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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 announces that the Group has entered into the following agreements which constitute continuing connected transactions of the Company:

1. on 8 October 2008, Hengping, an indirect non wholly-owned subsidiary of the Company as the tenant, entered into the Tenancy Agreement No. 1 with Sunny Group as the landlord in respect of the lease of the Premises No. 1 for a term of 1 year and 3 months commencing from 1 October 2008 to 31 December 2009;
2. on 8 October 2008, Sunny Instruments and Sunny Opotech, both being indirect wholly-owned subsidiaries of the Company as the tenants, entered into the Tenancy Agreement No. 2 with Sunny Group as the landlord in respect of the lease of the Premises No. 2 for a term of 1 year and 3 months commencing from 1 October 2008 to 31 December 2009; and
3. on 8 October 2008, Sunny Infrared, Sunny Optics, Sunny Instruments and Sunny Opotech (all being indirect wholly-owned subsidiaries of the Company except Sunny Infrared, which is an indirect non wholly-owned subsidiary of the Company) as the joint tenants, entered into the Tenancy Agreement No. 3 with Sunny Group as the landlord in respect of the lease of the Premises No. 3 for a term of 1 year and 3 months commencing from 1 October 2008 to 31 December 2009.

Mr. Wang is the chairman and executive Director of the Company, he is also a deemed Substantial Shareholder under the SFO. Mr. Wang is therefore a connected person of the Company. In addition, Mr. Wang is able to control more than 30% of the equity interests in Sunny Group. Therefore, Sunny Group is the associate of a connected person of the Company and any transactions between the Group and Sunny Group shall constitute connected transactions under the Listing Rules.

As disclosed in the November Announcement, the Group as the tenant and Sunny Group as the landlord had also entered into the Previous Tenancy Agreements with respect to certain properties previously.

Since the relevant percentage ratios (other than the profit ratio) calculated with reference to the Revised Annual Cap will be less than 2.5%, therefore, the continuing connected transactions contemplated under the Tenancy Agreements 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 of the Listing Rules.

DETAILS OF THE TENANCY AGREEMENTS

The Board announces that the Group has entered into the following agreements which constitute continuing connected transactions of the Company:

Tenancy Agreement No. 1

Date : 8 October 2008
Landlord : Sunny Group
Tenant : Hengping
Address of Premises : Block 8, No. 1001, North Qin Zhou Road, Shanghai Municipality, PRC
(中國上海市欽州北路1001號8幢)
Area : 2,376.68 m²
Term : 1 year and 3 months commencing from 1 October 2008 until
31 December 2009
Rent : Monthly rent of RMB63 per m² (total annual rent of RMB1,796,770.08)
Payment Terms : Payable in arrears at the end of each calendar month during the term

Tenancy Agreement No. 2

Date : 8 October 2008
Landlord : Sunny Group
Tenant : Sunny Instruments and Sunny Opotech
Address of Premises : Room No. 702 on 1st Floor of Block 18, Haidian Suzhou Street,
Haidian District, Beijing Municipality, PRC
(中國北京市海澱區海澱蘇州街18號院1樓702室)
Area : 202.37 m²
Term : 1 year and 3 months commencing from 1 October 2008 until
31 December 2009
Rent : Monthly rent of RMB60 per m² (total annual rent of RMB145,706.40)
Payment Terms : Payable in arrears at the end of each calendar month during the term

Tenancy Agreement No. 3

Date	:	8 October 2008
Land	:	Sunny Group
Tenant	:	Sunny Infrared, Sunny Optics, Sunny Instruments and Sunny Opotech
Premises	:	113 car-parking spaces situated at Nos. 66–68, Shun Yu Road, Yu Yao City, Zhejiang Province, PRC (中國浙江省餘姚市舜宇路66–68號)
Term	:	1 year and 3 months commencing from 1 October 2008 until 31 December 2009
Rent	:	Monthly rent of RMB60 for each car-parking space (total annual rent of RMB81,360)
Payment Terms	:	Payable in arrears at the end of each calendar month during the term

According to the above, the aggregate annual rent for Tenancy Agreement No. 1, Tenancy Agreement No. 2 and Tenancy Agreement No. 3 will be RMB2,023,836.48.

CONTINUING CONNECTED TRANSACTIONS

Mr. Wang is the chairman and executive Director of the Company, he is also a deemed Substantial Shareholder under the SFO. Mr. Wang is therefore a connected person of the Company under the Listing Rules. In addition, Mr. Wang is able to control more than 30% of the equity interests in Sunny Group. Therefore, Sunny Group is the associate of a connected person of the Company and any transactions between the Group and Sunny Group shall constitute connected transactions under the Listing Rules.

As a result, the Tenancy Agreements entered into between the Group and Sunny Group shall constitute connected transactions under the Listing Rules. The Tenancy Agreements, being continuing or recurring in nature, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

ANNUAL CAP

Previous Annual Cap

As disclosed in the November Announcement, the Group as the tenant and Sunny Group as the landlord had previously entered into the Previous Tenancy Agreements with respect to certain properties, particulars of which were set out in the November Announcement. The aggregate annual cap payable by the Group to Sunny Group under the Previous Tenancy Agreements disclosed in the November Announcement was amounted to RMB2,500,000 for each of the financial years ending 31 December 2008 and 31 December 2009.

Proposed New Annual Cap

Given the subject matters and parties involved in the Tenancy Agreements are similar to those in the Previous Tenancy Agreements, the Board considers that it is appropriate to aggregate the rents payable under the Previous Tenancy Agreements and the Tenancy Agreements for purpose of calculating the annual cap of the continuing connected transactions.

Based on the aggregate annual rent for the Tenancy Agreements, the annual cap for the aggregate annual rent payable under the Previous Tenancy Agreements and the Tenancy Agreements (the “**Revised Annual Cap**”) is expected to increase from RMB2,500,000 to RMB4,600,000, calculations of which are set out as follows:

	For the year ending 31 December	
	2008	2009
	<i>(RMB)</i>	
Rent payable under Tenancy Agreement No. 1	449,192.52	1,796,770.08
	(3 months from 1 October 2008 to 31 December 2008)	
Rent payable under Tenancy Agreement No. 2	36,426.60	145,706.40
	(3 months from 1 October 2008 to 31 December 2008)	
Rent payable under Tenancy Agreement No. 3	20,340.00	81,360.00
	(3 months from 1 October 2008 to <u>31 December 2008</u>)	
Sub-total	505,959.12	2,023,836.48
Annual caps under the Previous Tenancy Agreements	<u>2,500,000.00</u>	<u>2,500,000.00</u>
Total	<u><u>3,005,959.12</u></u>	<u><u>4,523,836.48</u></u>
Revised Annual Cap	3,100,000.00	4,600,000.00

The relevant percentage ratios (other than the profit ratio) calculated with reference to the Revised Annual Cap will be less than 2.5%, therefore, the continuing connected transactions contemplated under the Tenancy Agreements 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 of the Listing Rules.

REASONS FOR ENTERING INTO THE TENANCY AGREEMENTS

To cater for the growth of the business of the Group, the Board considers appropriate to develop the Group's operations in Shanghai and Beijing, being two of the relatively developed cities in the PRC with adequate talented workforce. The Group therefore entered into Tenancy Agreement No. 1 and Tenancy Agreement No. 2.

Further, that additional staff members have joined the Group as a result of the growth of the business of the Group, thereby increases the need of car parking spaces. In view of the proximity of Premises No. 3 with the offices of the Group in Yu Yao City, the Group entered into the Tenancy Agreement No. 3 with Sunny Group.

The negotiation of the terms of the Tenancy Agreements was conducted on an arm's length basis and the rentals of all the Premises were determined by reference to the open market rent of properties of comparable size and location. The Board (including independent non-executive Directors) which composition is set out at the end of this announcement, considers that the Tenancy Agreements were entered into in the ordinary and usual course of business of the Group, and terms as contained therein, are on normal commercial terms, fair and reasonable, and in the interests of the Group, the Company and its shareholders as a whole. Mr. Wang had abstained from voting on the relevant resolutions for approving the Tenancy Agreements.

GENERAL INFORMATION

The Group is principally engaged in the businesses of design, research, development, manufacturing and sale of optical and optical-related products and scientific instruments. Sunny Group is principally engaged in the activities of investment holding and property leasing.

DEFINITIONS

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

“associate(s)”	shall have 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)”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“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 and 35.71% by 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. Wang”	Mr. Wang Wenjian (王文鑾先生), the chairman and an executive director of the Company
“November Announcement”	an announcement dated 22 November 2007 made by the Company in respect of certain continuing connected transactions, including certain properties leased by the Group as the tenant and Sunny Group as the landlord
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of PRC and Taiwan)
“Premises”	Premises No. 1, Premises No .2 and Premises No. 3
“Premises No. 1”	Block 8, No. 1001, North Qin Zhou Road, Shanghai Municipality, PRC (中國上海市欽州北路1001號8幢)
“Premises No. 2”	Room No. 702 on 1st Floor of Block 18, Haidian Suzhou Street, Haidian District, Beijing Municipality, PRC (中國北京市海澱區海澱蘇州街18號院1樓702室)
“Premises No. 3”	113 car-parking spaces situated at Nos 66–68, Shun Yu Road, Yu Yao City, Zhejiang Province, PRC (中國浙江省餘姚市舜宇路66–68號)
“Previous Tenancy Agreements”	the Facilities Tenancy Agreements and Dormitory Tenancy Agreements as defined in the November Announcement, all with terms ending on 31 December 2009

“Revised Annual Cap”	shall have the meaning ascribed thereto in this announcement
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or other modified from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	substantial shareholder of the Company, which shall have the meaning ascribed to it under the Listing Rules
“Sunny Group”	舜宇集團有限公司 (SUNNY GROUP LIMITED), a limited liability company established in the PRC and a connected person of the Company
“Sunny Infrared”	寧波舜宇紅外技術有限公司 (NINGBO SUNNY INFRARED TECHNOLOGIES COMPANY LTD.), a limited liability company established in the PRC, an indirect non wholly-owned subsidiary of the Company, which is owned as to 95% by Sunny Optics and 5% by independent third party
“Sunny Instruments”	寧波舜宇儀器有限公司 (NINGBO SUNNY INSTRUMENTS CO., LTD.), a jointly foreign owned enterprise established in the PRC, an indirect wholly-owned subsidiary of the Company
“Sunny Opotech”	寧波舜宇光電信息有限公司 (NINGBO SUNNY OPOTECH CO., LTD.), a sino-foreign joint venture enterprise, an indirect wholly-owned subsidiary of the Company
“Sunny Optics”	浙江舜宇光學有限公司 (ZHE JIANG SUNNY OPTICS CO., LTD.), a jointly foreign owned enterprise established in the PRC, an indirect wholly-owned subsidiary of the Company
“Tenancy Agreement No. 1”	the tenancy agreement entered into between Sunny Group as the landlord and Hengping as the tenant in respect of the Premises No. 1 on 8 October 2008
“Tenancy Agreement No. 2”	the tenancy agreement entered into between Sunny Group as the landlord and Sunny Instruments and Sunny Opotech as the joint tenants in respect of the Premises No. 2 on 8 October 2008
“Tenancy Agreement No. 3”	the tenancy agreement entered into between Sunny Group on one part as the landlord, and Sunny Infrared, Sunny Optics, Sunny Instruments and Sunny Opotech on the other part as the joint tenants in respect of the Premises No. 3 on 8 October 2008

“Tenancy Agreements”	Tenancy Agreement No. 1, Tenancy Agreement No. 2 and Tenancy Agreement No. 3
“%”	per cent.
“m ² ”	square meters

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

PRC, 9 October 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.