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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)

CONNECTED TRANSACTION

LIMITED PARTNERSHIP AGREEMENT FOR THE ESTABLISHMENT OF AN INVESTMENT FUND

The Board is pleased to announce that on 6 January 2017, Ningbo Sunxin, Sunny Optics, Yidao Investment and the Other Investors entered into the Limited Partnership Agreement pursuant to which the parties agreed to jointly initiate the establishment of the V-Fund. The V-Fund will be established as a limited partnership with an expected initial fund size of RMB290 million. The V-Fund is positioned to invest in companies from optoelectronics, artificial intelligence, advanced manufacturing, industrial intelligence and other relevant industries.

Mr. Ye, Mr. Sun and Mr. Wang are executive Directors and Mr. W. Wang is a non-executive Director. Each of the Interested Directors is also a substantial shareholder of the Company. As Yidao Investment is owned in aggregate as to 27.6% by the Interested Directors and as to 72.4% by the senior management of the Group, Yidao Investment is a connected person of the Company by virtue of being an associate of the Interested Directors. Accordingly, the transaction contemplated under the Limited Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

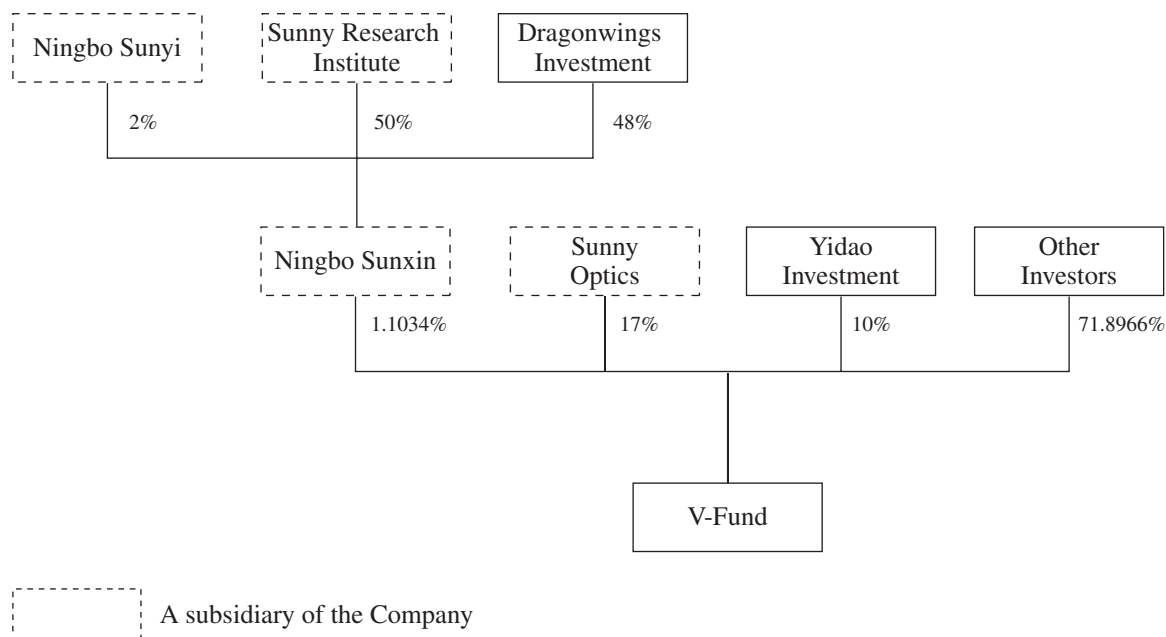
To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than disclosed in this announcement, the parties to the Limited Partnership Agreement and the ultimate beneficial owner of the parties are third parties independent of the Company and its connected persons.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction are more than 0.1% but less than 5%, the entering of the Limited Partnership Agreement is subject to, among others, the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent shareholders' approval requirement.

As completion of the Limited Partnership Agreement is subject to the fulfillment of the condition precedent and there are certain risks associating with the investment activities of the V-Fund, shareholders and potential investors of the Company should exercise caution in dealing in the Shares.

I. BASIC INFORMATION OF THE V-FUND

The Board is pleased to announce that on 6 January 2017, Ningbo Sunxin, Sunny Optics, Yidao Investment and the Other Investors entered into the Limited Partnership Agreement pursuant to which the parties agreed to jointly initiate the establishment of the V-Fund with structure as follows:



Fund size: The total aggregate initial capital commitments to the V-Fund shall be RMB290 million.

Pursuant to the Limited Partnership Agreement, within 12 months upon from the date of the Limited Partnership Agreement, the General Partner may accept subsequent investments from new investors as limited partners of the V-Fund. The total aggregate capital commitments to the V-Fund after such subsequent investments, if any, shall not exceed RMB400 million.

Investors: Ningbo Sunxin agreed to contribute capital in the amount of RMB3,200,000 and upon such capital contribution, the V-Fund shall be owned as to 1.1034% by Ningbo Sunxin;

Sunny Optics agreed to contribute capital in the amount of RMB49,300,000 and upon such capital contribution, the V-Fund shall be owned as to 17% by Sunny Optics;

Yidao Investment agreed to contribute capital in the amount of RMB29,000,000 and upon such capital contribution, the V-Fund shall be owned as to 10% by Yidao Investment; and

Other Investors agreed to contribute capital in the amount of RMB208,500,000 and upon such capital contribution, the V-Fund shall be owned as to 71.8966% by the Other Investors.

General Partner and Executive Partner of the V-Fund:	Ningbo Sunxin.
Limited Partners of the V-Fund:	Sunny Optics, Yidao Investment and the Other Investors.
Term of the V-fund:	The term of the V-Fund is seven years, including three years of investment period and four years of exit period. The term of the V-Fund may be extended for two years according to the circumstances.
Subject matter:	<ul style="list-style-type: none"> (i) Positioning of the V-Fund: The V-Fund is positioned to invest in companies from optoelectronics, artificial intelligence, advanced manufacturing, industrial intelligence and other relevant industries; (ii) Investment targets: It is expected that investment targets of the V-fund will encompass projects in their early and mature stage in the PRC and overseas; (iii) Investment committee: The investment committee will consist of four members. The investment committee will make decisions on the entry, exit and settlement of investment. All decisions of the investment committee will require unanimity. The composition and mechanism of the investment committee will be reviewed and adjusted from time to time according to the circumstances.

II. BASIC INFORMATION OF THE PARTIES

1. Ningbo Mei Shan Bao Shui Gang Qu Sunxin Investment Partnership (Limited Partnership) (寧波梅山保稅港區舜鑫投資管理合夥企業(有限合夥)) (“Ningbo Sunxin”, the “General Partner” or the “Executive Partner”)

Ningbo Sunxin is a limited partnership established pursuant to a fund partnership management agreement entered into among Ningbo Sunyi, as a general partner, Sunny Research Institute and Dragonwings Investment, both as limited partners, on 24 October 2016 for the purpose of the establishment of the V-Fund.

2. Zhejiang Sunny Optics Co., Ltd. (浙江舜宇光學有限公司) (“Sunny Optics”)

Sunny Optics is a limited liability company established under the laws of the PRC, an indirect wholly owned subsidiary of the Company. It is principally engaged in manufacture and sales of optical components.

3. Ningbo Mei Shan Bao Shui Gang Qu Yidao Investment Partnership (Limited Partnership) (寧波梅山保稅港區以道投資管理合夥企業(有限合夥)) (“Yidao Investment”)

Yidao Investment is a limited partnership established in the PRC. All of the holders of the equity interest in Yidao Investment, including the Interested Directors, are the senior management of the Group, which is owned as to in aggregate 27.6% by the Interested Directors. Yidao Investment is principally engaged in investment holdings.

4. The other investors of the V-Fund (“Other Investors”)

There are 19 other investors to the V-Fund. To the best of the Director’s knowledge, information, belief and having made all reasonable enquiries, the Other Investors and their ultimate beneficial owners are independent third parties.

III. MAJOR TERMS OF THE LIMITED PARTNERSHIP AGREEMENT

1. Condition precedent

Completion is conditional upon obtaining business license from the State Administration for Industry and Commerce of the PRC by the V-Fund.

If the condition above is not satisfied by 31 December 2017 or such later date as the parties to the Limited Partnership Agreement may agree in writing, then the Limited Partnership Agreement shall lapse, and the obligations of the parties to the agreement shall cease and neither party shall have any claim against the other save for any antecedent breaches thereto.

2. Consideration

A capital commitment of RMB3,200,000, RMB49,300,000, RMB29,000,000 and RMB208,500,000 by Ningbo Sunxin, Sunny Optics, Yidao Investment and the Other Investors, respectively, which will be paid from their internal resources.

Upon the opening of the investment and settlement account according to the applicable regulatory requirements by the General Partner, capital contribution of each party under the Limited Partnership Agreement will be payable at the time specified by the General Partner in the capital contribution notice issued by the General Partner to each party in due course.

The capital commitment to the V-Fund was determined after arm’s length negotiation among all the partners with reference to the capital requirement of the V-Fund.

3. Completion

Completion is expected to take place simultaneously when the condition precedent has been fulfilled which shall be fulfilled by no later than 31 December 2017 or such later date as the parties to the Limited Partnership Agreement may agree in writing.

REASONS FOR AND BENEFITS OF THE PROPOSED INVESTMENTS

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

The V-Fund aims to make systematic investments in the optoelectronics, artificial intelligence, advanced manufacturing, industrial intelligence and other relevant areas. By consolidating resources from different investment projects, it is expected that the V-Fund will generate synergies with the core businesses of the Group and realise investment value. The Board believes that the participation in the V-Fund represents an investment opportunity taking into account the existing business outlook of the optoelectronics, artificial intelligence, advanced manufacturing, industrial intelligence and other relevant industries.

In light of the benefits above, the Board (representing the independent non-executive Directors and excluding the Interested Directors who have abstained from voting) believes that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and in the interests of Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Ye, Mr. Sun and Mr. Wang are executive Directors and Mr. W. Wang is a non-executive Director. Each of the Interested Directors is also a substantial shareholder of the Company.

As Yidao Investment is owned in aggregate as to 27.6% by the Interested Directors and as to 72.4% by the senior management of the Group, Yidao Investment is a connected person of the Company by virtue of being an associate of the Interested Directors. Accordingly, the transaction contemplated under the Limited Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction are more than 0.1% but less than 5%, the entering of the Limited Partnership Agreement is subject to, among others, the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent shareholders' approval requirement.

GENERAL

As completion of the Limited Partnership Agreement is subject to the fulfillment of the condition precedent and there are certain risks associating with the investment activities of the V-Fund, shareholders and potential investors of the Company should exercise caution in dealing in the Shares.

DEFINITIONS

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules;
“Board”	the board of the Directors;
“Business Day(s)”	a day (other than Saturdays, 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;
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules from time to time;
“Director(s)”	the director(s) (including the independent non-executive directors) of the Company from time to time;
“Group”	the Company and its subsidiaries, from time to time;
“Interested Directors”	Mr. Ye, Mr. Sun, Mr. Wang and Mr. W. Wang;
“Dragonwings Investment”	寧波梅山保稅港區龍翌科富投資管理合夥企業 (有限合夥) (Ningbo Mei Shan Bao Shui Gang Qu Dragonwings Kefu Investment Partnership (Limited Partnership)), a limited partnership established in the PRC, an independent third party;
“Limited Partnership Agreement”	a limited partnership agreement entered into between Ningbo Sunxin, Sunny Optics, Yidao Investment and the Other Investors in connection with the establishment of the V-Fund dated 6 January 2017;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“Mr. W. Wang”	Mr. Wang Wenjian, a non-executive Director;
“Mr. Wang”	Mr. Wang Wenjie, an executive Director;
“Mr. Ye”	Mr. Ye Liaoning, an executive Director;
“Mr. Sun”	Mr. Sun Yang, an executive Director;
“Ningbo Sunyi”	寧波梅山保稅港區舜翌投資管理有限公司 (Ningbo Mei Shan Bao Shui Gang Qu Sunyi Investment Co., Ltd.), a limited partnership established in the PRC which is an indirect non-wholly owned subsidiary of the Company;
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the issued Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sunny Research Institute”	舜宇光學(浙江)研究院有限公司 (Sunny Optical (Zhejiang) Research Institute Co., Ltd.), a limited liability company established in the PRC, an indirect wholly owned subsidiary of the Company;
“V-Fund”	餘姚市陽明智行投資中心(有限合夥) (Yuyao Yangming Zhixing Investment (Limited Partnership)), a limited partnership established in the PRC on 6 January 2017; and
“%”	per cent.

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

PRC, 6 January 2017

As at the date of this announcement, the Board comprises Mr. Ye Liaoning, Mr. Sun Yang and Mr. Wang Wenjie, who are executive Directors; Mr. Wang Wenjian who is non-executive Director; and Mr. Zhang Yuqing, Mr. Feng Hua Jun and Mr. Shao Yang Dong, who are independent non-executive Directors.