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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)

CONTINUING CONNECTED TRANSACTIONS

The Board would like to announce that on 25 July 2008, Hengping, a non wholly-owned subsidiary of the Company entered into the Distribution Agreement with Shuangquan, pursuant to which Shuangquan was appointed by Hengping as its non-exclusive distributor of the Products in the PRC for a term of three years commencing from 1 January 2008 to 31 December 2010.

In accordance with Rule 14.07 of the Listing Rules, the relevant percentage ratios (other than the profit ratio) calculated with reference to the annual caps for the purchases by Shuangquan from Heng Ping for each of the three years ending 31 December 2010 will be (i) less than 2.5%; or (ii) equal to or more than 2.5% but less than 25% and is less than HK\$10,000,000, the continuing connected transactions contemplated under the Distribution Agreement will be subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but will be exempted from independent shareholders' approval requirements under Chapter 14A the Listing Rules.

DISTRIBUTION AGREEMENT

The Board would like to announce that on 25 July 2008, Hengping, a non wholly-owned subsidiary of the Company entered into the Distribution Agreement with Shuangquan, pursuant to which Shuangquan was appointed by Hengping as its non-exclusive distributor of the Products in the PRC for a term of three years commencing from 1 January 2008 to 31 December 2010.

The Directors (including independent non-executive Directors) considers that the appointment of Shuangquan as a distributor of the Products under the Distribution Agreement is in the ordinary and usual course of business of Hengping and the terms of the Distribution Agreement, which are in substantially the same terms with other independent distributors of Hengping, were negotiated on arm's length basis between the parties thereto with reference to the distribution agreements entered into between Hengping and other independent distributors.

The Group is principally engaged in the businesses of design, research, development, manufacturing and sale of optical and optical-related products and scientific instruments.

Shuangquan is principally engaged in the distribution and selling of scientific instruments.

CONTINUING CONNECTED TRANSACTIONS

As Mr. Du is a substantial shareholder of Hengping, a non wholly-owned subsidiary of the Company and Shuangquan is entirely owned by Ms. Chen, the spouse of Mr. Du, Shuangquan is a connected person of the Company and the transactions contemplated under the Distribution Agreement, which are continuing or recurring in nature, constitute continuing connected transactions of the Company under the Listing Rules.

During the period from 1 September 2007, being the date on which the Company became an equity owner of Hengping, to 31 December 2007, the aggregate purchases by Shuangquan from Hengping amounted to approximately RMB495,000. Such amount fell below the de minimis threshold under Rule 14A.33(3) of the Listing Rules where each of the percentage ratios (other than the profits ratio) was on an annual basis less than 0.1% and was therefore exempted from the reporting, announcement and independent shareholders' approval requirement under the Listing Rules.

The Directors are of the view that the Distribution Agreement and, after the Company became an equity owner of Hengping, the historical purchases have been conducted on normal commercial terms and such transactions were made in accordance with the requirements under Chapter 14A of the Listing Rules.

For the six months ended 30 June 2008, the aggregate purchases by Shuangquan from Hengping amounted to approximately RMB837,000.

Based on the sales forecast provided by Shuangquan and the current production plan of Hengping, the Directors currently anticipate that the annual purchases by Shuangquan from Hengping will not exceed a cap of RMB2,500,000 (equivalent to approximately HK\$2,853,000) for each of the three years ending 31 December 2010. In determining the annual cap, the Company considered the amount of historical purchases with Shuangquan and the potential business development with this distributor in the future.

In accordance with Rule 14.07 of the Listing Rules, the relevant percentage ratios (other than the profit ratio) calculated with reference to the annual caps for the purchases by Shuangquan from Hengping for each of the three years ending 31 December 2010 will be (i) less than 2.5%; or (ii) equal to or more than 2.5% but less than 25% and is less than HK\$10,000,000, therefore, the continuing connected transactions contemplated under the Distribution Agreement will be subject to reporting and announcement requirements of Rules 14A.45 to 14A.47 of the Listing Rules but will be exempted from independent shareholders' approval requirements under Chapter 14A the Listing Rules.

REASONS FOR ENTERING INTO THE DISTRIBUTION AGREEMENT

Shuangquan is principally engaged in the distribution and selling of scientific instruments and possesses a well-established distribution network and capabilities. The Directors consider that the appointment of Shuangquan as a distributor of the Products is a good opportunity for the Group to take advantage of their valuable resources, thereby enhancing the Group's turnover, profitability and market presence in the PRC.

The Directors consider that the terms of the Distribution Agreement are fair and reasonable and in the interest of the Group and the shareholders of the Company as a whole.

DEFINITIONS

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

“associate(s)”	having the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sunny Optical Technology (Group) Company Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Distribution Agreement”	the distribution agreement dated 25 July 2008 entered into between Hengping as principal and Shuangquan as distributor in relation to the distribution of the Products in the PRC
“Group”	the Company and its subsidiaries
“Hengping”	上海舜宇恆平科學儀器有限公司 (Shanghai Sunny Hengping Scientific Instrument Company Limited), a company established in the PRC with limited liability whose equity interest is owned as to 64.29% by the Company, 16.07% by Mr. Du and 19.64% by other independent third parties (save for their respective interests in Hengping)
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Du”	Mr. Du Guorong, a substantial shareholder of Hengping and owns 16.07% equity interest therein
“Ms. Chen”	Ms. Chen Wei, the spouse of Mr. Du and the owner of the entire equity interest in Shuangquan
“PRC”	the People’s Republic of China
“Products”	surveying instruments and analytical instruments
“RMB”	Renminbi, the lawful currency of PRC
“Shuangquan”	上海雙圈科學儀器有限公司 (Shanghai Shuangquan Scientific Instruments Company Limited), a company established in the PRC with limited liability whose entire equity interest is owned by Ms. Chen
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	having the meaning ascribed to it under the Listing Rules
“%”	per cent.

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

People’s Republic of China, 30 July 2008

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