



Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

Stock Code: 2382

Corporate Presentation

November 2009

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Agenda



1 Company Overview

2 Financial Highlights

3 Review of Operations

4 Outlook and Development Strategies

5 Open Forum



Company Overview

Leading Integrated Optical Component/ Product Enterprise in China



- ➊ Expertise in the design and manufacturing of optical components with 25 years of experience
- ➋ Offers a comprehensive range of optical products
- ➌ Strong R&D capability with 67 registered patents and 47 applications pending
- ➍ With representative offices in Japan, Singapore, Korea and Europe
- ➎ Sells its products in over 20 provinces in China and nearly 40 other countries
- ➏ Possess four production bases and about 6,800 staff.



Production facility in Zhejiang (Headquarter)

- ➔ Produce optical components, optoelectronic products and optical instruments
- ➔ Employees: about 4471



Production facility in Zhongshan

- ➔ Produce optical components (lens and lens sets)
- ➔ Employees: about 2082



Production facility in Shanghai

- ➔ Produce analysis instruments, balances, surveying instruments
- ➔ Employees: about 158



Production facility in Tianjin

- ➔ Assemble lens sets
- ➔ Employees: about 220

About Sunny Optical – Milestones



Strategically leverage our core competencies in the production of optical products to expand product offerings

- 
- A large, light blue arrow pointing upwards, indicating the progression of time from 1993 to 2009.
- 2009** ● Set up SUNNY OPTICS(TIANJIN) CO.,LTD.. In Tianjin
 - 2008** ● Acquired additional equity interests of Power Optics Company
 - Set up Sunny Instruments Singapore PTE. Ltd.. In Singapore
 - Set up Jiang Su Sunny Medical Instruments Co., Ltd in the PRC.
 - 2007** ● Sunny Optical technology (Group) Co., Ltd. Is listed on H.K. Stock Exchange Main Board and Established Sunny Shanghai production base
 - 2006** ● Enhanced R&D and production capacity of analytical instruments
 - Enhanced R&D and production capacity of lens set for camera mobile phones
 - Possessed plastic aspheric lens technology
 - 2004** ● Commenced production of camera module of mobile phone
 - R&D and production of optical components
 - Established Sunny Zhongshan production base
 - 1998** ● Focused on optical components for electronic products
 - 1993** ● Commenced R&D and production of microscopes
 - Commenced production of optical lens for traditional optical instruments
 - Commenced R&D and production of optical instruments

Comprehensive Product Range



- Expertise in optical components and advanced technical know-how to manufacture optical products
- Strong R&D capability to offer a comprehensive range of optical products (from optical lens and to optoelectronic products and optical instruments)
- Products and applications can be classified into:

Optical components

(glass/plastic lens and various lens sets)



Optoelectronic products

handset camera, CCTV, PC cameras, industrial and medical endoscopes)



Optical instruments

(microscopic, survey and analytical instruments)



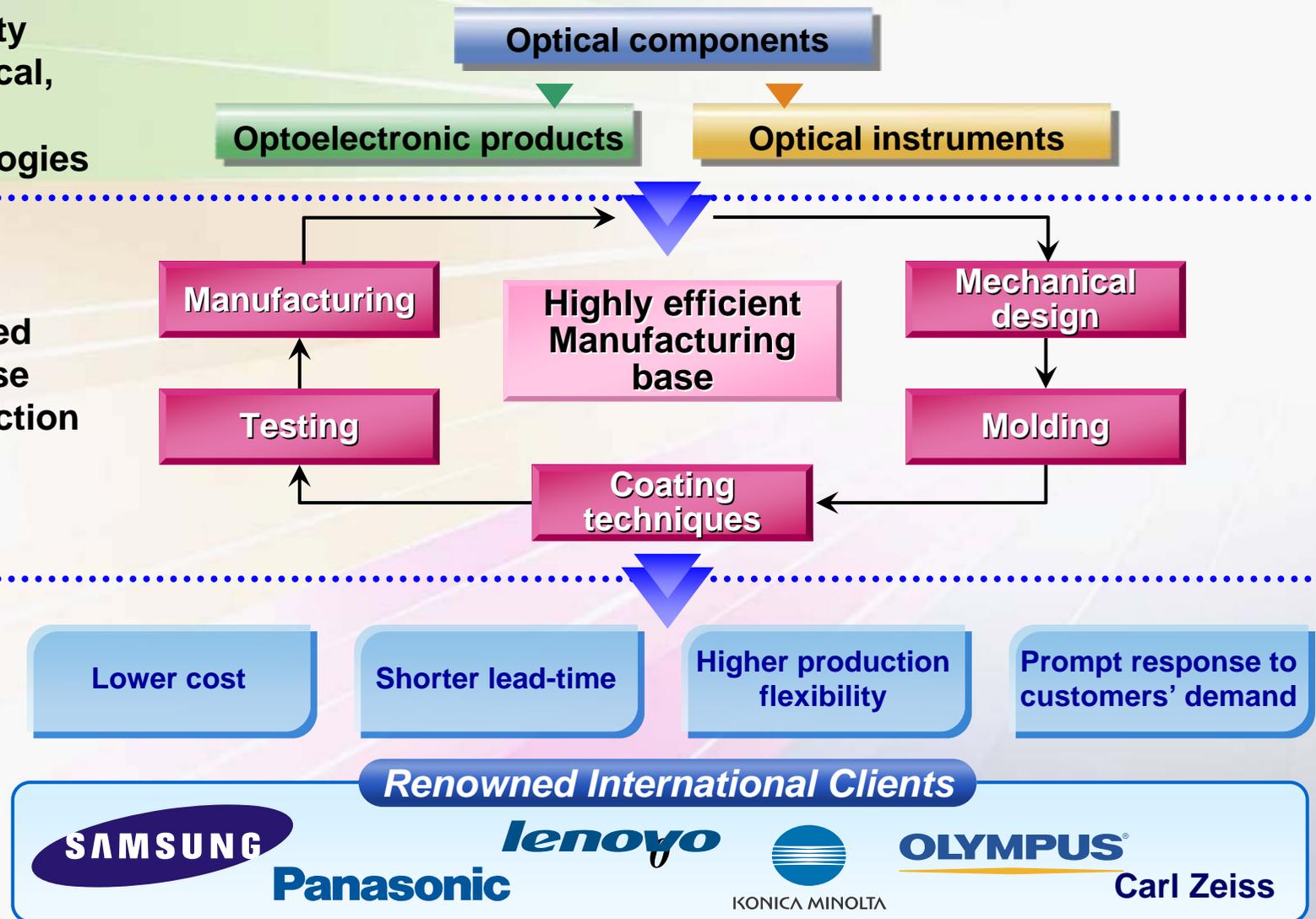
Business Model



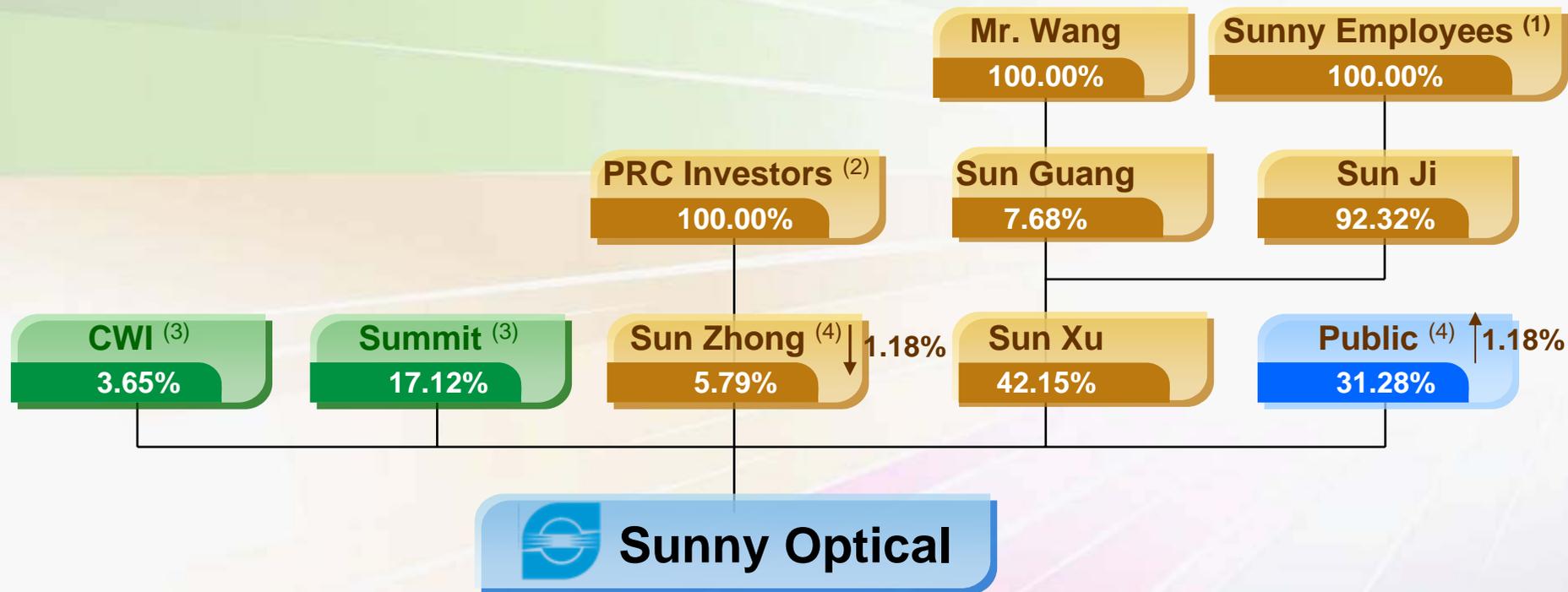
Unrivalled capability of integrating optical, mechanical and electronic technologies

Vertically integrated manufacturing base with strong production knowhow

Market leading position with strong and diverse customer base



Shareholding Structure



- 1) Mr. Wang, the Chairman and an executive Director, holds the entire issued share capital of Sun Ji in favor of all the then Sunny Employees under the Sunny Employee Trust
- 2) Mr. Wang, the Chairman and an executive Director, holds the entire issued share capital of Sun Zhong in favor of the PRC Investors under the PRC Investor Trust
- 3) Ultimate beneficially owned by Investor AB and Chengwei Ventures Evergreen Mgt. LLC
- 4) Sun Zhong has transferred 11,844,940 shares to a Hong Kong investor in November 2009. The latest shareholdings of Sun Zhong and the public are 4.61% and 32.46% respectively.



Financial Highlights

Results Highlights



	1H2009	1H2008	Change
<i>(RMB mn)</i>	<i>For the six months ended 30 June</i>		
Revenue	547.3	590.3	- 7.3%
Gross profit	108.1	124.8	- 13.4%
Profit before tax	29.4	48.9	- 39.9%
Taxation	9.2	9.8	- 5.5%
Profit attributable to equity holders	23.4	39.1	- 40.1%
Basic earnings per share <i>(RMB cents)</i>	2.34	3.91	- 40.1%
Interim dividend per share <i>(RMB cents)</i>	–	–	N/A

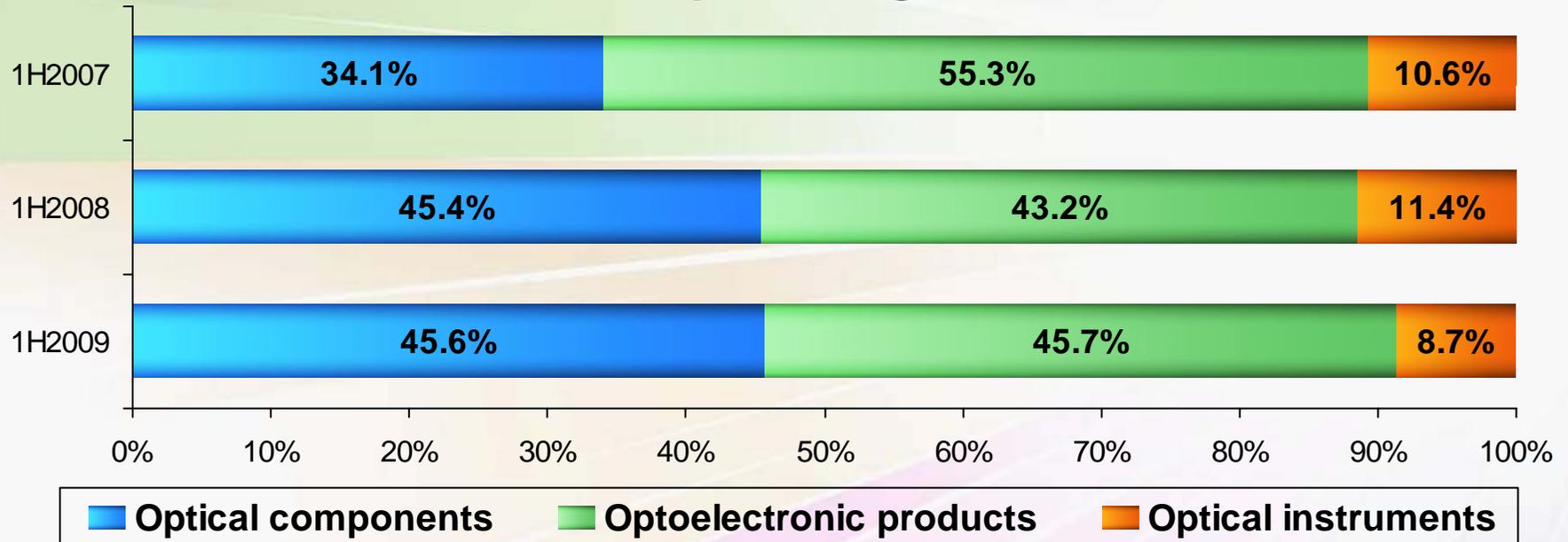
Notes:

- Amortisation of intangible assets with the amount of RMB 1.46mn
- Additional shares issued to MI of SIS deemed loss amounted to RMB 3.62mn
- Income tax of Sunny Optics (Zhongshan) Co., Ltd increased by RMB 2.84mn

Revenue Distribution



Product sales as a percentage of total turnover

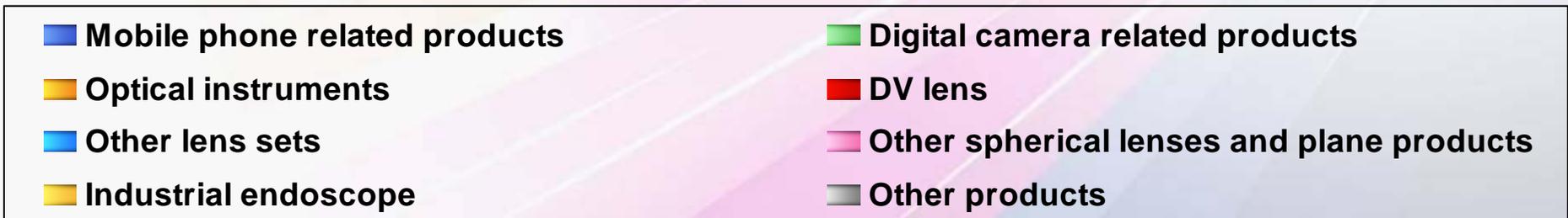
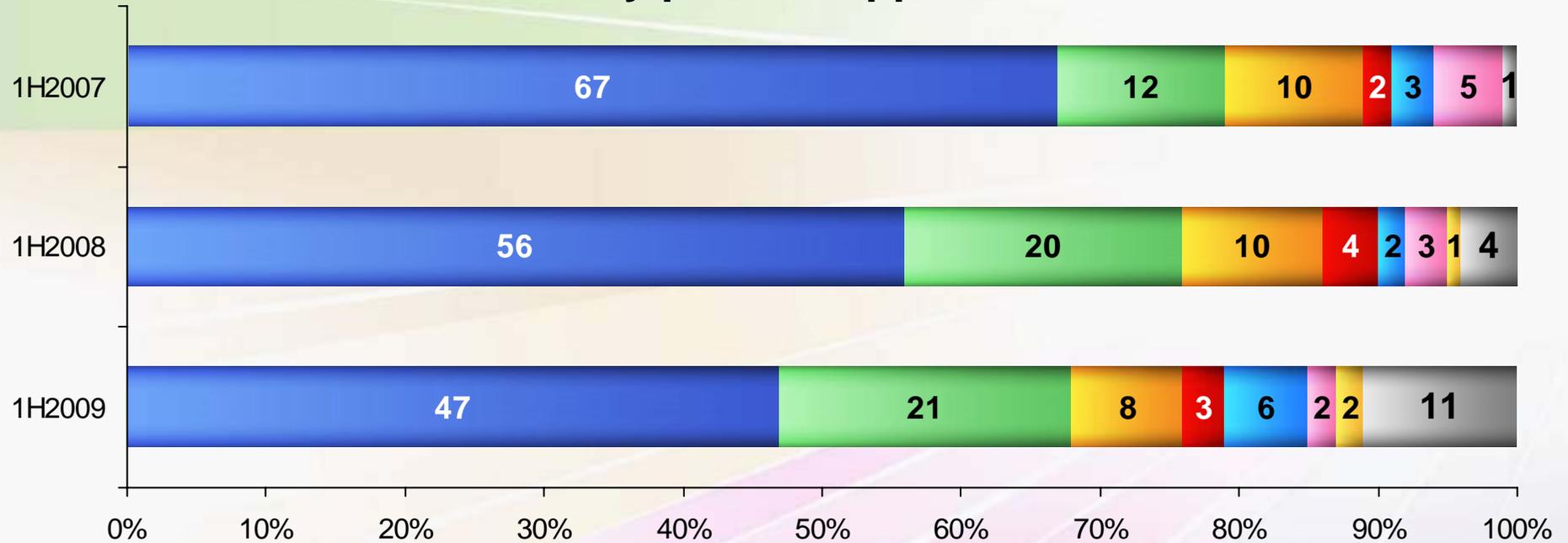


	1H2007	1H2008	1H2009
<i>(RMB mn)</i>			
	<i>For the six months ended 30 June</i>		
Optical components	189.7	268.0	249.5
Optoelectronic products	307.2	254.8	250.2
Optical instruments	59.1	67.5	47.6
Total Revenue	556.0	590.3	547.3

Widening Product Applications



Sales by product applications



For the six months ended 30 June

Margin Overview



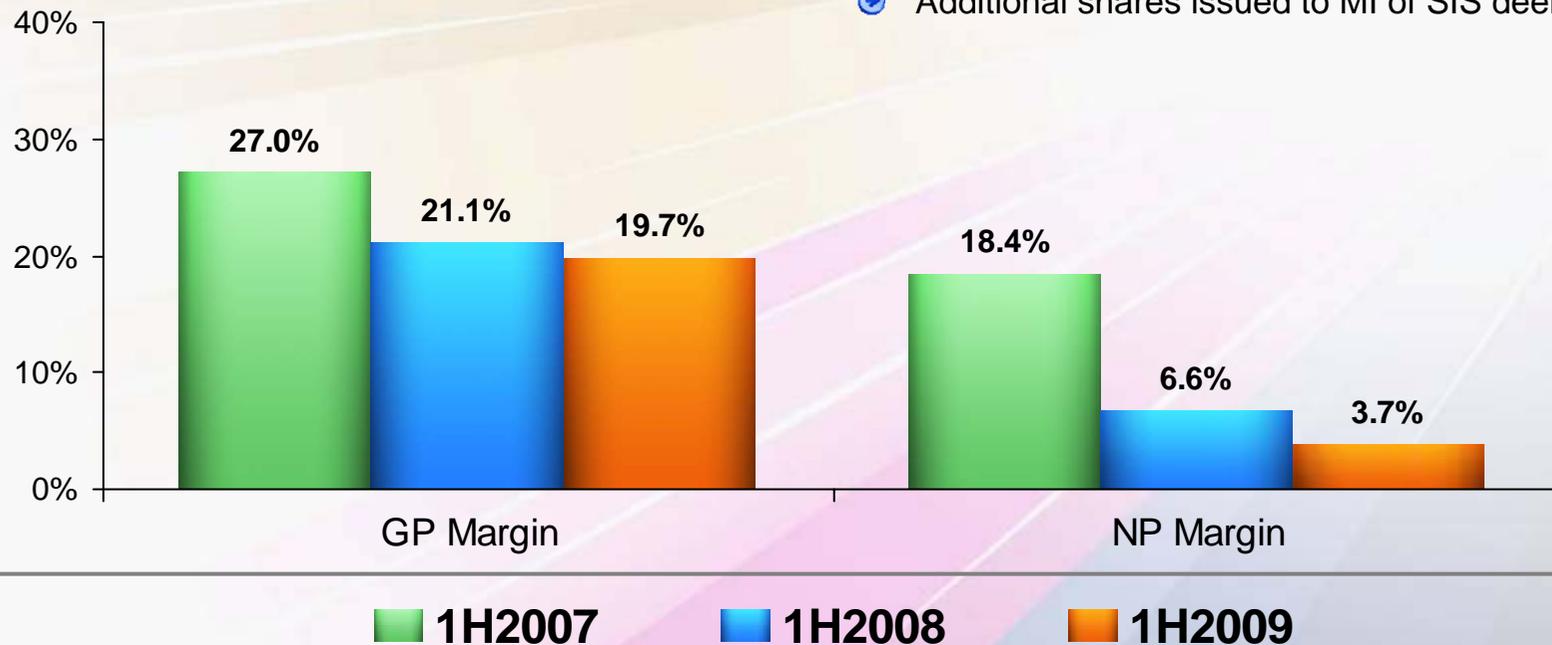
Gross Profit and Net Profit Margin

Gross profit margin dropped due to:

- Inadequate capacity utilization
- Decrease in the average selling price of products under market pressure
- Strategic pricing to deepen cooperation with important customers

Net profit margin under pressure

- Decrease in revenue
- Increase in R&D expenses
- Increase in amortization of intangible assets
- Increase in effective tax rate
- Additional shares issued to MI of SIS deemed loss



For the six months ended 30 June

Operating Expenses Analysis



1H2007

1H2008

1H2009

For the six months ended 30 June

(RMB mn) (As % of revenue) (RMB mn) (As % of revenue) (RMB mn) (As % of revenue)

Revenue	556.0	100.0%	590.3	100.0%	547.3	100.0%
Total operating expenses	69.3	12.4%	92.9	15.8%	91.1	16.6%
Selling and distribution expenses	12.7	2.3%	14.7	2.5%	13.6	2.5%
R&D expenses	7.5	1.3%	23.9	4.1%	37.4	6.8%
Administrative expenses	49.1	8.8%	54.3	9.2%	40.1	7.3%

Solid Financial Position



	1H2007	1H2008	1H2009
<i>For the six months ended 30 June</i>			
Current ratio (times)	3.3	5.0	5.0
Operating cashflow (RMB mn)	105.0	58.7	46.6
Bank balances and cash (RMB mn)	797.2	491.5	689.0
Gearing ratio (%)	9.7	0	3.2
ROE (%)	8.8	3.0	1.5
Capital expenditure (RMB mn)	68.0	101.3	29.6



Review of Operations

An Ever-growing Client Base



Top five clients

Samsung Panasonic Burgeon Lenovo Beny Wave (K-Touch)

Best suppliers newly honored in 1H2009

Samsung LG Huawei

Strengthened business relationship with clients who are world leaders

Sony NEC Canon Konica Minolta Carl Zeiss
Topcon Tianyu Pentax ZTE Huawei
Nikon Sanyo LG Continental

Widen Product Applications

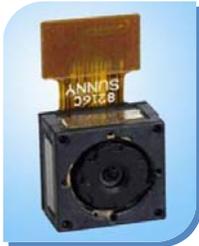


Actively upgrade and explore product applications to different industries:

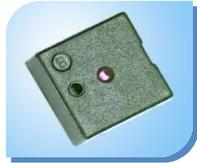
Handset lens sets and camera module



5M pixels 3X
Zoom handset
lens sets



5M pixels AF
handset
camera module



Reflowable
Camera
module



2-Led
flash
module



12 mega pixels
handset camera
lens set



Security surveillance system



DSLR



Automobile lens sets system



Widen Product Applications



Medical and industrial applications



Industrial endoscopes



Medical endoscopes



Optical instruments



Laser liner



Mid-high end biological microscope



On-site drug precursor detector



Quadruple mass spectrometer



Time-of-flight mass spectrometer



Capacity



	Production Capacity			Utilization Rate			
	1H2007	1H2008	1H2009	1H2007	1H2008	1H2009	3Q2009
Lenses (<i>mn units</i>)	60.0	93.0	93.0	55.8%	62.0%	74.5%	86.9%
Lens sets (<i>mn units</i>)	42.0	73.0	73.8	82.0%	56.3%	50.1%	76.8%
Optoelectronic products (<i>mn units</i>)	18.0	36.0	36.0	76.8%	43.9%	32.0%	50.6%
Optical instruments (<i>'000 sets</i>)	82.0	99.6	99.6	76.0%	63.3%	46.0%	60.0%



Outlook and Development Strategies

Market Overview



Handset Market

- ASP continues trending downward
- Mobile devices move towards convergence
- The opening of 3G market in China stimulates the demand for 3G handsets

DC Market



- DC market enters a mature phase
- Overall market begins to consolidate
- DLSR market is growing

Global Market

Market is taking conservative view on the prospect of optoelectronic industry in 2009

Optical Instrument Market



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

Non-handset Related Market



- Market of industrial & Medical endoscope grows stably
- Market of security surveillance system grows relatively fast
- Penetration rate of automobile lens sets system grows stably
- Infrared technology is being applied wider and wider

Stable Growth of Demand – Handset Market



Global Shipment of Handset (2007-2010E)



Source: CEIC & IDC

Global Shipment of Smartphone (2007-2009E)

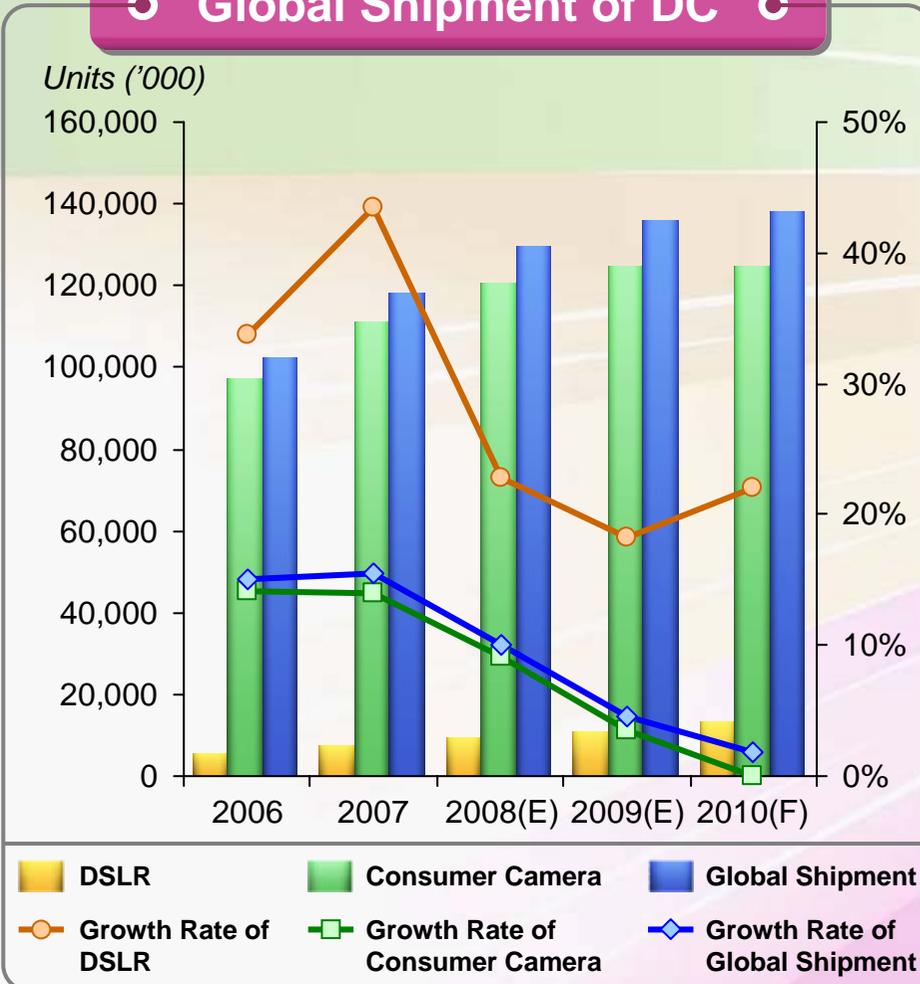


Source: ABI Research

Stable Growth of Demand – DC Market

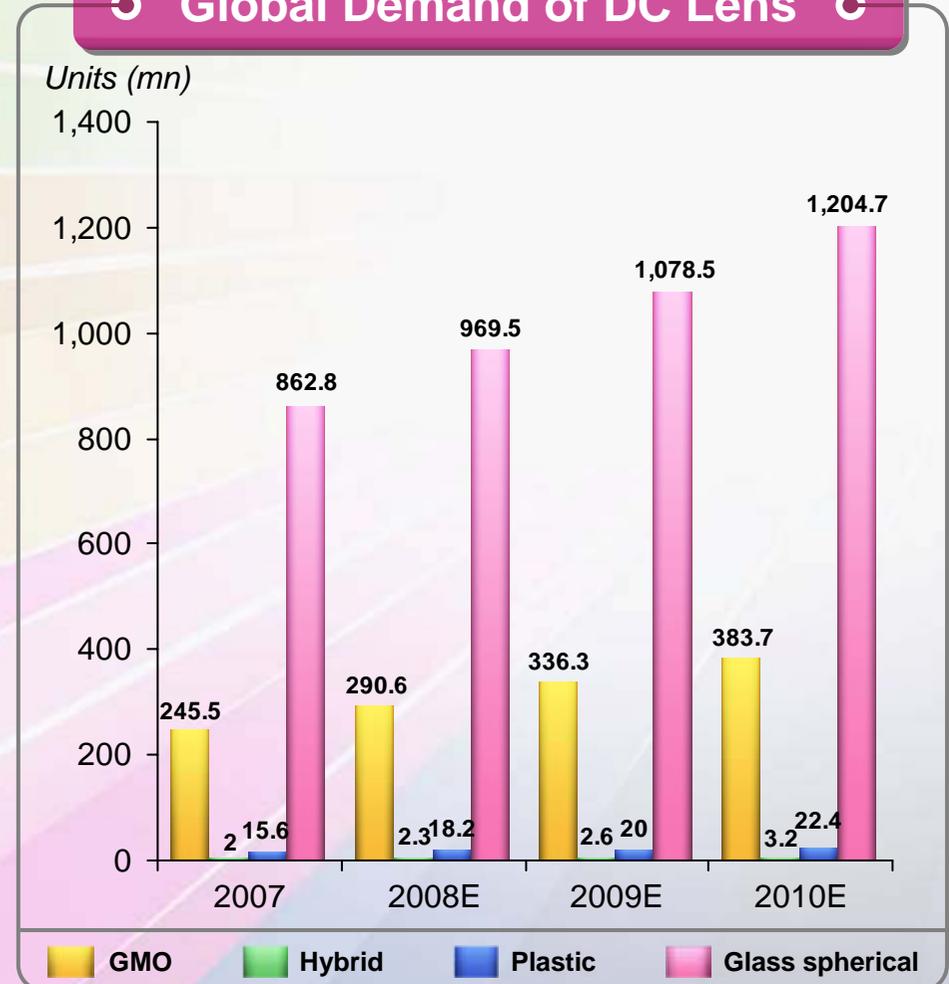


Global Shipment of DC



Source: TRI Research

Global Demand of DC Lens



Source: Brain Child September, 2007

Stable Growth of Demand

– Automotive Lens Sets and Security Surveillance Market

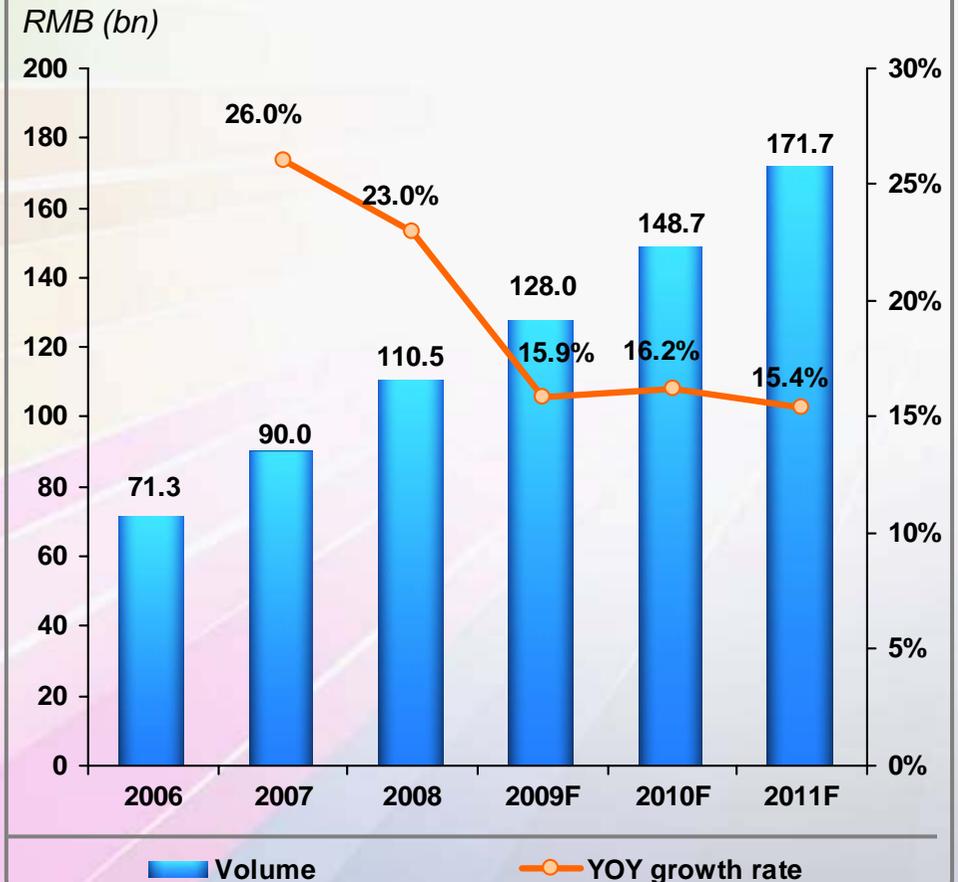


Global Market Forecast of Automotive Camera Lens Module



Source: Techno Systems Research

Domestic Market Forecast of Security Surveillance System Market Scale



Source: CCID Consulting

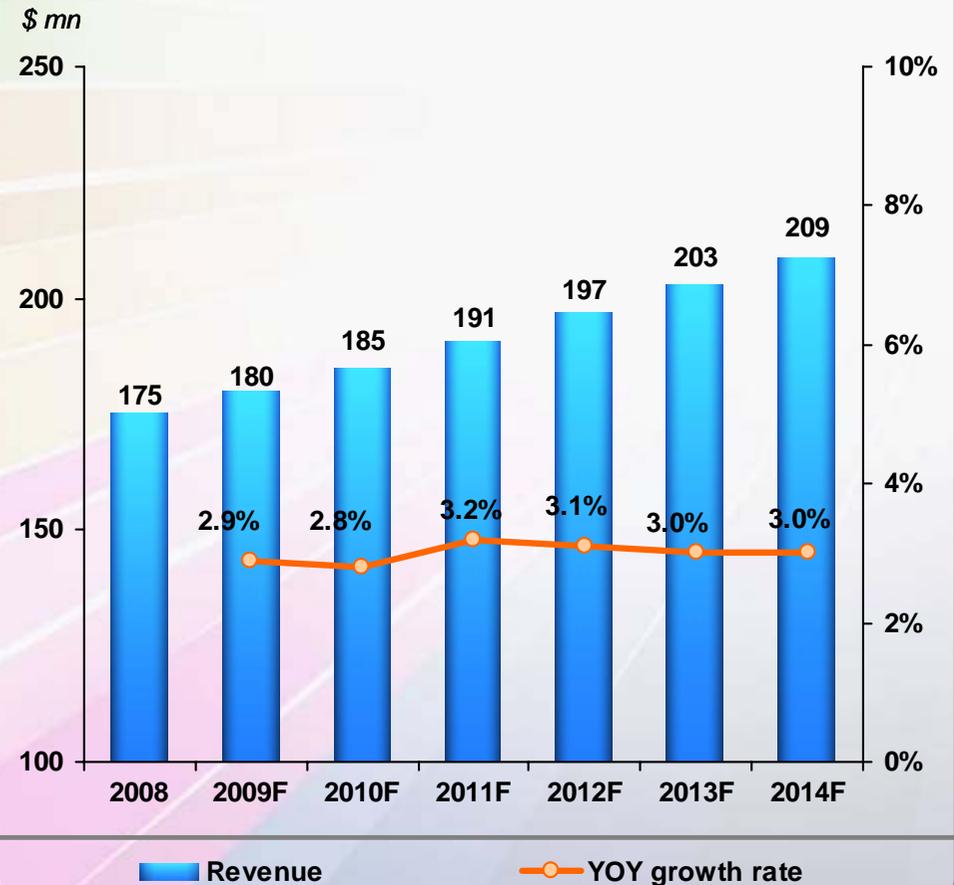
Stable Growth of Demand – Infrared Imaging Equipment Market



Global Market Forecast in Infrared Imaging Equipment



Global Market Forecast in Spot Infrared Imaging Thermometry Equipment



Source: Maxtech International, Inc.



Expand and strengthen client base

Explore international clientele

- Further strengthen sales channels in Japan, Korea, Europe, US, etc
- Further explore international clients, in order to expand the market share in the high-end handset camera lens set and module market

Deepen relationships with existing clients

- Improve the QCDS level
- Increase the proportion of product supply to clients to become their major supplier
- Explore new cooperation opportunities



Explore new sources of income

Strengthen R&D capabilities

- Further improve R&D capabilities and supervising closely in major projects
- Improve technology grade of existing products to cater customers' needs

Seizing opportunities with 3G applications

- Develop high-end handset camera modules to catch the strong demand of China's 3G handsets
- Adjust sales strategy according to the mobile operators' procurement strategies

Enhance product portfolio

- Consolidate optical, mechanical and electronic technologies, wider the application field of products
- Input more resources for further expansion of non-handset-related business



Enhance internal control

Perform precise management

- Adopt lean production to improve efficiency and reduce wastage
- Apply advanced management tool, improve the management of operation procedure
- Review the progress of project regularly

Safe and stable financial policy

- Ensure the safety of cash
- Improve the management of working capital
- Implement cautious approach to capital expenditure

Maintain stringent cost control

- Enhance the management of supply chain
- Strengthen budget control
- Review operating cost regularly

Investment Highlights



A leading
optical and optoelectronic
product manufacturers in China

Unparalleled technical knowhow
and R&D capabilities with expertise
in optical and optoelectronic
to offer integrated products

Positive industry outlook due to
ever growing product applications

Strong customer base
comprising world leading clients

Proven capabilities in
managing costs effectively



Open Forum

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