditions precedent have been fulfilled or waived (which shall nonetheless be fulfilled by no later than the Long Stop Date).

### **Further information about Sunny Group**

Sunny Group is principally engaged in investment holding and property leasing. Sunny Group was initially established by the employees of the Sunny Group and a village collective enterprise at the time of establishment as a joint stock cooperative enterprise in the PRC in June 1993 and converted into a limited liability company in April 2000. The major assets of Sunny Group are the Properties (as set out above) and 25.0% and 12.2% equity interests in Sunny Huitong and Zhenxing Yiqi, respectively.

As at the Latest Practicable Date, other than the Properties of approximately RMB181.7 million, Sunny Group had (i) current assets of approximately RMB201.0 million mainly comprising cash in hand of approximately RMB15.1 million, short-term investment of approximately RMB156.5 million and account receivables of approximately RMB29.4 million; and (ii) non-current assets mainly comprising long-term securities investment of approximately RMB61.1 million, construction in progress of approximately RMB23.8 million and other fixed assets of approximately RMB50,000, which were partially offset by the current liabilities of approximately RMB114.4 million and non-current liabilities of approximately RMB1.9 million.

The short-term investment comprised several contracts of structured deposits which Sunny Group entered with various banks. The entire combined contracts have been designated as financial assets as at fair value through profit or loss on initial recognition. As at the Latest Practicable Date, the expected return rate of the investment ranged from 2.35% to 4.9% per

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## LETTER FROM THE BOARD

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annum. The long-term securities investment comprised the appraised value of Sunny Group's 25.0% equity interests in Sunny Huitong which amounted to approximately RMB61.0 million and the appraised value of Sunny Group's 12.2% equity interests in Zhenxing Yiqi which amounted to approximately RMB84,900.

The table below sets out the audited net profits before and after taxation of Sunny Group (*Note*) prepared under PRC Generally Accepted Accounting Principles and the amount of contribution to the net profits before and after taxation of Sunny Group by Sunny Huitong and Zhenxing Yiqi for the financial years ended 31 December 2012 and 2013:

	For the financial year ended 31 December	
	2012	2013
Net profits (before taxation)	Approximately RMB12.0 million	Approximately RMB16.0 million
Net profits (after taxation)	Approximately RMB10.1 million	Approximately RMB13.5 million
Amount of contribution to the net profits (before taxation) by Sunny Huitong	Approximately RMB8.9 million	Approximately RMB5.5 million
Amount of contribution to the net profits (after taxation) by Sunny Huitong	Approximately RMB6.7 million	Approximately RMB4.1 million
Amount of contribution to the net profits (before taxation) by Zhenxing Yiqi	Approximately RMB2,900	Approximately RMB4,000
Amount of contribution to the net profits (after taxation) by Zhenxing Yiqi	Approximately RMB2,100	Approximately RMB3,600

*Note:* The net profits before and after taxation of Sunny Group have not included fair value gain on the Properties for the financial years ended 31 December 2012 and 2013.

### Further information about Sunny Huitong

Sunny Huitong is principally engaged in provision of financing services in Yuyao City, Zhejiang Province, the PRC. Sunny Huitong commenced its business operation on 14 April 2009 as a provider of micro-financing services and consultancy services on the development, management and financial affairs of small enterprises in the PRC. Loans of not exceeding RMB5 million which are generally secured by mortgages and guarantees with interest rates of not exceeding 400% of the benchmark interest rate stipulated by the People's Bank of China are typically provided by Sunny Huitong and are generally repaid upon demand, on a monthly basis or by installments. The target customers of Sunny Huitong range from local agricultural micro and small enterprises with registered capital of less than RMB1 million, local industrial and commercial households to local individuals in Yuyao City, Zhejiang Province, the PRC. As confirmed by Guantao Law Firm, in addition to its business license, Sunny Huitong has obtained the approval for its business operation from the Ningbo Municipal People's Government Financial Office in conducting its micro-financing and consultancy business and the operation of Sunny Huitong is in compliance with all the relevant laws, rules and regulations in the PRC.

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## LETTER FROM THE BOARD

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Sunny Huitong has its own management team with extensive experience and expertise in financing services and its own customer base in Yuyao City, Zhejiang Province, the PRC as disclosed above. Since its establishment up to the financial year ended 31 December 2013, Sunny Huitong has recorded net profit, the Group is therefore not required and does not intend to inject any additional funding to support the business operation of Sunny Huitong. Upon Completion, the Company will not take any active role in the business and operations of Sunny Huitong and the Company has no present intention to nominate any director to Sunny Huitong. The Group will remain to be a passive investor of Sunny Huitong after the Acquisition. The Directors have no present plan to introduce any change to Sunny Huitong's existing business and expect that its operation will continue to operate independently from the Group in terms of management, operation and finance.

The investment in Sunny Huitong enables the Group to facilitate the provision of financing services to the Group's suppliers so as to allow these suppliers to improve their productivity and service and product quality. The Directors are of the view that the improvement of productivity and service and product quality of these suppliers would drive the stable supply of quality services and goods, thereby guaranteeing the quality and productivity of the Group's own productions, bringing long term benefit to the Group and the Shareholders. The Directors believe that the Group's exposure to credit risk and default risk inherent to Sunny Huitong's business operation is minimal since Sunny Huitong has an independent and comprehensive internal control and risk management system and the credit performance of these suppliers are generally good since they are selected as the Group's suppliers based on, among other things, their credit history, financial background, reputation and corporate background.

### **Further information about Zhenxing Yiqi**

Zhenxing Yiqi is principally engaged in provision of consulting and information services in the PRC. It commenced its business operation on 15 October 2003 and mainly provides strategic, planning, marketing and research and development advisory services to domestic high technology instrument companies.

### **Information on Sunny Optics and the Group**

The Company is the holding company of the Group which is principally engaged in the design, research, develop, manufacture and sale of optical and optical-related products.

Sunny Optics is one of the major operating subsidiaries of the Company which is principally engaged in manufacture and sale of optical components.

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## LETTER FROM THE BOARD

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### Reasons for and benefits of the proposed Acquisition

Reference is made to the Prospectus and the announcements of the Company dated 22 November 2007, 9 October 2008, 4 January 2010 and 21 December 2012 regarding the continuing connected transactions entered into between the Group and Sunny Group. The Board considers that the Acquisition is beneficial to the Company for the following reasons:

- (a) expand production facilities – in line with the Group’s business development strategies, the Properties will be used for the development of existing and future production lines for products which the Directors considered to be drivers of business growth, in particular, for the manufacture of vehicle lens sets, infra-red products and analytical instruments;
- (b) eliminate continuing connected transactions – upon Completion, Sunny Group will become an indirect wholly-owned subsidiary of the Company. Compliance cost of the Group to be incurred in relation to the continuing connected transactions between the Group and Sunny Group will be eliminated, thus improving the overall competitiveness and management efficiency of the Group;
- (c) reduce the potential risk of competition – the Acquisition allows the Group to retain experienced personnel. Sunny Staff Shareholders, the beneficial owners of Sunny Group, are employees or ex-employees of the Group, who possess the industry experience and technical knowledge to manufacture and produce competing products;
- (d) strengthen future capability of supply chain management – the Group will utilize the microcredit license held by Sunny Huitong after the Acquisition, enabling the Group to provide financing services to the Group’s suppliers in Yuyao City, Zhejiang Province, the PRC, thereby improving the standard and capacity of the products and services provided by the suppliers; and
- (e) enhance the overall management effectiveness of the Group’s operation – given that certain Properties are located adjacent to the existing major production facilities of the Group in Yuyao City, Zhejiang Province, the PRC, the Board could maximize the flexibility and practicability in its strategic planning and development for the Group by managing the land use right, such as sewage system, around the local area.

In light of the benefits above, the Board considers the acquisition of the entire Sunny Group, in addition to acquiring the Properties, would be more beneficial to the Group and the Shareholders as a whole. The Board believes that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### **Financial effects of the Acquisition**

Upon Completion, Sunny Group will become an indirect wholly-owned subsidiary of the Company and the investments in Sunny Huitong and Zhenxing Yiqi will be recognized as available-for-sale investments in the Company's consolidated financial statements under the Hong Kong Financial Reporting Standards.

### **LISTING RULES IMPLICATIONS**

#### **Connected transaction for the Company**

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

Mr. Wang is a non-executive Director. Furthermore, Mr. Wang owns personally, indirectly through corporations and by being one of the trustees and one of the beneficiaries of the Sunny Group Employee Offshore Trust in respect of a total of 422,756,060 Shares, representing approximately 38.54% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Wang is therefore also a substantial shareholder of the Company. As such, Mr. Wang is therefore a connected person of the Company. Given Mr. Wang is one of the Sunny Staff Shareholders and one of the beneficiaries under the trust arrangement of the Equity Interests, Sunny Nominees, being the trustees thereof, are therefore the associates of Mr. Wang and connected persons 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 Mr. Wang and a connected person of the Company.

Accordingly, the Acquisition constitutes a connected transaction of the Company under the Listing Rules and is subject to reporting and announcement requirements and the approval of the Independent Shareholders at the EGM by way of poll.

### **GENERAL**

Each of Mr. Wang, Mr. Ye and Mr. W. Wang, being one of the Directors, one of the substantial shareholders of the Company and one of the Sunny Staff Shareholders, has an interest in the Agreement and the Acquisition. As such, Mr. Wang, Mr. Ye and Mr. W. Wang had abstained from voting on the resolution(s) of the Board approving the Agreement and the Acquisition. Save as aforesaid, none of the other Directors have any material interest in the Agreement and the Acquisition, and therefore none of them had abstained from voting on the resolution(s) of the Board approving the Agreement and the Acquisition.

An Independent Board Committee consisting all of the independent non-executive Directors, who have no interest in the Acquisition, has been formed to advise the Independent Shareholders as to whether or not the terms of the Agreement and the Acquisition are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Messis Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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### EGM

A notice convening the EGM of the Company to be held at The Executive Center, Level 3, Three Pacific Place, Admiralty, Hong Kong on 22 September 2014 at 10:30 a.m., is set out on pages 56 to 58 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, passed to approve the Acquisition.

A form of proxy for use by the Independent Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the EGM. Such form of proxy for use at the EGM is also published on the websites of the Stock Exchange at "www.hkexnews.hk" and the Company at "www.sunnyoptical.com". Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

### VOTING BY POLL

In compliance with Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to procedural or administrative matters to be voted on by a show of hands, voting on the resolutions to be proposed at the EGM shall be decided by way of a poll.

Article 66(1) of the Company's articles of association provides that on a poll, every member present in person or by proxy or in the case of a member being a corporation, by its duly authorized representative, shall have one vote for every Share of which he/she/it is the holder.

Given each of Mr. Wang, Mr. Ye, and Mr. W. Wang has an interest in the Agreement and the Acquisition, Mr. Wang, Mr. Ye, and Mr. W. Wang and their respective associates (including Equity Trust (HK) Limited which together with Mr. Wang jointly hold 100% equity interest in Sun Ji Limited, which in turn holds 92.32% equity interest in Sun Xu Limited, which in turn holds 421,460,060 Shares) are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Agreement and the Acquisition. As at the Latest Practicable Date, so far as the Directors were aware and based on publicly available information, (i) Mr. Wang was personally interested in 1,296,000 Shares, representing approximately 0.12% of the voting rights of the Company; (ii) Mr. Ye was personally interested in 2,160,000 Shares, representing approximately 0.20% of the voting rights of the Company; (iii) Mr. W. Wang was personally interested in 1,338,000 Shares, representing approximately 0.12% of the voting rights of the Company; and (iv) Sun Xu Limited was directly interested in 421,460,060 Shares, representing approximately 38.42% of the voting rights of the Company.

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## LETTER FROM THE BOARD

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An explanation of the detailed procedures of conducting a poll will be provided to the Independent Shareholders at the EGM. Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, will serve as the scrutineers for the vote-taking. The company will publish an announcement on the poll results on the respective websites of the Company at “www.sunnyoptical.com” and the Stock Exchange at “www.hkexnews.hk” shortly after the conclusion of the EGM pursuant to Rule 13.39(5) of the Listing Rules.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Agreement and the Acquisition; and (ii) the letter of advice from Messis Capital as set out on pages 20 to 33 of this circular which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreement and the Acquisition and the principal factors and reasons considered by it in concluding its advice.

Having considered the factors mentioned above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement and the Acquisition are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the Notice of the EGM.

Yours faithfully,  
For and on behalf of the Board of  
**Sunny Optical Technology (Group) Company Limited**  
**Ye Liaoning**  
*Chairman*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 Independent Board Committee:*

Dr. Liu Xu

Mr. Zhang Yuqing

Mr. Chu Peng Fei Richard

*Registered office:*

Cricket Square, Hutchins Drive

P.O. Box 2681, George Town

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Unit 603, 6th Floor

Grand City Plaza

1-17 Sai Lau Kok Road

Tsuen Wan

New Territories

Hong Kong

31 August 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 31 August 2014 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as given to them in the section headed “Definitions” in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Agreement and the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Messis Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition.

We wish to draw your attention to the letter of advice from the independent financial adviser, Messis Capital, as set out on pages 20 to 33 of the Circular and the letter from the Board as set out on pages 6 to 17 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered, among other matters, the factors and reasons considered by, and the opinion of Messis Capital as stated in its letter of advice, we consider that the terms of the Agreement and the Acquisition are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to approve the Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,

The Independent Board Committee of  
**Sunny Optical Technology (Group) Company Limited**  
**Liu Xu Zhang Yuqing Chu Peng Fei Richard**  
*Independent non-executive Directors*

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## LETTER FROM MESSIS CAPITAL

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*The following is the full text of the letter from Messis which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



大有融資有限公司  
**MESSIS CAPITAL LIMITED**

31 August 2014

*To: The Independent Board Committee and the Independent Shareholders of  
Sunny Optical Technology (Group) Company Limited*

Dear Sir or Madam,

### CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 31 August 2014, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 15 August 2014, Sunny Optics (as the purchaser) and Sunny Nominees (as the vendors) entered into the Agreement, pursuant to which Sunny Nominees, acting on behalf of Sunny Staff Shareholders, have agreed to dispose of and Sunny Optics agreed to purchase the Equity Interests at a consideration of RMB351,372,444.7 in cash. The Equity Interests represent the entire registered and paid up capital of Sunny Group which are beneficially wholly owned by Sunny Staff Shareholders as at the Latest Practicable Date.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Mr. Wang, one of the Sunny Nominees, is a non-executive Director. Furthermore, Mr. Wang owns personally, indirectly through corporations and by being one of the trustees and one of the beneficiaries of the Sunny Group Employee Offshore Trust in respect of a total of 422,756,060 Shares, representing 38.54% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Wang is therefore also a substantial Shareholder. As such, Mr. Wang is a connected person of the Group. Given Mr. Wang is one of the Sunny Staff Shareholders and one of the beneficiaries under the trust arrangement of the Equity Interests, Sunny Nominees, being the trustees thereof, are therefore the associates of Mr. Wang and connected persons of the Company. Since Mr. Wang is able to control more than 30% of the Equity Interests in Sunny

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## LETTER FROM MESSIS CAPITAL

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Group, Sunny Group is hence a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Agreement also constitute connected transactions of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules. Given each of Mr. Wang, Mr. Ye, and Mr. W. Wang has an interest in the Agreement and the Acquisition, Mr. Wang, Mr. Ye, and Mr. W. Wang and their respective associates (including Equity Trust (HK) Limited), who, so far as the Directors were aware and based on publicly available information, were together interested in 426,044,060 Shares (representing approximately 38.84% of the voting rights of the Company) as at the Latest Practicable Date, will abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving, among other things, the Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising Dr. Liu Xu, Mr. Zhang Yuqing and Mr. Chu Peng Fei Richard, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder. We, Messis Capital Limited, have been appointed as the independent financial adviser to give advice and make recommendation to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole, and whether the Independent Shareholders should vote in favor of the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, Messis Capital did not have any relationship with or interest in the Company that could reasonably be regarded as relevant to the independence of Messis Capital. In the last two years, there was no engagement between the Group and Messis Capital. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In arriving at our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and management of the Company and for which they are solely and wholly responsible, are true and accurate at the time when they were made and will continue to be so as at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the management of the Company.

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## LETTER FROM MESSIS CAPITAL

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The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, Sunny Group, Sunny Nominees and their respective associates. We have also not considered the taxation implication on the Group or the Shareholders as a result of the Acquisition.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreement and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

#### **1. Background and financial information of the Group**

The Group is principally engaged in the design, research, develop, manufacture and sale of optical and optical related products and scientific instruments.



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## LETTER FROM MESSIS CAPITAL

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Set out below is a summary of the consolidated financial results of the Group for the two years ended 31 December 2013 as extracted from the Company's annual report for the year ended 31 December 2013 (the "2013 Annual Report"):

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5,812,771	3,984,296
– Optical Components	1,163,587	1,308,890
– Optoelectronic Products	4,416,372	2,490,564
– Optical Instruments	232,812	184,842
Gross profit	967,081	741,181
Profit for the year attributable to the Shareholders	440,498	346,274

	<b>As at</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	3,766,416	2,266,982
Non-current assets	898,832	735,266
Current liabilities	1,781,946	1,052,337
Non-current liabilities	23,417	18,064
Equity attributable to the Shareholders	2,859,885	1,931,847

As shown in the above table, the Group recorded revenue of approximately RMB5,813 million for the year ended 31 December 2013, representing an increase of approximately 45.9% as compared to approximately RMB3,984 million for the previous financial year. According to the 2013 Annual Report, the increase in the revenue was mainly attributable to the rapid growth of smartphone market and the rapid development of application of vehicle optical system. The Group's profit attributable to the Shareholders increased from approximately RMB346 million for the year ended 31 December 2012 to approximately RMB440 for the year ended 31 December 2013, which was mainly attributable to the increase in gross profit and effective control in operating expenses in the year ended 31 December 2013.

As at 31 December 2013, the net assets value of the Group amounted to approximately RMB2,860 million. The bank balances and cash amounted to approximately RMB709 million as at the same day.

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## LETTER FROM MESSIS CAPITAL

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### 2. Background of Sunny Group

#### *Information on Sunny Group*

Sunny Group is principally engaged in the activities of investment holding and property leasing. As at the Latest Practicable Date, the Equity Interests were held by Sunny Nominees, including Mr. Wang, Mr. Ye and Mr. W. Wong for the benefit of themselves and/or other relevant Sunny Staff Shareholders under a trust arrangement. The principal assets of Sunny Group are the Properties, 25% equity interests in Sunny Huitong and 12.2% equity interests in Zhenxing Yiqi.

According to the unaudited financial statements of Sunny Group for the year ended 31 December 2013, its profit before tax amounted to approximately RMB12.0 million and RMB16.0 million for each of the two years ended 31 December 2013 respectively. The profit after tax of Sunny Group amounted to approximately RMB10.1 million and RMB13.5 million for each of the two years ended 31 December 2013 respectively. According to the Unaudited Consolidated Financial Statements of Sunny Group as at 25 July 2014, its unaudited net assets value was approximately RMB351,372,444.70 as at that day.

Set out below are the particulars of the Properties:

<b>Property</b>	<b>Usage of the Property</b>	<b>Original cost of the Property (RMB'000)</b>	<b>Capital value in existing state as at 31 May 2014 (RMB'000)</b>
1. A parcel of land, various buildings, structures and 2 buildings under construction (“ <b>Property A</b> ”) Nos. 66 to 68 Shunyu Road, Yuyao City, Zhejiang Province, the PRC	Factory for the production of optical components	16,761	87,654
2. A parcel of land and various buildings (“ <b>Property B</b> ”) Nos. 66 to 68 Shunyu Road North Shou, Yuyao City, Zhejiang Province, the PRC	Dormitory	7,455	11,377

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**LETTER FROM MESSIS CAPITAL**

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Property	Usage of the Property	Original cost of the Property (RMB'000)	Capital value in existing state as at 31 May 2014 (RMB'000)
3. A parcel of land and various buildings (“ <b>Property C</b> ”) Zhongjiang West Shou, North Bus Station, Yuyao City, Zhejiang Province, the PRC	Dormitory	10,715	14,299
4. Unit 20B on Level 20 of a building (“ <b>Property D</b> ”) No. 252 Wensan Road, Hangzhou City, Zhejiang Province, the PRC	Factory for the development of security surveillance business and sales and marketing centre	2,746	8,894
5. Units 501 and 517 on Level 5 of a building (“ <b>Property E</b> ”) No. 1403 Minsheng Road, Pudong New District, Shanghai, the PRC	Sales and marketing centre	9,113	8,091
6. Levels 5 and 6 of Block 8 (“ <b>Property F</b> ”) No. 1001 Qinzhou North, Road, Xuhui District, Shanghai, the PRC	Factory for the production of optical instruments	24,513	51,336

***Information on Sunny Huitong***

Sunny Huitong is a company established in the PRC which is principally engaged in the provision of financing services in Yuyao, Ningbo, Zhejiang Province, the PRC.

According to the unaudited financial statements of Sunny Huitong for the year ended 31 December 2013, its turnover recorded for each of the two years ended 31 December 2013 amounted to approximately RMB39.3 million and RMB33.1 million respectively. The net profit recorded by Sunny Huitong amounted to approximately RMB26.7 million and RMB16.4 million, respectively. As advised by the management of the Group, Sunny Huitong has been profitable since its establishment.

The microcredit market in the PRC has experienced significant growth in recent years, which is mainly attributable to that the financing needs of small and micro enterprises can be hardly satisfied by traditional financial institutions. According to the statistics from the Peoples’ Bank of China, there were approximately 330 microcredit enterprises in Zhejiang

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## LETTER FROM MESSIS CAPITAL

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Province and the industry employed more than 3,718 workers as at 30 June 2014. In addition, the GDP of Ningbo increased by approximately 8.1% in 2013 as compared to that of the previous year. The nominal GDP per capita in Ningbo was RMB93,176 in 2013, which is significantly higher than RMB41,805 for the PRC and RMB68,462 for Zhejiang Province. The strong growth of local economy also contributes to the development of the microcredit market in such area.

The principal types of risks inherent to the business of Sunny Huitong included credit risk, market risk, operational risk and liquidity risk arising from its financing services. As advised by the management of the Group, Sunny Huitong has implemented a robust risk management system to control related risks, which generally include preliminary assessment, due diligence, physical inspection and ongoing monitoring. Most of the management of Sunny Huitong have extensive experiences in banking and financing sector and related risk control. According to the appraisal by the Financial Authority of Ningbo Government in 2012, Sunny Huitong was awarded outstanding among around 20 microcredit enterprises in Ningbo city due to its performance.

As advised by the management of the Company, Sunny Group is only a passive investor who is not involved in the management and business operation of Sunny Huitong. Upon Completion, the Company will not take any active role in the business operations of Sunny Huitong and the Company has no present intention to nominate any director to Sunny Huitong. Furthermore, the Directors have no present plan to introduce any change to Sunny Huitong's existing business. Accordingly, the microcredit business of Sunny Huitong will not have any material impact on the Group's working capital needs.

In light of (i) Sunny Huitong has been profitable since its establishment; (ii) the microcredit market in the PRC and economy of Ningbo has experience significant growth in recent years; (iii) Sunny Huitong has implemented a robust risk management system to control related risks; (iv) most of the management of Sunny Huitong have extensive experiences in banking and financing sector and related risk control; (v) Sunny Huitong was awarded outstanding according to the appraisal by the Financial Authority of Ningbo Government in 2012 due to its performance; and (vi) the Group will remain as a passive investor of Sunny Huitong and will not involve in the management and business operation of Sunny Huitong, we consider that the Group could benefit from the business development of Sunny Huitong after the Completion.

### *Information on Zhenxing Yiqi*

Zhenxing Yiqi is principally engaged in provision of consulting and information services to domestic high technology instruments companies in the PRC. The registered capital of Zhenxing Yiqi is RMB0.82 million.

According to the unaudited financial statements of Zhenxing Yiqi for the year ended 31 December 2013, its turnover recorded for each of the two years ended 31 December 2013 amounted to approximately RMB55,000 and RMB44,000 respectively. The net profit recorded by Zhenxing Yiqi amounted to approximately RMB17,000 and RMB29,000, respectively.

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## LETTER FROM MESSIS CAPITAL

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As advised by the management of the Company, Sunny Group is only a passive investor who is not involved in the management and business operation of Zhenxing Yiqi. Upon Completion, the Company will not take any active role in the business and operations of Zhenxing Yiqi and the Company has no present intention to nominate any director to Zhenxing Yiqi. Furthermore, the Directors have no present plan to introduce any change to Zhenxing Yiqi's existing business. The Directors consider that Zhenxing Yiqi will provide consulting services to the Group's instruments business after Completion which will improve the productivity and quality of relevant products.

Having considered that (i) Sunny Group only holds 12.2% equity interests in Zhenxing Yiqi; (ii) the business scale of Zhenxing Yiqi is relatively small; (iii) Zhenxing Yi recorded profits for the recent years; and (iv) Zhenxing Yiqi will provide consulting services to the Group's instruments business after Completion which will improve the productivity and quality of relevant products after Completion, we consider that the Group's business could benefit from its investment in Zhenxing Yiqi after Completion.

### **3. Reasons for and benefits of entering into of the Agreement**

The Group currently leases the properties owned by Sunny Group for the use of dormitory, office, industrial facilities and car parking spaces. According to the announcement of the Company dated 21 December 2012, the Group had entered into tenancy renewal agreements with Sunny Group on the same day for the renewal of tenancy agreements for several properties owned by Sunny Group at that time for a term of three years ending 31 December 2015. Upon Completion, Sunny Group will become a wholly-owned subsidiary of the Company so that the transactions contemplated under the aforesaid tenancy renewal agreements will cease to be continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As advised by the management of the Company, the Acquisition will eliminate the compliance cost in relation to the continuing connected transactions between the Group and Sunny Group and thus to improve the overall competitiveness and management efficiency of the Group.

Furthermore, certain Properties are located adjacent to the Group's existing major production facilities and headquarter in Yuyao City, Zhejiang Province, the PRC. Therefore, the Acquisition will enable the Group to enhance the strategic planning and development of those properties around its headquarter by managing respective land use rights. For instance, the water sewage system of all production facilities in and around the Group's headquarter could under the unify planning of the Group so as to improve the overall management effectiveness of the Group after completion of the Acquisition.

In addition, we understand from the management of the Company that certain Properties will be used for the expansion of the Group's production facilities as well as facilitating the Group's business development after completion of the Acquisition. Please refer to the paragraph headed "2. Background of Sunny Group" for the detailed usage of each Property. Based on our discussion with the management of the Company, we understand that it is the Group's business strategies to continue the in-depth exploration of its existing businesses and increase its sales of relevant products through further expansion and optimization of its existing sales channels. As such, we are of the view that the Acquisition and aforesaid use of the Properties are in line with the Group's development strategies.

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## LETTER FROM MESSIS CAPITAL

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After the Completion, Sunny Huitong, who possesses the microcredit license will serve as a platform to provide financing services to the Group's suppliers in Yuyao City, Zhejiang Province, the PRC. The management of the Company considers that the financing platform provided by Sunny Huitong will strengthen the financial position of the Group's suppliers, which will in turn improve the standard and capacity of the products and services provided by them. The Directors are of the view that the improvement of productivity and service and product quality of these suppliers would drive the stable supply of quality services and goods, thereby guaranteeing the quality and productivity of the Group's own productions, bringing long term benefit to the Group and the Shareholders. The Directors believe that the Group's exposure to credit risk and default risk inherent to Sunny Huitong's business operation is minimal since Sunny Huitong has an independent and comprehensive internal control and risk management system and the credit performance of these suppliers are generally good since they are elected as the Group's suppliers based on, among other things, their credit history, financial background, reputation and corporate background.

As advised by the management of the Company, the Acquisition will allow the Group to retain Sunny Staff Shareholders, who are experienced personnel with the industry experience and technical knowledge to manufacture and produce competing products.

Having considered that the Acquisition (i) will eliminate the continuing connected transactions between the Group and Sunny Group and thus to improve the overall competitiveness and management efficiency of the Group; (ii) enable the Group to enhance the strategic planning and development of those properties around its headquarter by managing respective land use rights; (iii) in line with the Group's development strategies; (iv) strengthen the financial position of the Group's suppliers by utilizing the financing platform provided by Sunny Huitong, which will in turn improve the standard and capacity of the products and services provided by them; (v) the Group could benefit from the business development of Sunny Huitong after Completion, details of which are set out in the paragraph headed "Information on Sunny Huitong"; and (vi) the Group's business could benefit from its investment in Zhenxing Yiqi after Completion, details of which are as set out in the paragraph headed "Information on Zhenxing Yiqi" above, we are of the view that the entering into of the Agreement and the Acquisition are in the interests of the Company and the Shareholders as a whole.

#### **4. Principle Terms of the Agreement**

##### ***Assets to be acquired***

Pursuant to the Agreement, Sunny Nominees, acting on behalf of Sunny Staff Shareholders, have agreed to dispose of and Sunny Optics agreed to purchase the Equity Interests at a consideration of RMB351,372,444.7 in cash. The Equity Interests represent the entire registered and paid up capital of Sunny Group which are beneficially wholly owned by Sunny Staff Shareholders as at the Latest Practicable Date.

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## LETTER FROM MESSIS CAPITAL

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### *Consideration*

The consideration for the purchase of the Equity Interests (the “**Consideration**”) is RMB351,372,444.7 which will be satisfied in cash in the following manners:

- (i) RMB10,000,000.0 shall be payable by Sunny Optics to Sunny Group as part payment of the Consideration within three Business Days from the date of the EGM; and
- (ii) the remaining balance shall be payable by Sunny Optics to Sunny Group upon Completion.

The Consideration will be funded by the internal resources of the Group. In the event the conditions precedent set out in the Agreement are not fulfilled (or as the case may be, waived) on or before the Long Stop Date or Completion does not take place in accordance with the terms thereof, Sunny Group shall refund the part payment being RMB10,000,000 (without interest) to Sunny Optics within seven Business Days after written demand from Sunny Optics.

As advised by the management of the Company, the Consideration was determined after negotiations between Sunny Optics and Sunny Group with reference to the unaudited net asset value of Sunny Group of RMB351,372,444.7 as at 25 July 2014 based on the Unaudited Consolidated Financial Statements prepared under the PRC Generally Accepted Accounting Principles.

Given that the Consideration was determined with reference to the unaudited net asset value of Sunny Group as at 25 July 2014 as referred to the Unaudited Consolidated Financial Statements, a principal component of which was the appraised value of the Properties, we have reviewed the valuation report (the “**Property Valuation Report**”) prepared by Jones Lang as set out in Appendix I to this circular and discuss with them regarding the methodology of and the principal bases and assumptions adopted for the valuation of the Properties.

The Property Valuation Report has been prepared by the Jones Lang in compliance with all requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have enquired into the Jones Lang in depth regarding how the appraised value of the Properties was arrived at. We noted that the Jones Lang had considered various methodologies in preparing the Property Valuation Report, including the cost approach and direct comparison approach. Due to the nature of the buildings and structures of the property interests of the Properties A, B and C and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, so that their respective property interests have been valued by the cost approach with reference to their depreciated replacement cost. Depreciated replacement cost is based on an estimate of the market value for the existing

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## LETTER FROM MESSIS CAPITAL

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use of the land, plus the current cost of the replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. As advised by Jones Lang, they have made reference to the sales evidence as available in the locality in arriving at the value of the land portion. The appraised values of the Properties D, E and F were arrived at by using the direct comparison approach assuming sale of such property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property.

In general, we understand that the Jones Lang is satisfied with (i) the rationality of the bases and assumptions in arriving at the property valuation; and (ii) the appropriateness and accuracy of the estimates and calculations. During the course of our discussion with the Jones Lang, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Property Valuation Report.

For our due diligence purpose, we reviewed and enquired Jones Lang's qualification and experience in relation to the performance of the valuation. We noted that Jones Lang has extensive experience in performing valuation for transactions of listed companies as well as the initial public offering cases in Hong Kong and the PRC. Jones Lang confirmed that it is independent from the Company. Jones Lang also confirmed that all relevant material information provided by the Company had been incorporated in the Property Valuation Report and there were no other material relevant information or representations relating to Properties provided or made by the Company to Jones Lang not having been included in the valuation. In addition, we also reviewed the terms of Jones Lang's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Property Valuation Report.

In order to further assess the fairness and reasonableness of the Consideration, we have also discussed with the management of the Company regarding the valuation of long-term equity investment of Sunny Group, which is also a major component of the unaudited net asset value of Sunny Group. The long-term equity investment of Sunny Group as at 25 July 2014 includes its 25% equity interests in Sunny Huitong and 12.2% equity interests in Zhenxing Yiqi. After our discussion with the management of the Company and reviewing the unaudited management accounts of Sunny Huitong and Zhenxing Yiqi, we understand that valuation of the equity investment of Sunny Group in Sunny Huitong and Zhenxing Yiqi was determined by reference to its proportionate equity interests in the unaudited net asset value of Sunny Huitong and Zhenxing Yiqi and therefore is considered by us to be fair and reasonable.



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## LETTER FROM MESSIS CAPITAL

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Net asset value, which reflects the equity value of an entity, is commonly used as a reference for the basis of the consideration for the acquisition of the equity interests in a company. The net asset value is also commonly adopted as a basis of the consideration for the acquisition of the equity interest in microcredit and financing companies. For instance, according to the announcement of Credit China Holdings Limited (Stock code: 8207) dated 11 August 2014, the consideration of its acquisition of 49% equity interest in a microfinance company in Hainan Province was also determined with reference to the net assets value of such target company. As at the Latest Practicable Date, other than the Properties of approximately RMB181.7 million, Sunny Group had (i) current assets of approximately RMB201.0 million mainly comprising cash in hand of approximately RMB15.1 million, short-term investment of approximately RMB156.5 million and account receivables of approximately RMB29.4 million; and (ii) non-current assets mainly comprising long-term equity investment of approximately RMB61.1 million, construction in progress of approximately RMB23.8 million and other fixed assets of approximately RMB50,000, which were partially offset by the current liabilities of approximately RMB114.4 million and non-current liabilities of approximately RMB1.9 million. The short-term investment comprised several contracts of structured deposits which Sunny Group entered with various banks. The entire combined contracts have been designated as financial assets as at fair value through profit or loss on initial recognition. As at the Latest Practicable Date, the expected return rate of the investment ranged from 2.35% to 4.9% per annum. Having considered that (i) the components of the current assets of Sunny Group are cash, short-term investment and account receivables, among which the short-term investment was recognised by its market value; (ii) the unaudited net asset value of Sunny Group as at 25 July 2014 already been adjusted for the market value of the Properties; and (iii) the long-term equity investment of Sunny Group was recognised by reference to its proportionate equity interests in the unaudited net asset value of Sunny Huitong and Zhenxing Yiqi, we are of the view that it is appropriate to use the unaudited net asset value of Sunny Group as the basis of the Consideration.

Taking into account that (i) the Consideration was determined with reference to the unaudited net asset value of Sunny Group as at 25 July 2014 as referred to the Unaudited Consolidated Financial Statements; (ii) principal bases and assumptions adopted by Jones Lang in appraising the Properties are fair and reasonable; (iii) the valuation of the equity investment of Sunny Group in Sunny Huitong and Zhenxing Yiqi was determined by reference to its proportionate equity interests in the unaudited net asset value of Sunny Huitong and Zhenxing Yiqi and therefore is considered by us to be fair and reasonable; and (iv) the reasons for and benefits of entering into of the Agreement as set out above, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

### *Conditions precedent of the Agreement*

Completion is conditional upon the fulfillment or waiver of the following conditions, inter alia, that:

- (a) Sunny Optics being satisfied with the results of the due diligence review to be conducted under the Agreement;

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## LETTER FROM MESSIS CAPITAL

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- (b) all necessary consents, approvals and authorizations required to be obtained on the part of each of the party in respect of the Agreement and the transactions contemplated thereunder, including the power of attorney in respect of the Acquisition duly executed and delivered by all Sunny Staff Shareholders, having been obtained and remain in full force and effect;
- (c) Guantao Law Firm having issued a PRC legal opinion relating to the matters of the Agreement in the form and substance to the satisfaction of Sunny Optics;
- (d) each of the parties having undertaken all necessary actions in order to facilitate the Acquisition and the execution of the Agreement, and the shareholders of Sunny Group having passed all necessary resolution to approve the Agreement and the transactions contemplated under the Agreement;
- (e) all representations and warranties given by Sunny Group and Sunny Nominees in the Agreement being true, accurate, complete and not misleading at the execution date of the Agreement and remaining true, accurate, complete and not misleading in all material respects at Completion on the basis of the facts and circumstances then existing;
- (f) the dispatch of this circular to the Shareholders in relation to the Acquisition in compliance with the Listing Rules;
- (g) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the Agreement and the transactions contemplated under the Agreement; and
- (h) the revised business license having been issued to Sunny Group.

Sunny Optics may in its absolute discretion waive in whole or in part the conditions set out in paragraphs (a) and (c) above at any time by notice in writing to Sunny Group. In exercising the right of waiver, the Board will act in the interest of Sunny Optics, the Company and the Independent Shareholders as a whole and will only waive any conditions precedent on minor issues or on issues that will not affect the substance of the Acquisition.

In the event that any of the conditions shall not have been fulfilled or waived on or before the Long Stop Date or such later date as agreed by the parties to the Agreement in writing, the Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Agreement.

### ***Completion***

Completion of the Acquisition is expected to take place at no later than 4:00 p.m. on the Completion Date at the office of Sunny Optics (or such other place and/or time as the parties may agree in writing) being within one (1) month after the last of the conditions precedent have been fulfilled or waived (which shall nonetheless be fulfilled by no later than the Long Stop Date).

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## LETTER FROM MESSIS CAPITAL

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Upon Completion, the Sunny Group will become a wholly-owned subsidiary of the Company.

### 5. Financial Effects of the Acquisition

#### *Earnings*

Upon Completion, Sunny Group will become a wholly-owned subsidiary of the Company and its result will be consolidated in the Group's consolidated financial statements.

In view of the track record of financial performance of Sunny Group and the synergies gained from the Acquisition, we consider that the Acquisition could enhance the financial results of the Group going forward.

#### *Working capital*

Since the Company will satisfy the Consideration in cash by the internal resources of the Group, the Group's working capital would be reduced due to the Acquisition.

It should be noted that the aforementioned analysis are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

### RECOMMENDATION

Having considered the above mentioned principal factors and reasons, we consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Kinson Li**  
*Managing Director*

*Note:* Mr. Kinson Li is a licensed person registered with the SFC and regarded as a responsible officer of Messis Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO and has over 17 years of experience in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2014 of the properties held by Sunny Group Co., Ltd.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

31 August 2014

The Board of Directors

**Sunny Optical Technology (Group) Company Limited (the "Company")**

Unit 603, 6th Floor

Grand City Plaza

1-17 Sai Lau Kok Road

Tsuen Wan

New Territories

Hong Kong

Dear Sirs,

On 15 August 2014, the Agreement was entered into between Sunny Nominees (as the vendors) and Sunny Optics (as the purchaser) pursuant to which Sunny Nominees, acting on behalf of Sunny Staff Shareholders, have agreed to sell the Equity Interests to Sunny Optics at a consideration of RMB351,372,444.7 in cash.

In accordance with your instructions to value the properties held by Sunny Group Limited (舜宇集團有限公司, "Sunny Group"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 May 2014 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests of property nos. 4 to 6 in Group I by direct comparison approach assuming sale of the property interests in their existing state by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties. The existing tenancies are also taken into account in arriving at the valuation.

Where, due to the nature of the buildings and structures of the property interests of property nos. 1 to 3 in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have been valued by the Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of the replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have attributed no commercial value to property no. 7 in Group II, which has not been assigned to Sunny Group as at the valuation date, thus the title of the property is not vested in Sunny Group.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and Sunny Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easement, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificate, Building Ownership Certificate, Real Estate Title Certificate and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the

PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Guantao Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in May 2014 by Mr. Peter Cao and Ms. Winnie Xu. Mr. Peter Cao is a China Certified Real Estate Appraiser and has more than 13 years' experience in the valuation of properties in the PRC. Ms. Winnie Xu is a China Certified Public Valuer and has 3 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and Sunny Group. We have also sought confirmation from Sunny Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Eddie T. W. Yiu**

*MRICS MHKIS RPS (GP)*

*Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 20 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

## Group I – Property interests held for investment by Sunny Group in the PRC

No.	Property	Capital value in existing state as at 31 May 2014 <i>RMB</i>
1.	A parcel of land, various buildings and structures and 2 buildings under construction Nos. 66 to 68 Shunyu Road, Yuyao City, Zhejiang Province, the PRC	87,654,000
2.	A parcel of land and various buildings Nos. 66 to 68 Shunyu Road North Shou, Yuyao City, Zhejiang Province, the PRC	11,377,000
3.	A parcel of land and various buildings Zhongjiang West Shou, North Bus Station, Yuyao City, Zhejiang Province, the PRC	14,299,000
4.	Unit 20B on Level 20 of a building No. 252 Wensan Road, Hangzhou City, Zhejiang Province, the PRC	8,894,000
5.	Units 501 and 517 on Level 5 of a building No. 1403 Minsheng Road, Pudong New District, Shanghai, the PRC	8,091,000
6.	Levels 5 and 6 of Block 8 No. 1001 Qinzhou North Road, Xuhui District, Shanghai, the PRC	51,336,000
	<b>Sub-total:</b>	<b><u>181,651,000</u></b>

**Group II – Property interest contracted to be acquired by Sunny Group in the PRC**

<b>No. Property</b>	<b>Capital value in existing state as at 31 May 2014 RMB</b>
7. Level 19 of the southern area of Yuyao Chamber of Commerce Building No. 2 Nanlei Road, Yuyao City, Zhejiang Province, the PRC	No commercial value
<b>Sub-total:</b>	<u>Nil</u>
<b>Grand-total:</b>	<u><u>181,651,000</u></u>



## VALUATION CERTIFICATE

## Group I – Property interests held for investment by Sunny Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2014 RMB								
1.	A parcel of land various buildings and structures and 2 buildings under construction Nos. 66 to 68 Shunyu Road Yuyao City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 44,839.8 sq.m., 7 buildings and various ancillary structures erected thereon completed in 2005.</p> <p>The buildings have a total gross floor area of approximately 13,284.45 sq.m. and the details are set out as following:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>7,080.44</td> </tr> <tr> <td>Ancillary</td> <td>6,204.01</td> </tr> <tr> <td><b>Total:</b></td> <td><b>13,284.45</b></td> </tr> </tbody> </table> <p>The structures mainly include roads, landscape facilities and boundary walls, etc.</p> <p>Apart from the completed buildings, a workshop and a distribution room (the “CIP buildings”) are being constructed thereon.</p> <p>The CIP buildings are scheduled to be completed in August 2014. Upon completion, the CIP buildings will have a total gross floor area of approximately 21,684.6 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 9 June 2050 for industrial use.</p>	Usage	Gross Floor Area (sq.m.)	Office	7,080.44	Ancillary	6,204.01	<b>Total:</b>	<b>13,284.45</b>	Except for the CIP buildings which are currently under construction, the remaining 7 buildings of the property are currently rented to a connected party of Sunny Group for industrial use.	87,654,000
Usage	Gross Floor Area (sq.m.)											
Office	7,080.44											
Ancillary	6,204.01											
<b>Total:</b>	<b>13,284.45</b>											

## Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Yu Guo Yong (2007) Di No. 10232 issued by the Land Resources Bureau of Yuyao City, the land use rights of a parcel of land with a site area of approximately 44,839.8 sq.m. have been granted to Sunny Group for a term expiring on 9 June 2050 for industrial use.

2. Pursuant to 2 Building Ownership Certificates – Yu Fang Quan Zheng Cheng Qu Zi Di Nos. A0700509 and A0700515 all dated 29 January 2007 issued by the Real Estate Administrative Bureau of Yuyao City, 7 buildings with a total gross floor area of approximately 13,284.45 sq.m. are owned by Sunny Group.
3. Pursuant to a Tenancy Agreement dated 26 December 2012, entered into between the canteen of Zhejiang Sunny Optics Co., Ltd. (浙江舜宇光學有限公司食堂, a connected party of Sunny Group, the “Lessee”) and Sunny Group, 2 buildings of the property with a total gross floor area of approximately 5,642.71 sq.m. were rented to the Lessee for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015 at a monthly rent of RMB56,191.21, exclusive of water and electricity charges.
4. Pursuant to a Tenancy Agreement dated 21 December 2012, entered into between Zhejiang Sunny Optics Co., Ltd. (浙江舜宇光學有限公司, a connected party of Sunny Group, the “Lessee”) and Sunny Group, 5 buildings of the property with a total gross floor area of approximately 7,641.74 sq.m. were rented to the Lessee for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015. The monthly rent of the office and sewage room is RMB12 per sq.m. and the monthly rent of the gatehouse and distribution room is RMB6.6 per sq.m., exclusive of water and electricity charges.
5. Pursuant to a Tenancy Agreement dated 21 December 2012, entered into between Zhejiang Sunny Optics Company Limited, Ningbo Sunny Instruments Co., Ltd., Ningbo Sunny Opotech Co. Ltd., Ningbo Sunny Infrared Technologies Company Ltd. and Ningbo Sunny Automotive Optech Co. Ltd. (浙江舜宇光學有限公司, 寧波舜宇儀器有限公司, 寧波舜宇光電信息有限公司, 寧波舜宇紅外技術有限公司, 寧波車載光學技術有限公司, 5 connected parties of Sunny Group, together as the “Lessees”) and Sunny Group, totally about 500 car-parking spaces were rented to the Lessees for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015 at a monthly rent of RMB80 per car-parking space.
6. Pursuant to a Construction Work Planning Permit – (2013) Zhe Gui (Jian) Zheng No. 0210048 dated 16 May 2013 issued by Yuyao City Planning Bureau in favour of Sunny Group, the commencement of the construction works of the CIP buildings with a total planned gross floor area of approximately 21,684.6 sq.m. have been approved.
7. Pursuant to a Construction Work Commencement Permit – Yu Jian Shi Guan (2013) No. 113 dated 4 June 2013 issued by Yuyao City Bureau of Housing and Urban–Rural Development in favour of Sunny Group, the commencement of the construction works of the property has been permitted.
8. As advised by Sunny Group, the total construction cost of the CIP buildings is estimated to be approximately RMB24,433,000, of which RMB19,399,555.81 had been paid up to the valuation date.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. Sunny Group has legally obtained the land use rights and building ownership rights of the property;
  - b. Sunny Group has obtained construction approvals of the CIP buildings of the property;
  - c. Sunny Group is entitled to transfer, lease, mortgage or otherwise dispose of the property;
  - d. The property is not subject to any third party encumbrance; and
  - e. According to the Tenancy Agreements, Sunny Group has the right to lease the property to the Lessees.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2014 RMB
2.	A parcel of land and various buildings Nos. 66 to 68 Shunyu Road North Shou Yuyao City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 5,256.5 sq.m. and 4 buildings erected thereon completed in various stages between 2004 and 2005.</p> <p>The buildings have a total gross floor area of approximately 7,296.96 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 7 September 2053 for industrial use.</p>	Portions of the property are currently rented to 5 connected parties and an independent third party of Sunny Group for staff quarter and commercial use (see notes 3 and 4), whilst the remaining portion of the property with a gross floor area of approximately 80 sq.m. is currently rented to the local police station for free.	11,377,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Yu Guo Yong (2005) Di No. 05034 dated 11 August 2005 issued by the Land Resources Bureau of Yuyao City, the land use rights of a parcel of land with a site area of approximately 5,256.5 sq.m. have been granted to Sunny Group for a term expiring on 7 September 2053 for industrial use.
2. Pursuant to 2 Building Ownership Certificates – Yu Fang Quan Zheng Cheng Qu Zi Di No. A0506078 dated 10 June 2005 and Yu Fang Quan Zheng Cheng Qu Zi Di No. A0713716 dated 4 December 2007 issued by the Real Estate Administrative Bureau of Yuyao City, 4 buildings with a total gross floor area of approximately 7,296.96 sq.m. are owned by Sunny Group.
3. Pursuant to a Tenancy Agreement dated 21 December 2012, entered into between Zhejiang Sunny Optics Company Limited, Ningbo Sunny Instruments Co., Ltd., Ningbo Sunny Opotech Co. Ltd., Ningbo Sunny Infrared Technologies Company Ltd. and Ningbo Sunny Automotive Optech Co. Ltd. (浙江舜宇光學有限公司, 寧波舜宇儀器有限公司, 寧波舜宇光電信息有限公司, 寧波舜宇紅外技術有限公司, 寧波車載光學技術有限公司, 5 connected parties of Sunny Group, together as the “Lessees”) and Sunny Group, portions of the property area with no more than 161 rooms were rented to the Lessees for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015 at a monthly rent of RMB165 per room. According to the information provided by Sunny Group, out of 161 rooms, the Lessees currently occupied 107 rooms.
4. Pursuant to a Tenancy Agreement dated 1 January 2013, entered into between Wu Huanlian (吳煥煉, an independent third party, the “Lessee”) and Sunny Group, portions of a building of the property with a gross floor area of approximately 88.6 sq.m. were rented to the Lessee for a term of 3 years commencing from 15 October 2012 and expiring on 14 October 2015 at an annual rent of RMB24,600, exclusive of water and electricity charges.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. Sunny Group has legally obtained the land use rights and building ownership rights of the property;
  - b. Sunny Group is entitled to transfer, lease, mortgage or otherwise dispose of the property;
  - c. The property is not subject to any third party encumbrance; and
  - d. According to the Tenancy Agreements, Sunny Group has the right to lease portions of the property to the Lessees.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2014 RMB
3.	A parcel of land and various buildings Zhongjiang West Shou North Bus Station Yuyao City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 5,051.92 sq.m. and 5 buildings erected thereon completed in 2005.</p> <p>The buildings have a total gross floor area of approximately 9,128.02 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 14 April 2055 for industrial use.</p>	The property is currently rented to 5 connected parties of Sunny Group for staff quarter use (see note 3).	14,299,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Yu Guo Yong (2005) Di No. 02347 issued by the Land Resources Bureau of Yuyao City, the land use rights of a parcel of land with a site area of approximately 5,051.92 sq.m. have been granted to Sunny Group for a term expiring on 14 April 2055 for industrial use.
2. Pursuant to 2 Building Ownership Certificates – Yu Fang Quan Zheng Cheng Qu Zi Di No. A0506077 dated 10 June 2005 and Yu Fang Quan Zheng Cheng Qu Zi Di No. A0705112 dated 23 May 2007 issued by the Real Estate Administrative Bureau of Yuyao City, 5 buildings with a total gross floor area of approximately 9,128.02 sq.m. are owned by Sunny Group.
3. Pursuant to a Tenancy Agreement dated 21 December 2012, entered into between Zhejiang Sunny Optics Company Limited, Ningbo Sunny Instruments Co., Ltd., Ningbo Sunny Opotech Co. Ltd., Ningbo Sunny Infrared Technologies Co., Ltd. and Ningbo Sunny Automotive Optech Co. Ltd. (浙江舜宇光學有限公司, 寧波舜宇儀器有限公司, 寧波舜宇光電信息有限公司, 寧波舜宇紅外技術有限公司, 寧波車載光學技術有限公司, 5 connected parties of Sunny Group, together as the “Lessees”) and Sunny Group, portions of the property area with no more than 275 rooms and 14 suites were rented to the Lessees for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015 at a monthly rent of RMB187 per room and a monthly rent of RMB495 per suite. According to the information provided by Sunny Group, out of 275 rooms and 14 suites, the Lessees occupied 233 rooms and 10 suites.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. Sunny Group has legally obtained the land use rights and building ownership rights of the property;
  - b. Sunny Group is entitled to transfer, lease, mortgage or otherwise dispose of the property;
  - c. The property is not subject to any third party encumbrance; and
  - d. According to the Tenancy Agreements, Sunny Group has the right to lease portions of the property to the Lessees.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2014 RMB
4.	Unit 20B on Level 20 of a building No. 252 Wensan Road Hangzhou City Zhejiang Province The PRC	<p>The property comprises a unit on Level 20 of a 23-storey office building completed in 2004.</p> <p>The property has a gross floor area of approximately 486.02 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 5 August 2044 for composite use.</p>	The property was rented to an independent third party for office use as at the valuation date.	8,894,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Xi Guo Yong (2004) Zi Di No. 010131 dated 15 July 2004 issued by the Land Resources Bureau of Hangzhou City, the land use rights of the property with an apportioned area of approximately 59 sq.m. have been granted to Sunny Group for a term expiring on 5 August 2044 for composite use.
2. Pursuant to a Building Ownership Certificate – Hang Fang Quan Zheng Xi Yi Zi Di No. 0355412 dated 18 June 2004 issued by the Real Estate Administrative Bureau of Hangzhou City, the property with a gross floor area of approximately 486.02 sq.m. is owned by Sunny Group.
3. Pursuant to 2 Tenancy Agreements dated 27 April 2012, entered into between Hangzhou PFT Software Co., Ltd. (杭州菲蒲特軟件有限公司, an independent third party, the “Lessee”) and Sunny Group, the property with a gross floor area of approximately 486.02 sq.m. was rented to the Lessee for a term of 2 years commencing from 15 July 2012 and expiring on 14 July 2014 at an annual rent of RMB331,245.12, exclusive of water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. Sunny Group has legally obtained the land use rights and building ownership rights of the property;
  - b. Sunny Group is entitled to transfer, lease, mortgage or otherwise dispose of the property;
  - c. The property is not subject to any third party encumbrance; and
  - d. According to the Tenancy Agreements, Sunny Group has the right to lease the property to the Lessees.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2014 RMB
5.	Units 501 and 517 on Level 5 of a building No. 1403 Minsheng Road Pudong New District Shanghai The PRC	<p>The property comprises 2 units on Level 5 of a 25-storey office building completed in 2007.</p> <p>The property has a total gross floor area of approximately 253.63 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 19 December 2045 for composite use.</p>	The property is currently rented to an independent third party for office use.	8,091,000

*Notes:*

1. Pursuant to 2 Real Estate Title Certificates – Hu Fang Di Pu Zi (2008) Di No. 036030 dated 26 May 2008 and Hu Fang Di Pu Zi (2008) Di No. 036351 dated 27 May 2008, issued by the Shanghai Housing and Land Resources Administration Bureau, the property with a total gross floor area of approximately 253.63 sq.m. is owned by Sunny Group. The land use rights of the property have been granted to Sunny Group for a term expiring on 19 December 2045 for composite use.
2. Pursuant to a Tenancy Agreement dated 27 April 2012, entered into between Wuxi Red Yellow Blue Garments Co., Ltd. Shanghai Branch (無錫紅黃藍服飾有限公司上海分公司, an independent third party, the “Lessee”) and Sunny Group, the property with a total gross floor area of approximately 253.63 sq.m. were rented to the Lessee for a term commencing from 1 November 2012 and expiring on 15 November 2014 at a monthly rent of RMB33,172.69, exclusive of water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. Sunny Group has legally obtained the land use rights and building ownership rights of the property;
  - b. Sunny Group is entitled to transfer, lease, mortgage or otherwise dispose of the property;
  - c. The property is not subject to any third party encumbrance; and
  - d. According to the Tenancy Agreement, Sunny Group has the right to lease the property to the Lessee.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2014 RMB
6.	Levels 5 and 6 of Block 8 No. 1001 Qinzhou North Road Xuhui District Shanghai The PRC	<p>The property comprises Levels 5 and 6 of a 6-storey industrial building completed in 2007.</p> <p>The property has a total gross floor area of approximately 2,376.68 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 19 July 2045 for industrial use.</p>	The property is currently rented to a connected party of Sunny Group for industrial use.	51,336,000

*Notes:*

1. Pursuant to 2 Real Estate Title Certificates – Hu Fang Di Xu Zi (2008) Di No. 016666 dated 29 August 2008 and Hu Fang Di Xu Zi (2008) Di No. 016667 dated 29 August 2008, issued by the Shanghai Housing and Land Resources Administration Bureau, the property with a total gross floor area of approximately 2,376.68 sq.m. are owned by Sunny Group. The land use rights of the property have been granted to Sunny Group for a term expiring on 19 July 2054 for industrial use.
2. Pursuant to a Tenancy Agreement dated 27 April 2013, entered into between Shanghai Sunny Hengping Scientific Instrument Co., Ltd. (上海舜宇恒平科學儀器有限公司, a connected party of Sunny Group, the “Lessee”) and Sunny Group, portion of the property with a gross floor area of approximately 2,272.68 sq.m. was rented to the Lessee for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015 at a monthly rent of RMB66.78 per sq.m., exclusive of water and electricity charges.
3. Pursuant to a Tenancy Agreement dated 27 April 2013, entered into between Ningbo Sunny Opotech Co. Ltd. (寧波舜宇光電信息有限公司, a connected party of Sunny Group, the “Lessee”) and Sunny Group, the remaining portion of the property with a gross floor area of approximately 104 sq.m. was rented to the Lessee for a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015 at a monthly rent of RMB66.78 per sq.m., exclusive of water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
  - a. Sunny Group has legally obtained the land use rights and building ownership rights of the property;
  - b. Sunny Group is entitled to transfer, lease, mortgage or otherwise dispose of the property;
  - c. The property is not subject to any third party encumbrance; and
  - d. According to the Tenancy Agreements, Sunny Group has the right to lease the property to the Lessees.

## VALUATION CERTIFICATE

## Group II – Property interest contracted to be acquired by Sunny Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2014 RMB
7.	Level 19 of the southern area of Yuyao Chamber Commerce Building No. 2 Nanlei Road Yuyao City Zhejiang Province The PRC	The property comprises Level 19 of a 23-storey office building completed in 2014.  The property has a gross floor area of approximately 953.67 sq.m.	The property is currently vacant.	No commercial value

*Notes:*

1. Pursuant to The Notice dated on 17 April 2014 issued by Yuyao General Chamber of Commerce and Yuyao Tongji Construction Management Co. Ltd. (余姚市總商會和余姚市通濟工程建設管理有限公司) in favour of Yuyao City Sunny Huitong Microcredit Co. Ltd. (余姚市舜宇匯通小額貸款股份有限公司, a company which is owned as to 25% by Sunny Group, "Sunny Huitong"), Sunny Huitong subscribed and jointly built the property with a gross floor area of approximately 953.67 sq.m. The housing construction funds of the property is estimated to be approximately RMB7,473,512, of which RMB7,000,000 had been paid up to the valuation date.
2. As at the valuation date, the property has not been assigned to Sunny Group and thus the title of the property has not been vested in Sunny Group. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the valuation date would be RMB7,557,000, assuming that the relevant title certificates have been obtained by Sunny Group and Sunny Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
  - a. The Notice mentioned in note 1 is legally valid; and
  - b. There is no legal impediment for Sunny Huitong in obtaining the building ownership rights of the property after obtaining the Building Ownership Certificate.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the shares and the underlying shares of the Company and its Associated Corporations as at the Latest Practicable Date

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and/or its Associated Corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); (b) to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) to otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the “**Securities Code**”), were as follows:

Name of Directors	Capacity	Number of the Shares interested and nature of interest			Approximate percentage of total issued Shares
		Personal interests	Corporate interests	Total	
Mr. Wang	Beneficial owner <i>(Note 1)</i>	1,296,000	–	1,296,000	0.12
	Interest in a controlled corporation and trustee and beneficiary of a trust <i>(Note 2)</i>	–	421,460,060	421,460,060	38.42
Mr. Ye	Beneficial owner <i>(Note 3)</i>	2,160,000	–	2,160,000	0.20
	Beneficiary of a trust <i>(Note 4)</i>	–	421,460,060	421,460,060	38.42

Name of Directors	Capacity	Number of the Shares interested and nature of interest			Approximate percentage of total issued Shares
		Personal interests	Corporate interests	Total	
Mr. Sun Yang	Beneficial owner (Note 5)	2,160,000	–	2,160,000	0.20
	Beneficiary of a trust (Note 6)	–	421,460,060	421,460,060	38.42
Mr. W. Wang	Beneficial owner (Note 7)	1,338,000	–	1,338,000	0.12
	Beneficiary of a trust (Note 8)	–	421,460,060	421,460,060	38.42

## Notes:

1. Mr. Wang is taken to be interested as a grantee of 1,296,000 Shares granted under the Restricted Share Award Scheme.
2. Mr. Wang is one of the two trustees and one of the beneficiaries of the Sunny Group Employee Offshore Trust, entitling to 38.42% of the beneficial interest. Mr. Wang is also the sole shareholder of Sun Guang Limited. The Sunny Group Employee Offshore Trust is a trust on the entire issued share capital of Sun Ji Limited. Each of Sun Guang Limited and Sun Ji Limited owns 7.68% and 92.32% equity interest in Sun Xu Limited, respectively, which in turn owns 38.42% of the issued share capital of the Company. Accordingly, Mr. Wang is deemed to be interested in 421,460,060 Shares under the SFO.
3. Mr. Ye is taken to be interested as a grantee of 2,160,000 Shares granted under the Restricted Share Award Scheme.
4. As Mr. Ye is a beneficiary under the Sunny Group Employee Offshore Trust, entitling to 7.39% of the beneficial interest, he is deemed to be interested in 421,460,060 Shares under the SFO.
5. Mr. Sun Yang is taken to be interested as a grantee of 2,160,000 Shares granted under the Restricted Share Award Scheme.
6. As Mr. Sun is a beneficiary under the Sunny Group Employee Offshore Trust, entitling to 1.40% of the beneficial interest, he is deemed to be interested in 421,460,060 Shares under the SFO.
7. Mr. W. Wang is taken to be interested as a grantee of 1,338,000 Shares granted under the Restricted Share Award Scheme.
8. As Mr. W. Wang is a beneficiary under the Sunny Group Employee Offshore Trust, entitling to 4.69% of the beneficial interest, he is deemed to be interested in 421,460,060 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests, in the long position or short position in the shares, underlying shares and debentures of the Company or any of its Associated Corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO

(including interests or short positions in which he/she was taken or deemed to have under such provisions of the SFO); (b) which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which was required, pursuant to the Securities Code, to be notified to the Company and the Stock Exchange.

**(b) Particulars of the Directors' other interest**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any other member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

**(c) Save as disclosed above, as at the Latest Practicable Date**

- (i) none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests, in the long position or short position in the shares, underlying shares and debentures of the Company or any of its Associated Corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which he/she was taken or deemed to have under such provisions of the SFO); (b) which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which was required, pursuant to the Securities Code, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors had any interest, direct or indirect, in any asset which had, since 31 December 2013, being the date of the latest published audited accounts of the Company were made up, been acquired or disposed of by, or leased to, the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group; and
- (iii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group taken as a whole.

**(d) Substantial shareholders' interests and short positions in the Shares and the underlying Shares as at the Latest Practicable Date**

As at the Latest Practicable Date, 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 SFO, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Number of the Shares interested and nature of interest			Approximate percentage of total issued Shares
		Personal interests	Corporate interests	Total	
Sun Xu Limited	Beneficial owner	–	421,460,060	421,460,060	38.42
Sun Ji Limited	Interest in a controlled corporation (Note 1)	–	421,460,060	421,460,060	38.42
Mr. Wang	Beneficial owner (Note 2)	1,296,000	–	1,296,000	0.12
	Interest in a controlled corporation and trustee and beneficiary of a trust (Note 3)	–	421,460,060	421,460,060	38.42
Equity Trust (HK) Limited	Interest in a controlled corporation and trustee of a trust (Note 4)	–	421,460,060	421,460,060	38.42
Mr. Ye	Beneficial owner (Note 5)	2,160,000	–	2,160,000	0.20
	Beneficiary of a trust (Note 6)	–	421,460,060	421,460,060	38.42

Name	Capacity	Number of the Shares interested and nature of interest			Approximate percentage of total issued Shares
		Personal interests	Corporate interests	Total	
Mr. Sun Yang	Beneficial owner (Note 7)	2,160,000	–	2,160,000	0.20
	Beneficiary of a trust (Note 8)	–	421,460,060	421,460,060	38.42
Mr. W. Wang	Beneficial owner (Note 9)	1,338,000	–	1,338,000	0.12
	Beneficiary of a trust (Note 10)	–	421,460,060	421,460,060	38.42
Valuer Partners Limited	Beneficial owner	–	57,371,000	57,371,000	5.22
Valuer Partners Hong Kong Limited	Interest in a controlled corporation (Note 11)	–	57,371,000	57,371,000	5.22
Valuer Partners Group Limited	Interest in a controlled corporation (Note 11)	–	57,371,000	57,371,000	5.22

## Notes:

- As Sun Ji Limited owns more than one-third of the voting power of general meetings of Sun Xu Limited, Sun Ji Limited is deemed to be interested in 421,460,060 Shares under the SFO.
- Mr. Wang is taken to be interested as a grantee of 1,296,000 Shares granted under the Restricted Share Award Scheme.
- Mr. Wang is one of the two trustees and one of the beneficiaries of the Sunny Group Employee Offshore Trust, entitling to 38.42% of the beneficial interest. Mr. Wang is also the sole shareholder of Sun Guang Limited. The Sunny Group Employee Offshore Trust is a trust on the entire issued share capital of Sun Ji Limited. Each of Sun Guang Limited and Sun Ji Limited owns 7.68% and 92.32% equity interest in Sun Xu Limited, respectively, which in turn owns 38.42% of the issued share capital of the Company. Accordingly, Mr. Wang is deemed to be interested in 421,460,060 Shares under the SFO.
- As Equity Trust (HK) Limited is one of the two trustees (together with Mr. Wang) of the Sunny Group Employee Offshore Trust, Equity Trust (HK) Limited is deemed to be interested in 421,460,060 Shares held by Sun Xu Limited under the SFO.
- Mr. Ye is taken to be interested as a grantee of 2,160,000 Shares granted under the Restricted Share Award Scheme.

6. As Mr. Ye is a beneficiary under the Sunny Group Employee Offshore Trust, entitling to 7.39% of the beneficial interest, he 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. As Mr. Sun is a beneficiary under the Sunny Group Employee Offshore Trust, entitling to 1.40% of the beneficial interest, he is deemed to be interested in 421,460,060 Shares under the SFO.
9. Mr. W. Wang is taken to be interested as a grantee of 1,338,000 Shares granted under the Restricted Share Award Scheme.
10. As Mr. W. Wang is a beneficiary under the Sunny Group Employee Offshore Trust, entitling to 4.69% of the beneficial interest, he is deemed to be interested in 421,460,060 Shares under the SFO.
11. As Valuer Partners Group Limited owns more than one-third of the voting power of general meetings of Valuer Partners Hong Kong Limited, which in turn owns more than one-third of the voting power of general meetings of Valuer Partners Limited, each of Valuer Partners Group Limited and Valuer Partners Hong Kong Limited is deemed to be interested in 57,371,000 Shares under the SFO.

Save for Mr. Wang, Mr. Ye, Mr. Sun Yang and Mr. W. Wang who are Directors and the substantial shareholders of the Company, no other Director is a director or employee of the above substantial shareholders which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors or chief executive of the Company) who had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### **3. MATERIAL ADVERSE CHANGE**

Save as disclosed in the annual report of the Group for the year ended 31 December 2013, the Directors confirmed that as at the Latest Practicable Date, there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2013.

### **4. LITIGATION**

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

## 5. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the experts who have been named in this circular and whose advice or opinion are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Messis Capital Limited	a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	professional property valuer and consultant
Beijing Guantao Law Firm Hangzhou Office	PRC legal advisers

As at the Latest Practicable Date, MESSIS Capital, Jones Lang and Guantao Law Firm did not have any shareholding, directly or indirectly, in any member of the Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, MESSIS Capital, Jones Lang and Guantao Law Firm did not have any direct or indirect interest in any asset which has been acquired, or disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013.

MESSIS Capital, Jones Lang and Guantao Law Firm have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letters/reports dated 31 August 2014 and reference to their names, in the form and context in which they are included.

## 6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates has engaged in any business that competes or may compete, directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

## 7. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date, the following material contract (not being contracts entered into in the ordinary course of business) has been entered into by any member of the Group:

- (a) placing and subscription agreement entered into between the Company, Sun Xu Limited and Nomura International (Hong Kong) Limited dated 23 September 2013.

**8. GENERAL**

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Unit 603, 6th Floor, Grand City Plaza, 1-17 Sai Lau Kok Road, Tsuen Wan, New Territories, Hong Kong.
- (c) The joint company secretaries of the Company are Ms. Wong Pui Ling and Mr. Ma Jianfeng. Ms. Wong Pui Ling is a qualified accountant and is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Ma Jianfeng is a certified public accountant of the Chinese Institute of Certified Public Accountants and is a qualified senior accountant in the PRC.
- (d) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.



**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Unit 603, 6th Floor, Grand City Plaza, 1-17 Sai Lau Kok Road, Tsuen Wan, New Territories, Hong Kong, during normal business hours on Business Days up to and including the date which is 14 days from the date of this circular:

- (a) the memorandum of association and articles of association of the Company;
- (b) the letter from the Board to the Shareholders, the text of which is set out on pages 6 to 17 of this circular;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 18 to 19 of this circular;
- (d) the letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 33 of this circular;
- (e) the written consent from Messis Capital referred to in the section headed “Qualification and Consent of Expert” in this appendix;
- (f) the written consent from Jones Lang referred to in the section headed “Qualification and Consent of Expert” in this appendix;
- (g) the written consent from Guantao Law Firm referred to in the section headed “Qualification and Consent of Expert” in this appendix;
- (h) the valuation report of the Properties, the text of which is set out on pages 34 to 46 of this circular;
- (i) the Agreement; and
- (j) this circular.

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## NOTICE OF THE EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of Sunny Optical Technology (Group) Company Limited (the “**Company**”) will be held at The Executive Center, Level 3, Three Pacific Place, Admiralty, Hong Kong on 22 September 2014 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company (unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 31 August 2014 (the “**Circular**”)):-

### ORDINARY RESOLUTIONS

To approve the Acquisition:

“**THAT:**

- (a) the conditional agreement dated 15 August 2014 (the “**Agreement**”) entered into between Sunny Nominees as the vendors and Sunny Optics as the purchaser in relation to the acquisition (the “**Acquisition**”) of the entire equity interests in Sunny Group Limited (the “**Equity Interests**”) at a consideration of RMB351,372,444.7 (a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification), details of which have been set out in the Circular, a copy of which has been produced to the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification, and the terms thereof and the entering into of the Agreement by the Company be and are hereby approved, confirmed and ratified;
- (b) the Acquisition on the terms set out in the Agreement be and is hereby approved; and

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## NOTICE OF THE EGM

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- (c) any Director, be and is hereby authorized to implement and take all steps and do all such acts and things and execute all such agreements (including under seal, where appropriate) which he consider(s) necessary, desirable or expedient for the purpose of giving effect to and/or complete the sale and purchase of the Equity Interests under the Agreement and the transaction contemplated thereunder, and, where required, any amendment of the terms of the Agreement as required by, or for the purposes of obtaining the approval of, the relevant authorities or to comply with all applicable laws, rules and regulations.”

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

Hong Kong, 31 August 2014

*Registered Office:*  
Cricket Square, Hutchins Drive  
P.O. Box 2681, George Town  
Grand Cayman KY1-1111,  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*  
Unit 603, 6th Floor  
Grand City Plaza  
1-17 Sai Lau Kok Road  
Tsuen Wan  
New Territories  
Hong Kong

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## NOTICE OF THE EGM

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*Notes:*

- (i) A Shareholder entitled to attend and vote at the EGM convened by the above notice (the “**Notice**”) or its adjourned meeting (as the case may be) is entitled to appoint one proxy to attend and on a poll to vote on his/her/its behalf in accordance with the articles of association of the Company. A Shareholder who is the holder of two or more Shares may appoint not more than two proxies (who must be an individual or individuals) to attend and vote instead of him/her/it on the same occasion. A proxy needs not be a Shareholder, but must attend the EGM in person to represent him/her/it. A form of proxy for use at the EGM is enclosed herewith. Such prescribed form of proxy for use at the EGM is also published on the websites of The Stock Exchange of Hong Kong Limited at “www.hkexnews.hk” and the Company at “www.sunnyoptical.com”.
- (ii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorized in writing or, if the appointer is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person duly authorized to sign the same.
- (iii) Where there are joint holders of any Shares, any one of such joint holders may attend and vote at the EGM or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the EGM or its adjourned meeting (as the case may be) personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (iv) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the EGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid.
- (v) Completion and return of the form of proxy will not preclude a Shareholder from attending the meeting and voting in person at the EGM or any of its adjourned meeting thereof if he/she/it so desires. If a Shareholder attends the meeting after having deposited the form of proxy, his/her/its form of proxy shall be deemed to be revoked.
- (vi) The register of members of the Company will be closed from 18 September 2014 to 22 September 2014 (both dates inclusive) during which period no transfer of shares will be registered. To ascertain the entitlements to attend and vote at the EGM, Shareholders must lodge the relevant transfer document(s) and share certificate(s) with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 17 September 2014 for registration.
- (vii) In compliance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), voting on the resolutions proposed in the Notice shall be decided by way of a poll at the EGM.
- (viii) If a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm is in effect at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the respective websites of the Company at “www.sunnyoptical.com” and the Stock Exchange at “www.hkexnews.hk” to notify Shareholders of the date, time and place of the rescheduled EGM.  
  
If a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning signal is lowered or canceled at or before 8:00 a.m. on the date of the EGM and where conditions permit, the EGM will be held as scheduled. The EGM will also be held as scheduled when an amber or red rainstorm warning signal is in force.  
  
Shareholders should decide whether or not they would attend the EGM under any bad weather condition having considered their own situations and if they do so, they are advised to exercise care and caution.
- (ix) Shareholders are advised to read the circular of the Company dated 31 August 2014 which contains information concerning the resolutions to be proposed in the EGM.

*As at the date of this circular, the Board comprises of Mr. Ye Liaoning, Mr. Sun Yang and Mr. Wang Wenjie, who are executive Directors, and Mr. Wang Wenjian, who is non-executive Director, and Dr. Liu Xu, Mr. Zhang Yuqing and Mr. Chu Peng Fei Richard, who are independent non-executive Directors.*