



Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

Stock Code: 2382

***2009 Annual Results
Corporate Presentation***

March 2010



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Agenda



1 Financial Highlights

2 Review of Operations

3 Outlook and Development Strategies

4 Open Forum



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Financial Highlights

Result Highlights



For the year ended 31 Dec

	2008	2009	Change
<i>(RMB mn)</i>			
Revenue	1,267.1	1,309.6	+3.4%
Gross profit	250.8	274.0	+9.2%
Impairment loss on goodwill	(8.0)	--	N/A
Profit before tax	88.7	99.7	+12.4%
Taxation	(12.1)	(12.8)	+5.4%
Profit attributable to owner	78.4	91.9	+17.3%
Basic earnings per share <i>(RMB cents)</i>	7.84	9.19	+17.3%
Final dividend per share <i>(RMB cents)</i>	2.0	2.0*	--

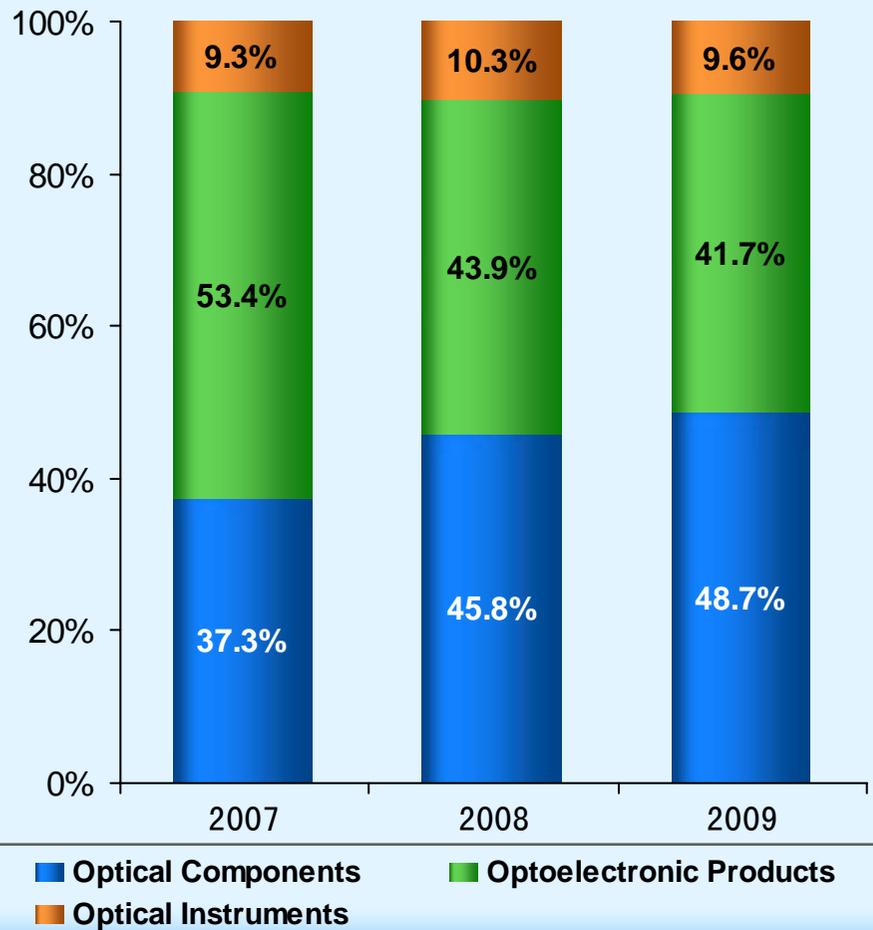
Notes:

■ *Proposed to be 2.0 cents

Turnover Distribution



Business segment sales
as a percentage of total turnover



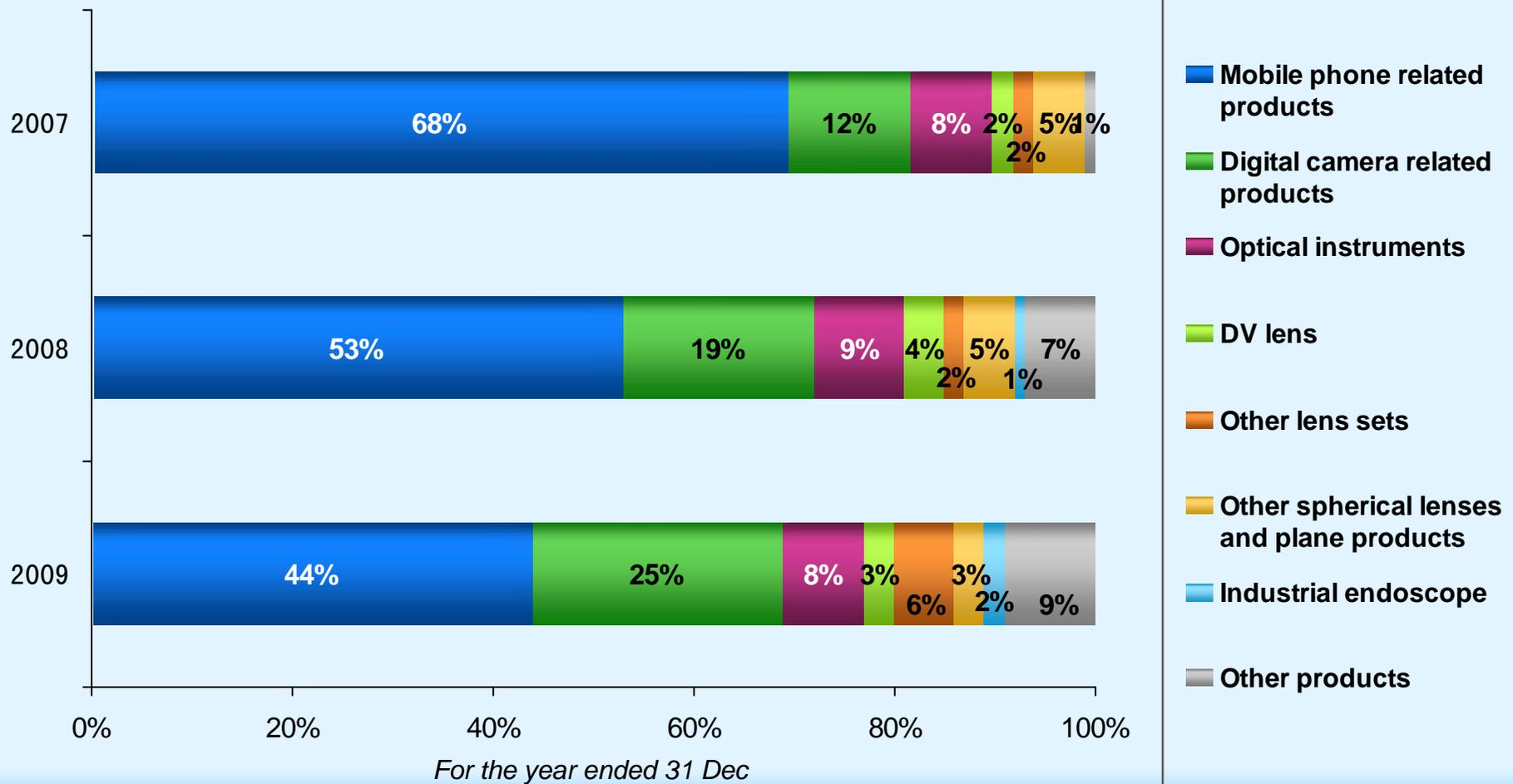
For the year ended 31 Dec

	2007	2008	2009
<i>(RMB mn)</i>			
Optical Components	515.2	580.0	637.3
Optoelectronic products	738.2	557.1	545.7
Optical Instruments	128.5	130.0	126.6
Total Revenue	1,381.9	1,267.1	1,309.6

Widening Product Applications



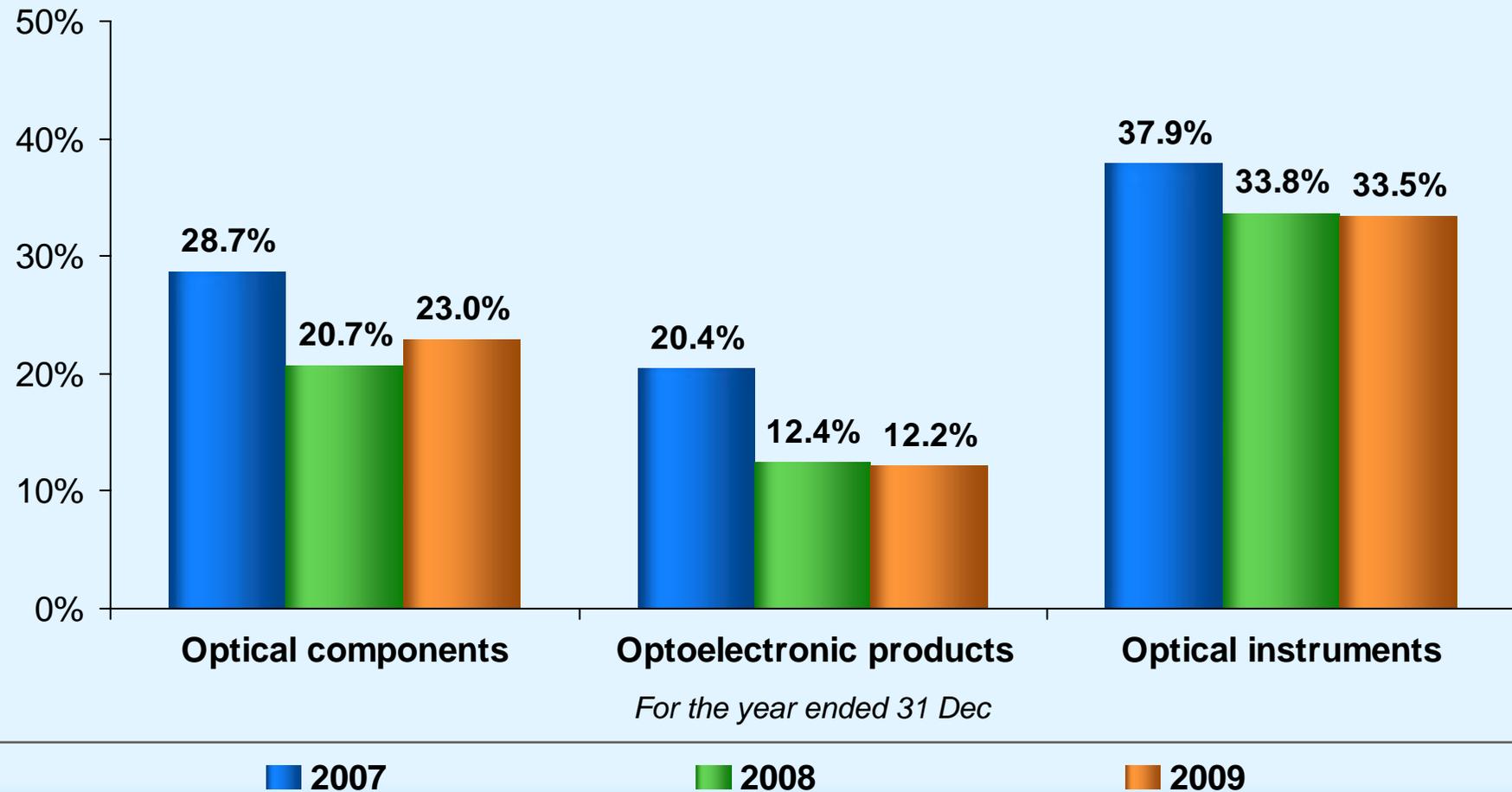
Sales breakdown by product applications



Margin Overview



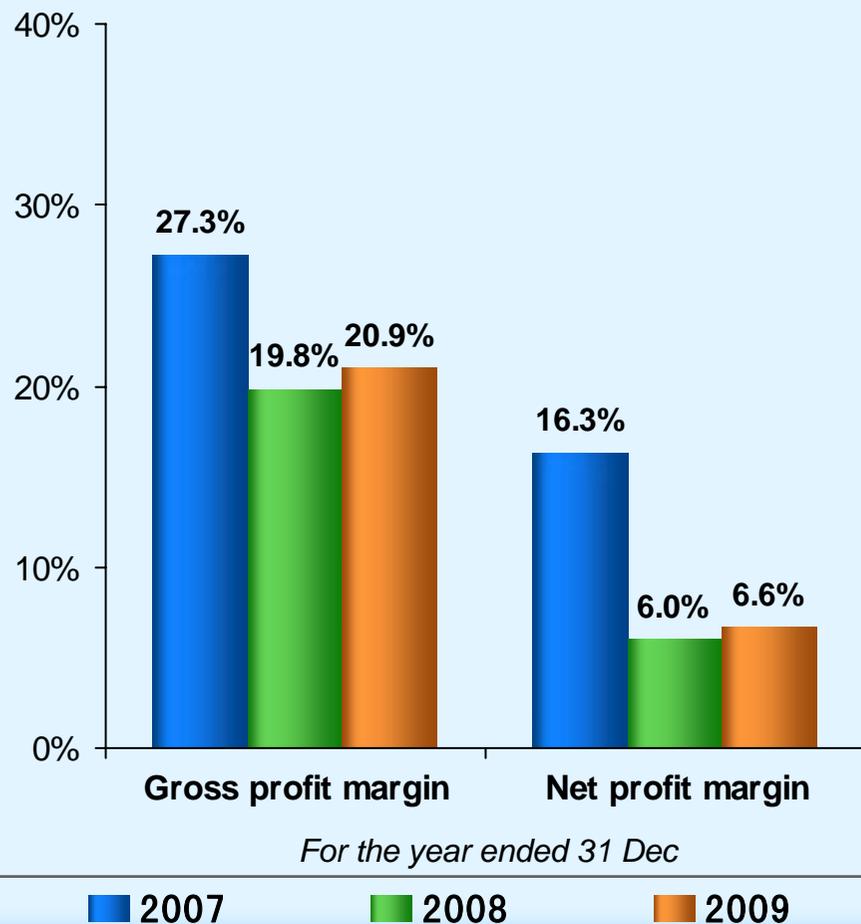
GP Margin by Business Segments



Margin Overview



Gross Profit Margin and Net Profit Margin



Gross profit margin rose due to...

- Improvement in product mix
- the positive efficiency resulted from the persistent promotion of “Lean Production”

Increase in net profit margin mainly due to...

- Higher gross profit
- Decrease in administrative expenses

Operating Expenses Analysis



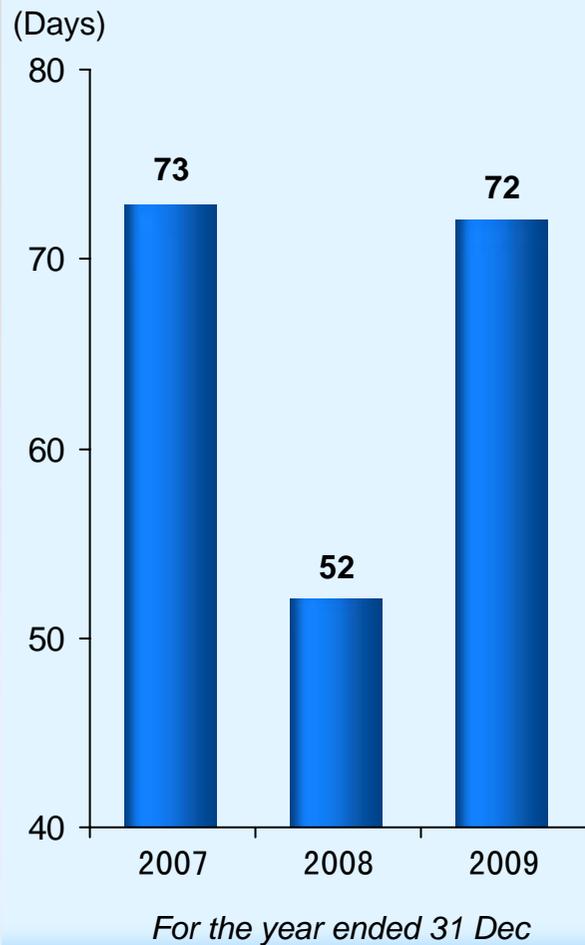
For the year ended 31 Dec

	2007		2008		2009	
	(RMB mn)	(As % of revenue)	(RMB mn)	(As % of revenue)	(RMB mn)	(As % of revenue)
Revenue	1,381.9	100.0%	1,267.1	100.0%	1,309.6	100.0%
Total operating expenses	182.5	13.3%	195.1	15.3%	201.6	15.4%
Selling and distribution expenses	32.9	2.4%	31.0	2.4%	31.9	2.4%
R&D expenses	28.5	2.1%	56.1	4.4%	75.9	5.8%
Administrative expenses	121.1	8.8%	108.0	8.5%	93.8	7.2%

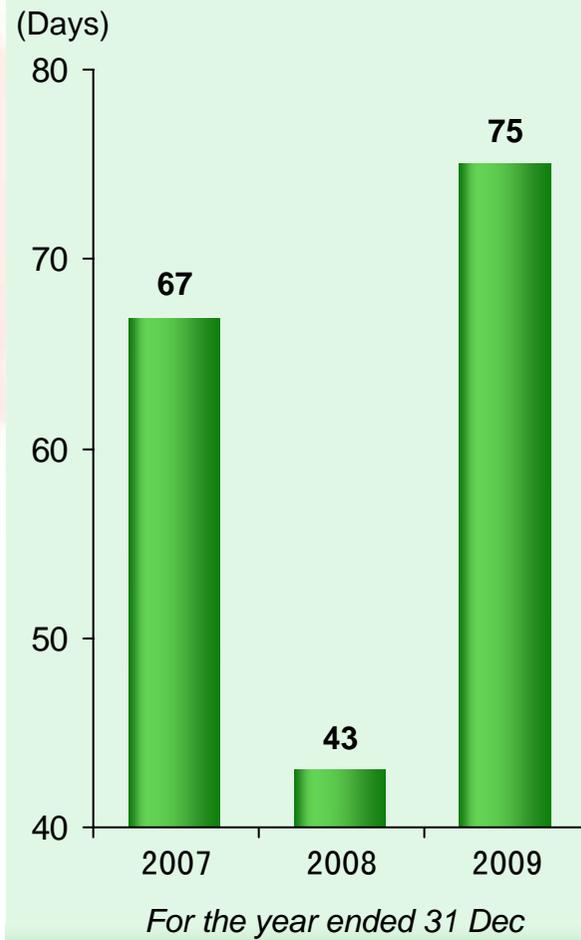
Working Capital Management



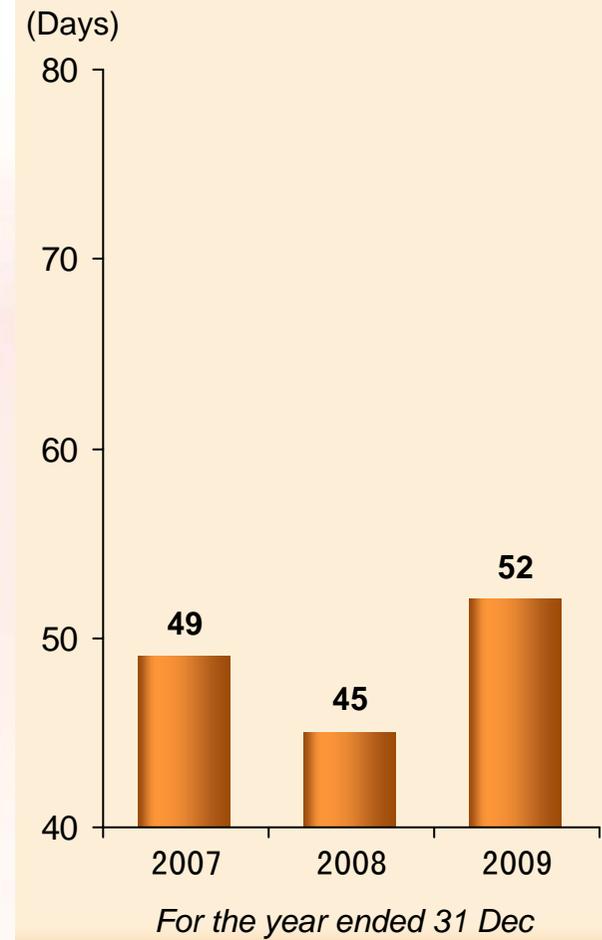
A/R Turnover



A/P Turnover



Inventory Turnover



Solid Financial Position



For the year ended 31 Dec

	2007	2008	2009
Current ratio (<i>times</i>)	4.1	4.9	3.8
Operating cashflow (<i>RMB mn</i>)	160.1	202.7	130.6
Bank balances and cash (<i>RMB mn</i>)	543.7	387.5	740.3
Gearing ratio (%)	N/A	2.2	3.1
ROE (%)	17.4	5.6	6.0
Capital Expenditure (<i>RMB mn</i>)	160.3	150.2	75.7



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Review of Operations



The Global Economy Displayed Signs of Recovery

Handsets Market

- Shipment volume of handset increased slightly, while handset camera modules increased its market penetration
- Smartphones staged favourable growth momentum and China launched on 3G services



DC Market

- Slight increase in the global shipments of digital cameras while growth in demand for DSLR was particularly strong
- Japanese manufacturers began to transfer sourcing strategy to China, which benefited the optical components suppliers in China



Optical Instrument Market

- Expenditure on medical and education by government increased, boosting demand of optical instruments



Business Review

*Grasped the momentum of economic recovery
Business performance rebounded significantly in 2009 2H*



- ❑ Explored new areas of cooperation with key clients, and secured several new clients successfully
- ❑ Upgraded the existing products and explored new applications
- ❑ Further enhanced product mix, laid a solid foundation for improving the Group's gross margin
- ❑ Promoted "Lean Production" effectively, improved production efficiency
- ❑ Set up the fourth production plant in Tianjin, caught the business opportunities around the Bohai Bay region

Explore New Business



Samsung Panasonic
Burgeon Olympus
K-Touch

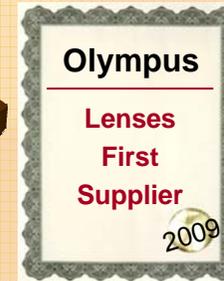
**Top 5
clients**

**Secured
22 reputable
customers**

**Main
supplier
of
famous
manufacturers**

**Explored
new area of
cooperation
with
key clients**

Nikon
Lenovo
Olympus
Panasonic



Leveraging on Technology Advantages



Upgraded the existing products and develop new products successfully, in order to meet different need of clients

1. Commenced the mass production for 2- and 3-mega pixel handset lens sets with auto-focus function
2. Commenced the mass production of aspheric glass lenses coating and prisms for solar energy generation use
3. Commenced R&D of 8-mega pixel 3X Zoom handset lens set
4. Finished the development of 12-mega pixel handset lens set with auto-focus function
5. Accomplished the development of a variety of infrared vehicle lens sets



Optical Instruments



1. Completed the R&D of various middle to high-end optical instruments, including drugs detectors, time-of-flight mass spectrometers, etc
2. Detector for narcotic drugs and psychotropic substances was recognised as an “Excellent New Product of Scientific Instruments for 2008”

Opto-electronic Products



1. Commenced mass production of the 2- and 5-mega pixel handset camera modules with auto-focus function, development of 8-mega pixel handset camera module completed
2. Completed the development of EDOF handset camera module
3. Successfully developed Reflow handset camera module
4. Commenced the mass production with COB technology of high resolution camera module

Production Bases



- ❑ Set up the fourth production plant in Tianjin with the investment of RMB 30 million
- ❑ Power Optics Co., Ltd. In Korea, a subsidiary of the Group, completed the construction of its new building



Production plant in Tianjin



New building of Korea Power Optics Co., Ltd

Capacity and Utilization Rate



	Production Capacity			Utilization Rate		
	2007	2008	2009	2007	2008	2009
Lenses (<i>mn units</i>)	168.0	180.0	185.0	57.1%	70.4%	85.0%
Lens sets (<i>mn units</i>)	144.0	144.0	151.0	66.0%	47.8%	64.9%
Optoelectronic products (<i>mn units</i>)	72.0	72.0	72.0	50.7%	45.7%	43.1%
Optical instruments (<i>'000 sets</i>)	199.2	199.2	199.2	70.8%	62.7%	61.8%

Awards and Recognitions



Dongguan Samsung
Electromechanics
Co., Ltd.
"Best Supplier 2008"



Shanghai LG
Electronics., Ltd.
Appreciation award of
"2008 Best Supplier"



Huawei
"2009 1Q
Supply Support Award"



Ningbo City
"Integrity Enterprise in
Import & Export"



Ningbo Entry-Exit Inspection
and Quarantine Bureau
"100 Integrity Enterprises"



"Ningbo
Top 100
Enterprises"



"Ningbo Top 100
Manufacturing Enterprises"



"60th Anniversary of
the Founding of
The People's Republic of China,
Ningbo Enterprises
with Best Achievements"



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Outlook and Development Strategies

Market Overview



Handset Market

- Keen competition in the PRC low-end handset market
- The opening of 3G market in the PRC further stimulates the demand of 3G handsets
- Smartphone with multi-functions becomes more popular



DC Market

- Strong growth of DSLR
- DC for Prosumer becomes more popular



Optical Instrument Market

- Growth of traditional industrial market slows down
- Market of high-end optical instrument continues to expand
- Increase of input from the PRC in the field of education, medical and environmental protection, etc, drives the demand of optical instruments



Other Related Market

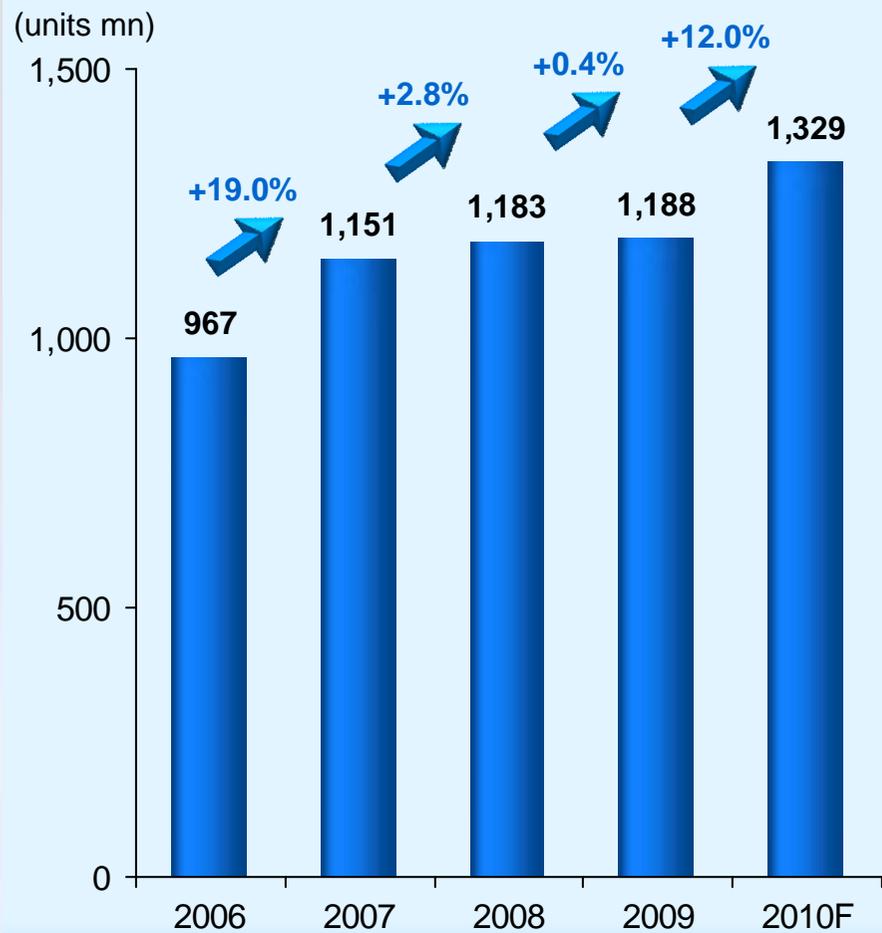
- Market of security surveillance system grows relatively fast
- Vehicle imaging market grows fast
- Infrared technology is being applied wider



Stable Growth of Demand - Handset Market



Global Shipment of Handset (2006 – 2010)



Source: iSuppli

Domestic Shipment of 3G Handsets (2009 – 2014F)

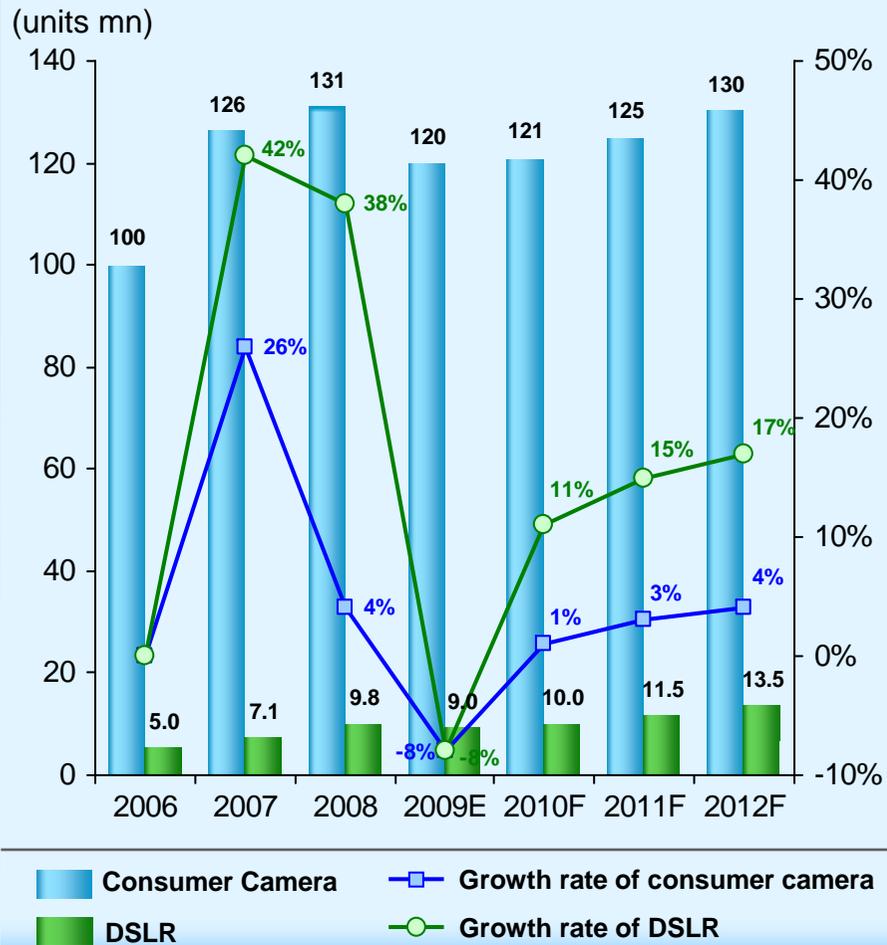


Source: iSuppli

Stable Growth of Demand - DC Market

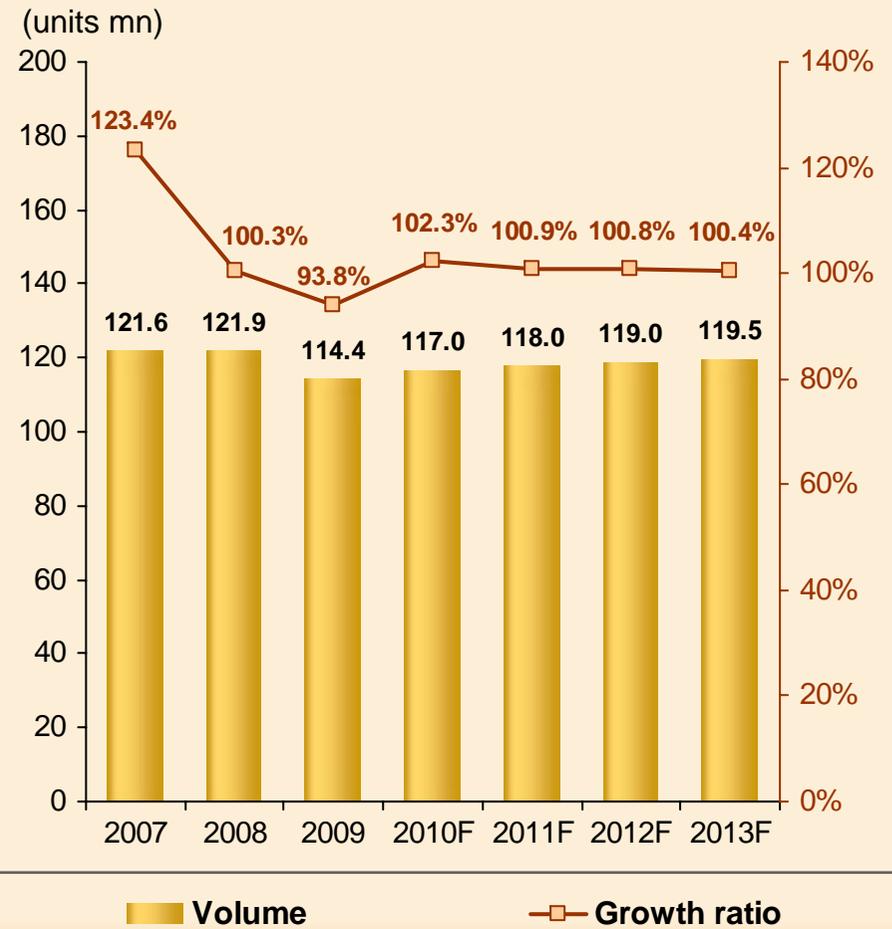


Global Shipment and Growth Rate for DC and DSLR
(2006 – 2012F)



Source: MIC

Global Shipment Volume of DC Lens Modules
(2007 – 2013F)



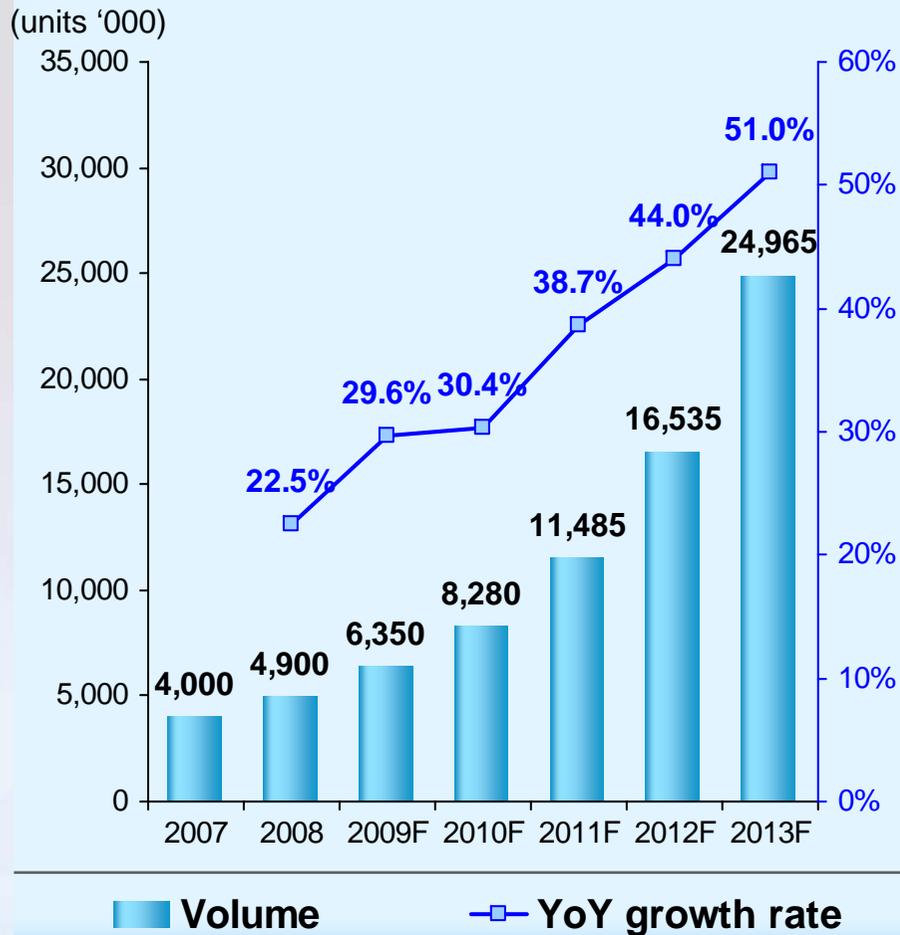
Source: Techno Systems Research Co., Ltd.

Stable Growth of Demand

- Automotive Lens Sets and Security Surveillance Market



Global Market Forecast of Automotive Camera Lens Module



Source: Techno Systems Research

Domestic Market Forecast of Security Surveillance System Market Scale



Source: CCID Consulting

Stable Growth of Demand - Infrared Imaging Equipment Market

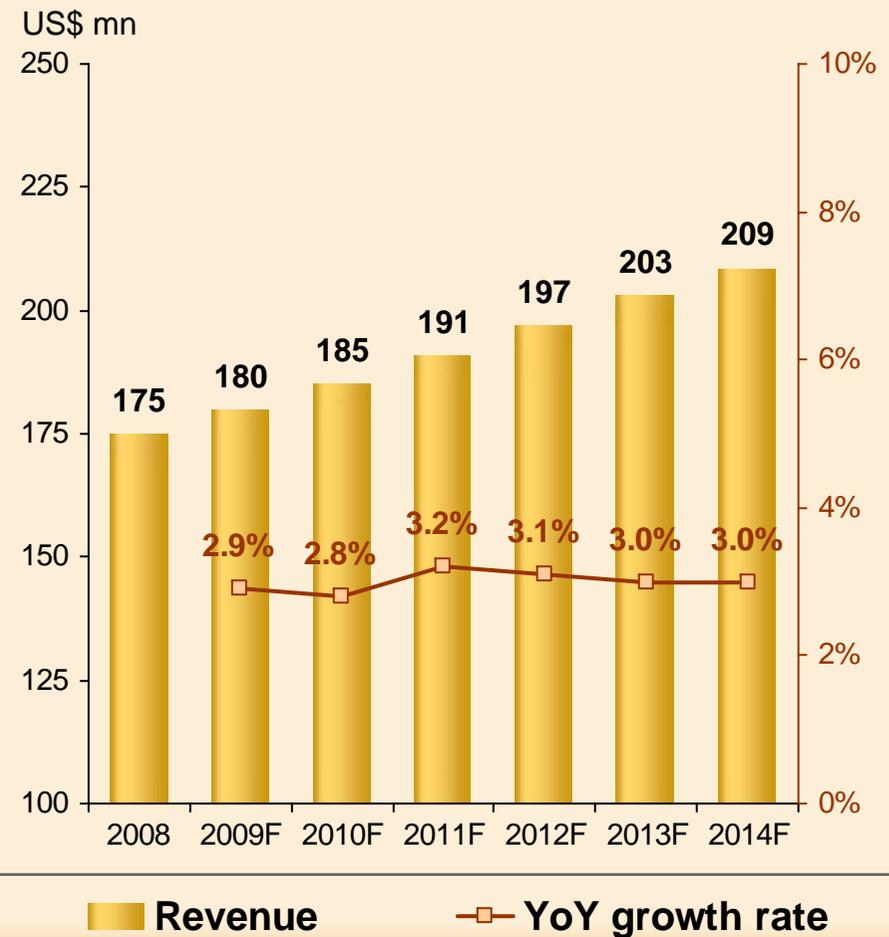


Global Market Forecast in Infrared Imaging Equipment



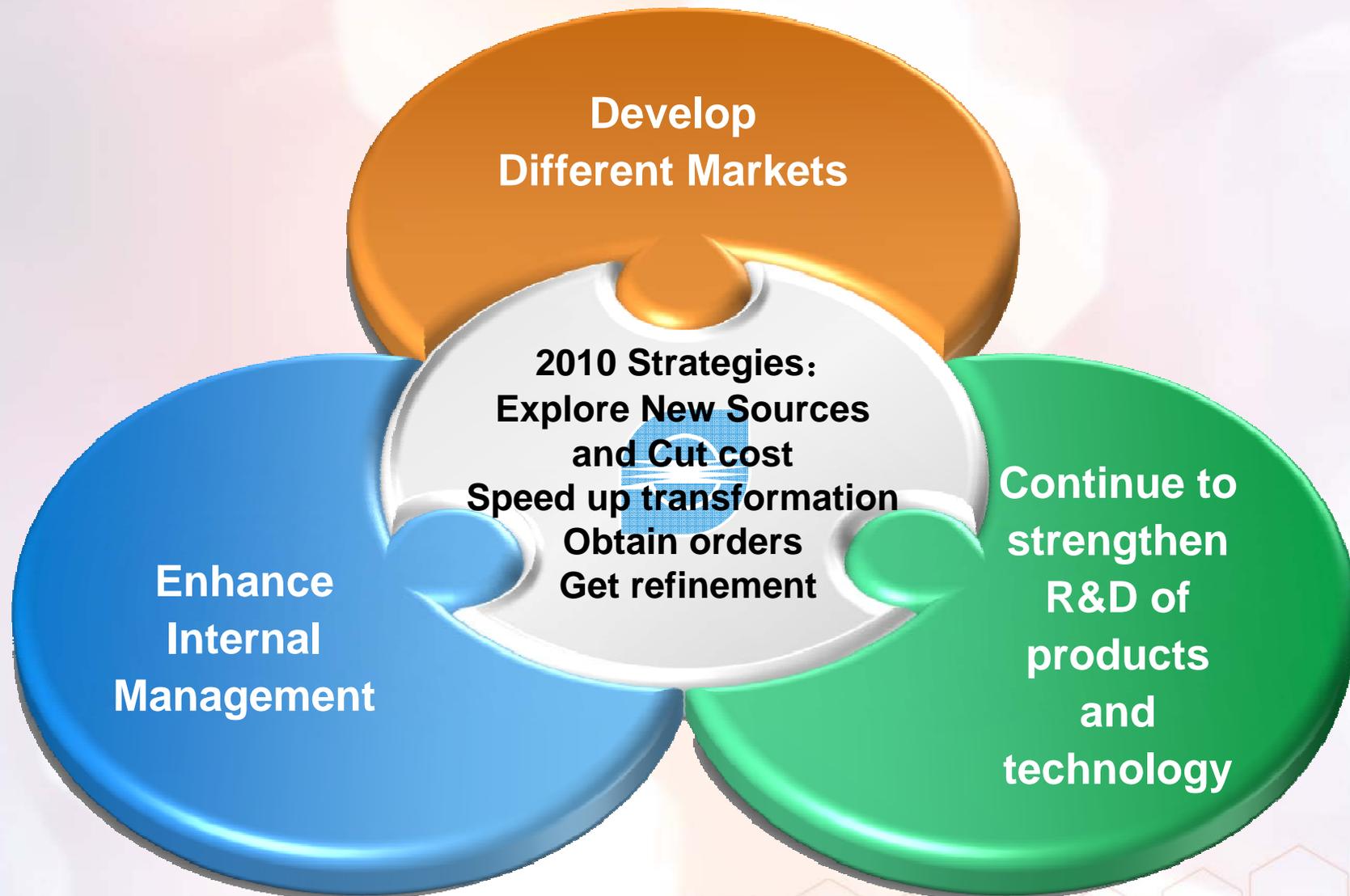
Source: Maxtech International, Inc.

Global Market Forecast in Spot Infrared Imaging Thermometry Equipment



Source: Maxtech International, Inc.

Development Strategies



Development Strategies



Aggressively Develop Overseas Markets

- Strive to provide more products to world-renowned handset manufacturers
- Further strengthen overseas sales channel

Develop Different Markets



Respond to Market Flexibly

- Position DSLR lenses as flagship products among the spherical product line
- Commence mass production of aspheric glass lenses

- Strengthen the cooperation with well-known domestic handset manufacturers
- Focus on promoting high-pixel resolution handset-camera modules and lens sets

Seize the Opportunities Brought by 3G Services

- Accelerate the commercial launch of security surveillance products
- Allocate more resources in vehicle lens sets, infrared products and mid-high end optical instruments

Continue to Develop Different Optical Products

Development Strategies



Continue to Strengthen R&D of Products and Technology



Vigorously Boost
the R&D of
Innovative Optical
Application
Products

Strengthen
the Upgrading
and Technology
Improvement of
Existing products

Enhance
Product Values
for Customers
Cost-effectively



Enhance Internal Management



Further Promote
“Lean Production”
Carry Out
“Manufacturing
Execution Systems”

Combine Technique
Improvement with
Automatic Progress
to Ease
Cost Pressure

Form
Management Team
with Vigor,
Capacity and
Consolidation

Realize
the Concept of
“Human Oriented,
Create Together”
and
Explore Employees’
Potential



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Open Forum

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