



Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

Stock Code: 2382

Corporate Presentation

October 2010



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1 Company Overview

2 Outlook and Strategies

3 Open Forum

4 Appendix: Financial Highlights



Sunny Optical Technology (Group) Company Limited
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Company Overview

Leading integrated optical and optoelectronic component/product enterprise in China



- Over 26 years of professional experience
- Strong R&D capabilities with more than 700 R&D professions
- Obtained 78 patents and 55 patents are in application process



Zhejiang Headquarters

→ Employees: about 4,471



Production facility in Zhongshan

→ Employees: about 2,082



Production facility in Shanghai

→ Employees: about 158



Production facility in Tianjin

→ Employees: about 220

Business Segments

Optical Components



(Glass spherical/aspherical Lenses, handset lens set, vehicle lens set, other lens set)

Optoelectronic Products



(Handset/Notebook camera modules, Security Surveillance cameras, and other related products)

Optical Instruments



(Microscopic, measuring and analytical instruments)

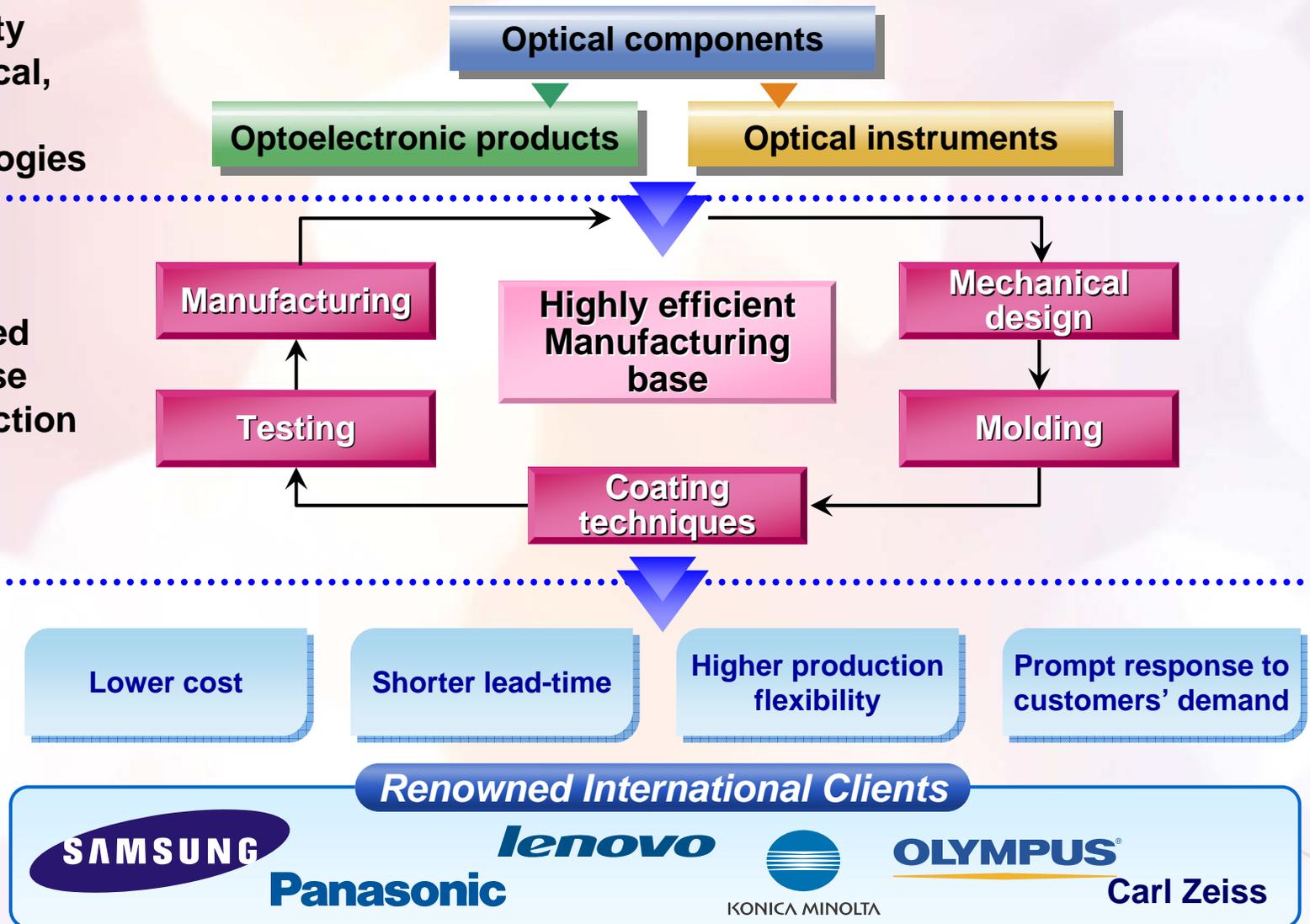
Business Model



Unrivalled capability of integrating optical, mechanical and electronic technologies

Vertically integrated manufacturing base with strong production knowhow

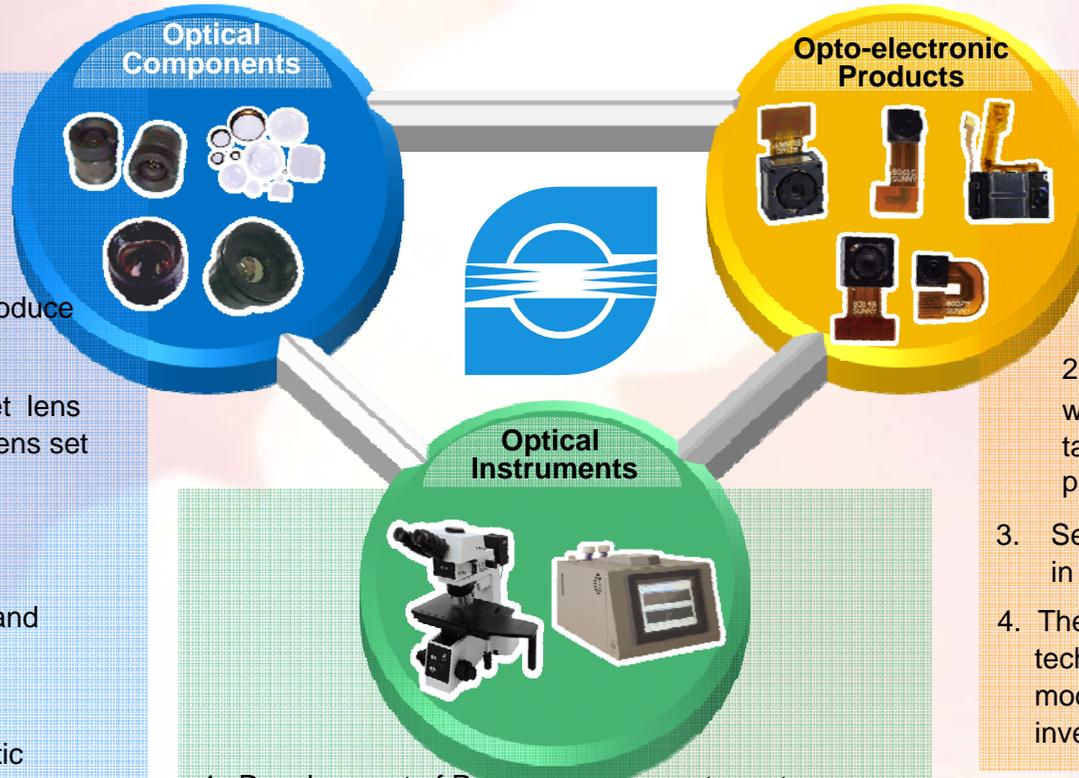
Market leading position with strong and diverse customer base



Research & Development



*Upgraded the existing products and developed new products successfully,
in order to meet different needs of clients*



1. Acquired the ability to produce aspheric glass lenses
2. 8M/5M pixels AF handset lens set, 5M/3M pixels zoom lens set have been developed successfully
3. Typical vehicle lens sets developed successfully and obtained utility model patents
4. Breakthrough of automatic assembling techniques was made to apply on high resolution handset lens sets
5. Precision molding ability for plastic aspherical lenses has been further enhanced

1. Development of Process mass spectrometer completed, sales were made on water treatment, bio-pharmaceuticals and petrochemical industry
2. Successfully developed laser doppler interferometer specifications and sales were made
3. Breakthrough of differential interference contrast technique was acquired, expanding the application of metallographic microscopes

1. Successfully developed 8M pixels AF handset camera modules, 5M/3M pixels zoom handset camera modules

2. Optical touch screen module which can be used in integrated tablet PC commenced mass production
3. Security surveillance cameras were in the prototype stage
4. The particle resistant gluing technique used for handset camera modules with high resolution obtained invention patent

Strong Clientele



	Samsung	
	Panasonic	Huawei
Burgeon	ZTE	Nikon
Fujinon	Sony	Carl Zeiss
Lenovo	Konica Minolta	Pentax
Haier	Magna	Topcon
Sharp	Keyence	Continental
NEC	Coolpad	Sanyo
Tianyu	Sangfei	LG
Olympus		Foxconn



RENOWNED CLIENTS

Expand product applications to tap into new market segments

Product quality and services recognized by clients

Improve all-around QCDS advantages to attract clients

Deepened relationships with existing clients

Financial Overview in 1H2010



For the 6 months ended 30 Jun

	1H 2009	1H 2010	Change
<i>(RMB mn)</i>			
Revenue	547.3	833.9	+ 52.4%
Gross profit	108.1	177.7	+ 64.4%
Profit before tax	29.4	66.0	+ 124.9%
Taxation	(9.2)	(16.0)	+ 72.7%
Profit attributable to owners	23.4	54.8	+ 134.2%
Basic earnings per share <i>(RMB cents)</i>	2.34	5.54	+136.8%

Capacity and Utilization Rate



	Production Capacity			Utilization Rate		
	1H 2008	1H 2009	1H 2010	1H 2008	1H 2009	1H 2010
	<i>For the 6 months ended 30 Jun</i>					
Lenses (mn units)	93.0	93.0	96.0	62.0%	74.5%	88.1%
Lens sets (mn units)	73.0	73.8	80.4	56.3%	50.1%	65.3%
Optoelectronic products (mn units)	36.0	36.0	36.0	43.9%	32.0%	56.2%
Optical instruments (‘000 sets)	99.6	99.6	99.6	63.3%	46.0%	90.3%

Industry Competition



Companies	Location	Key Technologies or Products					
		Glass lenses	Glass Aspherical lenses	AF handset lens sets	Zoom Handset lens sets	AF Handset Camera modules	Zoom Handset Camera modules
Sunny Optical	PRC	✓	✓	✓	✓	✓	✓
Phenix Optics	PRC	✓		✓			
Largan Precision	Taiwan			✓			
Kinko	Taiwan	✓	✓				
Liteon	Taiwan					✓	

Comparison with Listed Peers



	1H2010 YOY Change				P/E (As at 21 Sep 2010)
	Revenue Growth (%)	Net Profit Growth (%)	GP Margin (%)	NP Margin (%)	
Sunny Optical	52.37	134.22	21.30	6.57	11.17x
Phenix Optics	13.37	170.59	13.37	4.86	34.13x
Largan Precision	67.86	97.01	47.81	34.0	34.26x
Kinko	3.46	N/A	13.42	4.93	N/A
LiteOn	-13.34	N/A	15.63	3.75	12.31x

Note: Above information obtained from Bloomberg

Sunny Optical achieved the strongest growth amid market rebound





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Outlook and Development Strategies

Market Overview



Handset Market



- ✦ Telecom operators granted huge subsidy on 3G handsets further boosts up the demand
- ✦ Price of smartphone coming down further increases smartphone's popularity

DC Market



- ✦ Strong growth of DSLR
- ✦ Annual shipment volume of DSLR expected to increase continually

Optical Instrument Market



- ✦ 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
- ✦ Wider application of Infrared technology

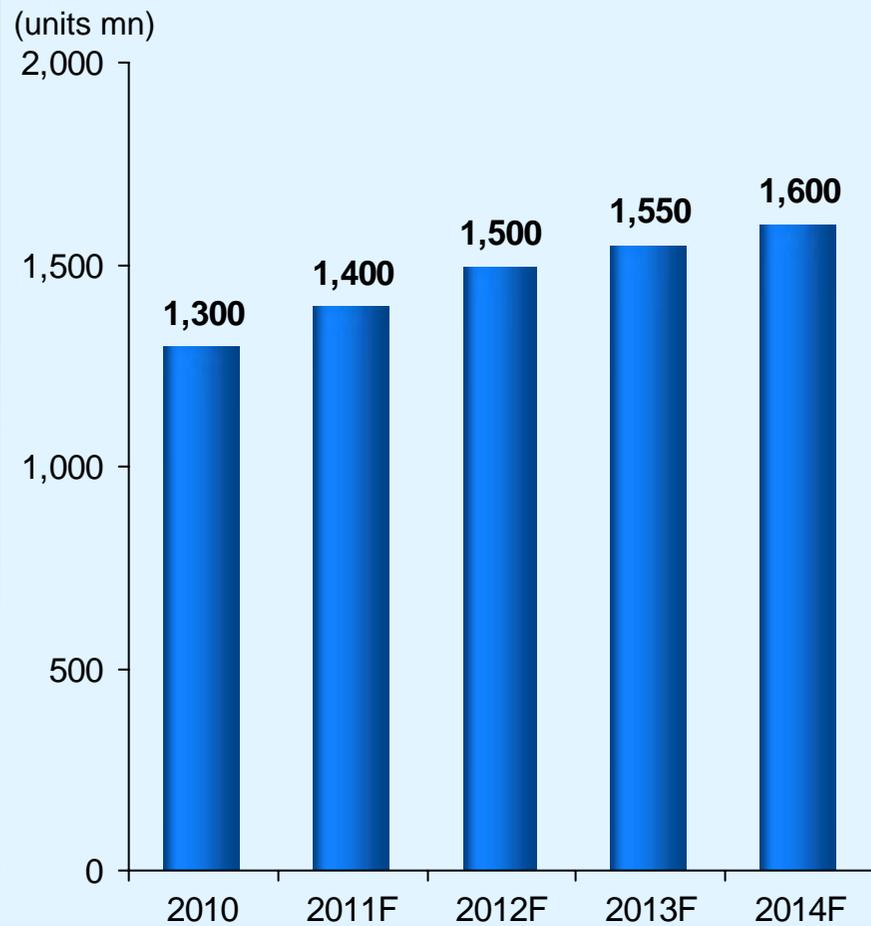


Global Market - The Global Economy Recovers Gradually

Stable Growth of Demand - Handset Market

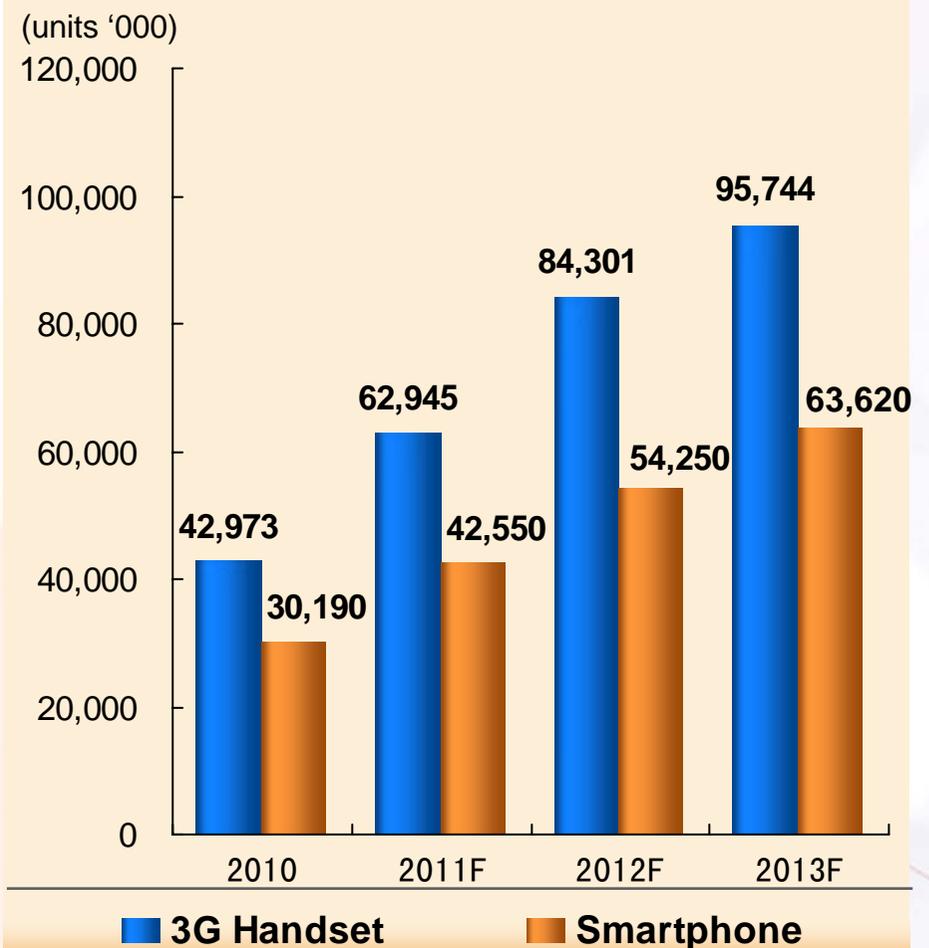


**Global Shipment of Handset
(2010 – 2014F)**



Source: iSuppli

**Domestic Shipment of 3G Handsets and Smartphones
(2010 – 2013F)**

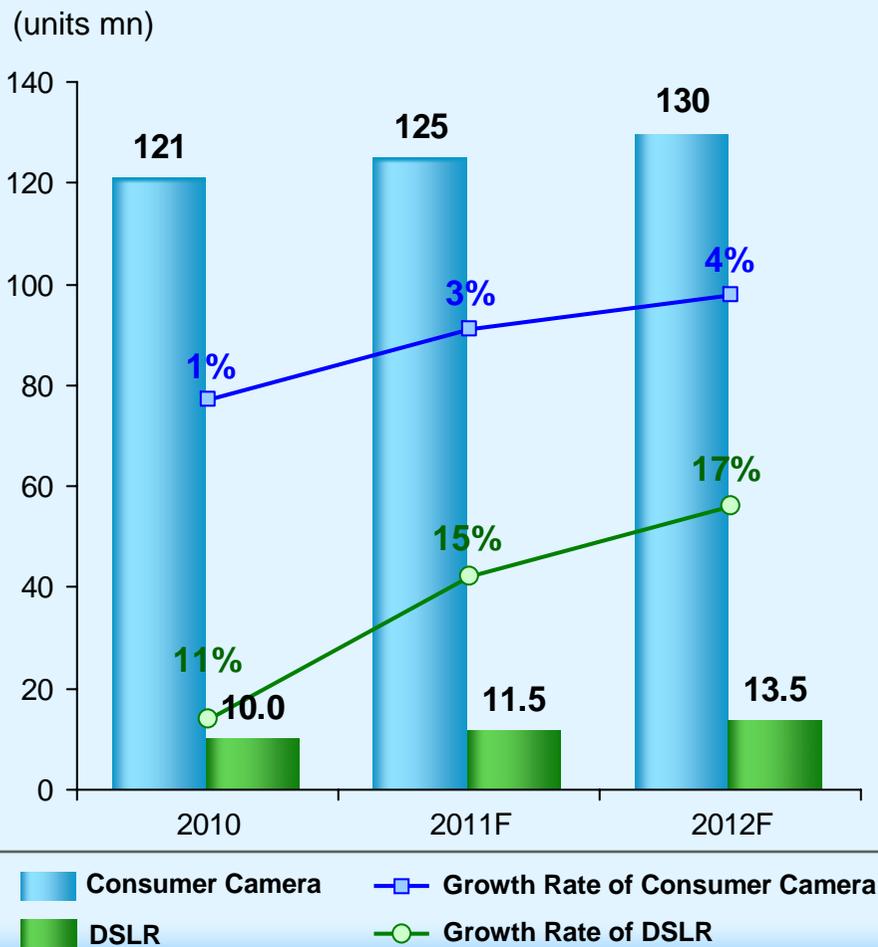


Source: iSuppli

Stable Growth of Demand - DC Market



Global Shipment and Growth Rate for DC and DSLR
(2010 – 2012F)



Source: MIC

Global Shipment Volume of DC Lens Modules
(2010 – 2013F)



Source: Techno Systems Research Co., Ltd.

Stable Growth of Demand

- Vehicle Lens Sets and Infrared Instruments Market

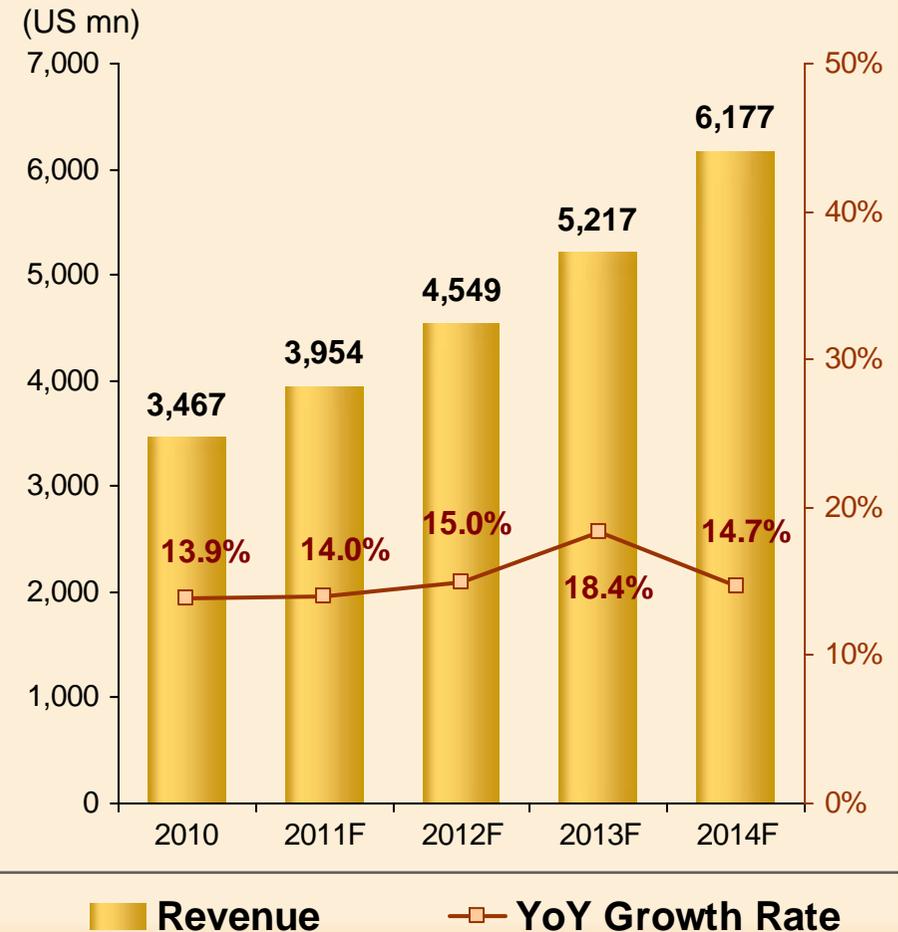


Global Market Forecast of Vehicle Camera Lens Module



Source: Techno Systems Research

Market Forecast of Global Infrared Instruments

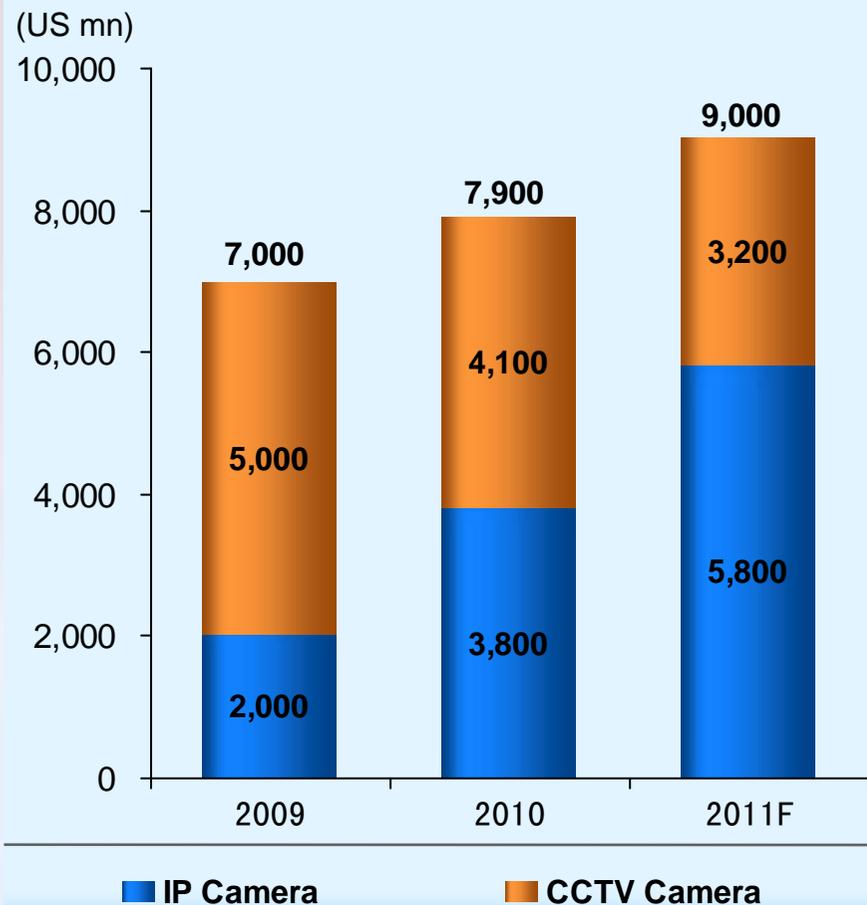


Source: Maxtech International Inc.

Stable Growth of Demand - Security Surveillance Market



Revenue Forecast of Global Security Surveillance Camera



Source: iSuppli

Market Forecast of Domestic Video Security System



Source: IDC

Development Strategies



Seize market opportunities
Continue to expand overseas market

**Strengthen technology and
product innovation**
Enhance R&D capabilities

Carry out all-round “Lean Production”
Strengthen cost control

Emphasize on formation of corporate culture
Attract talents and retain employees



Development Strategies



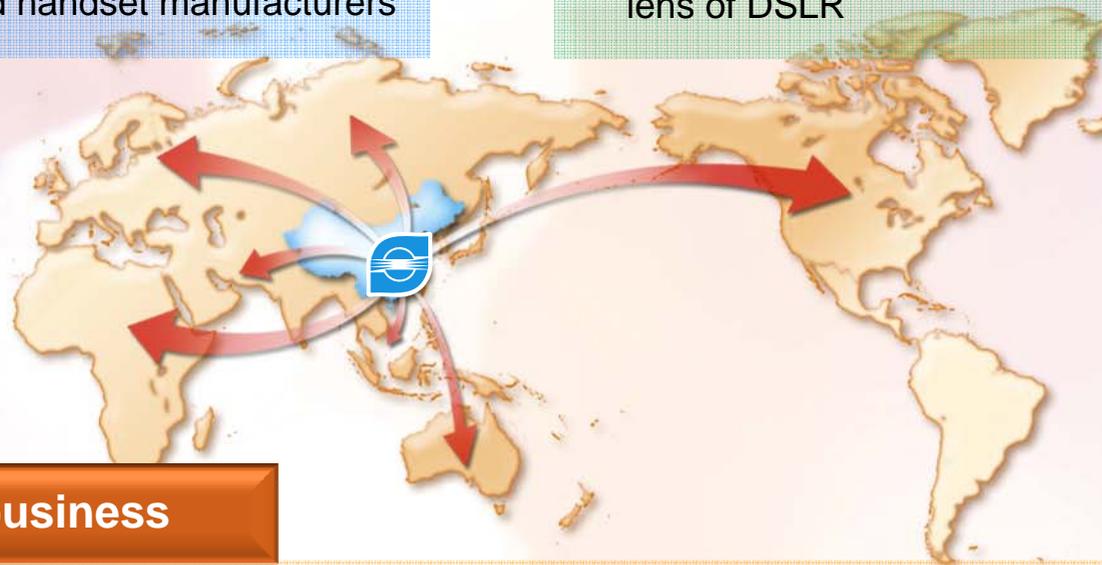
Seize opportunities from related markets
Continue to expand overseas market

Handset related business

- Focus on promoting handset lens sets and camera modules with high resolution
- Strive to get into the supply chain of international renowned handset manufacturers

DC related business

- Continue internal technical innovation
- Transform the production capacity to production line based on the high-precision glass spherical lens of DSLR



Other major business

- Continue the marketing promotion for the business of security surveillance cameras, vehicle lens sets, infrared lenses and lens sets as well as mid- to high-end optical instruments

Development Strategies



Strengthen technology and product innovation **Enhance R&D capabilities**

- Continue to upgrade existing products based on market conditions, enhance innovation on technologies and products, increase the added value of product
- Aware of the opportunities brought by emerging strategic industries like “Internet of Things” and new energy



Carry out all-round “Lean Production” **Strengthen cost control**

- Further push forward “Lean Production”
- Accelerate the process of informationization and adopt SAP system to solidify the effectiveness of “Lean Production”
- Optimize the supply chain
- Combine technique improvement with automatic progress



Emphasize on formation of corporate culture **Attract talents and retain employees**

- Continue to reinforce internal communication and training
- Improve employees’ corporate awareness
- Formulate talent program, continue the restricted share award scheme
- Motivate employees’ initiatives



Investment Highlights



Industry Foreground

- ❑ A sun-rising industry benefited from the development of digitalization of images

Industry Position

- ❑ Leading integrated optical and optoelectronic component/product enterprise in China

Competences

- ❑ Strong R&D team and leading technology
- ❑ Strong capabilities of cost and quality control
- ❑ Experienced and Talented Management

Long Term Goal

- ❑ Create values to customers, shareholders, and other stakeholders



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Open Forum

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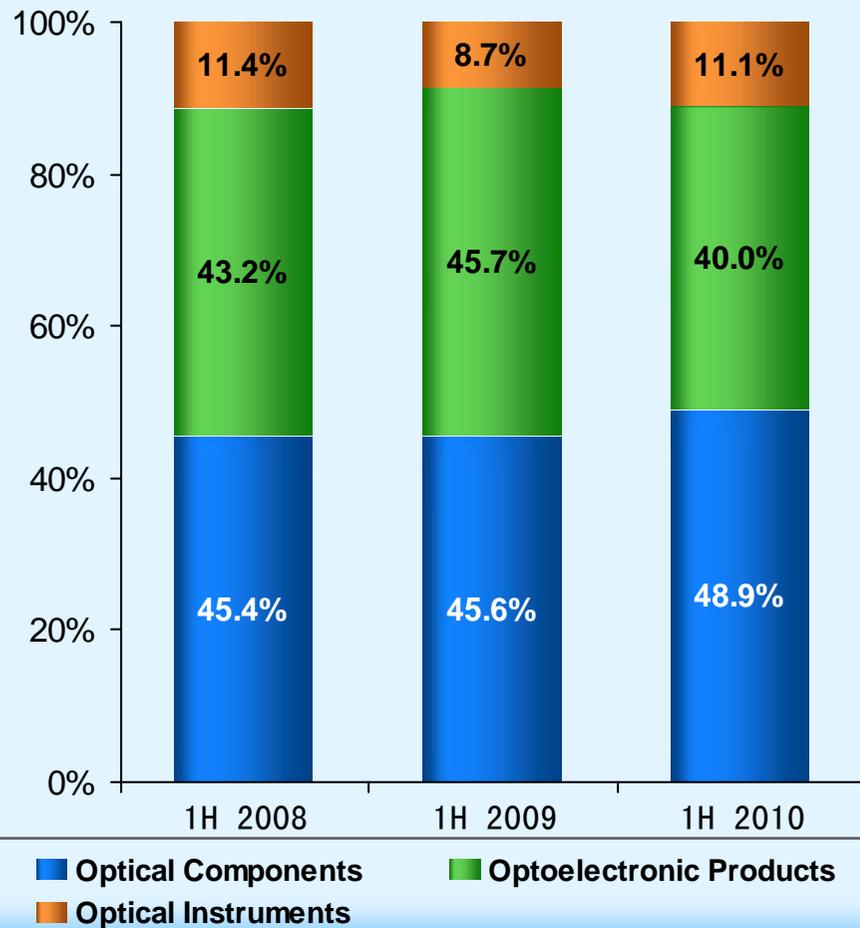
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Appendix: Financial Highlights

Revenue Breakdown



**Business Segment Sales
as a Percentage of Total Revenue**



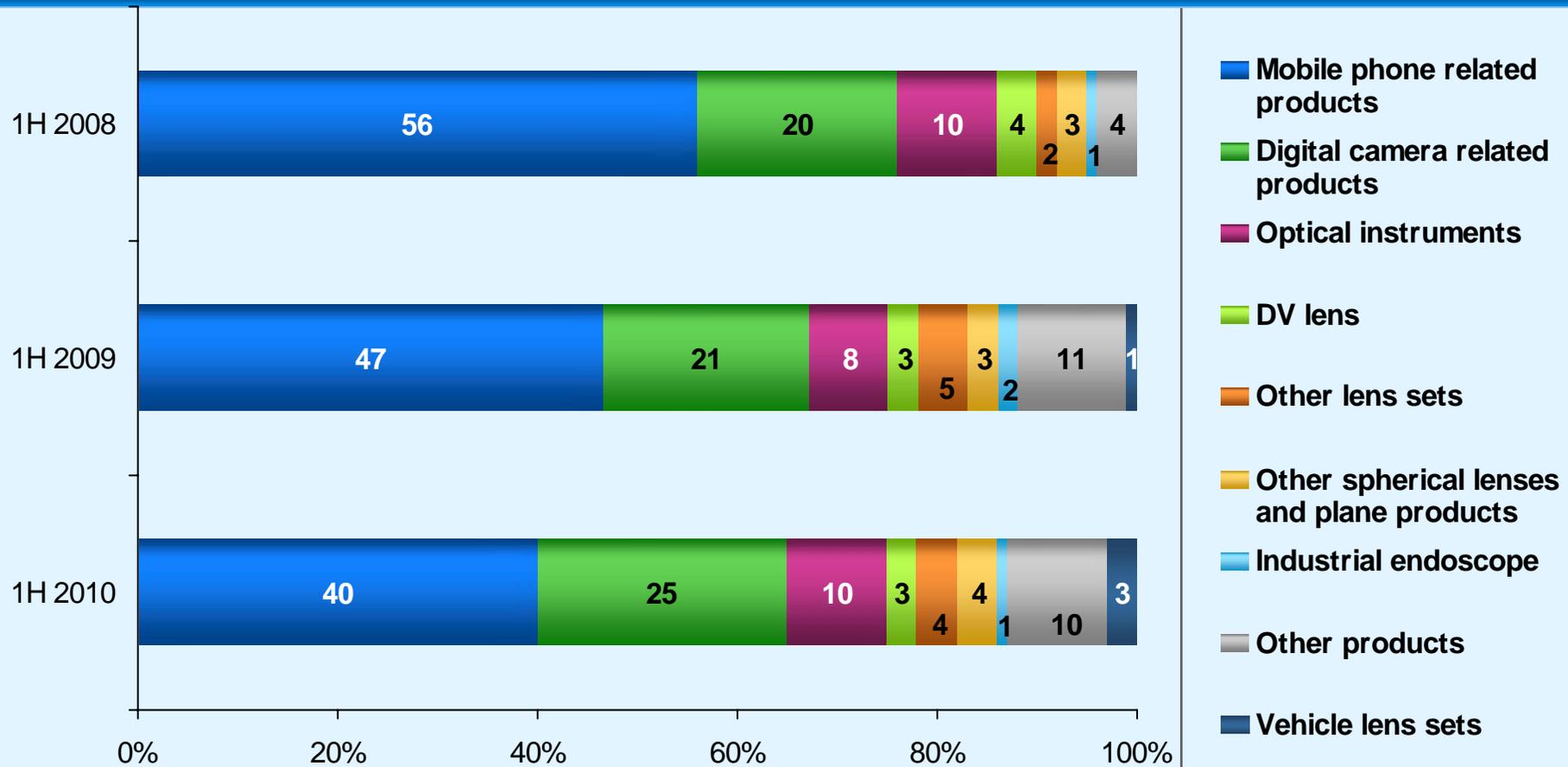
For the 6 months ended 30 Jun

	1H 2008	1H 2009	1H 2010	Change from 1H 2009 to 1H 2010
<i>(RMB mn)</i>				
Optical Components	268.0	249.5	407.3	+63.3%
Opto-electronic products	254.8	250.2	333.8	+33.4%
Optical Instruments	67.5	47.6	92.8	+94.9%
Total Revenue	590.3	547.3	833.9	+52.4%

Widening Product Applications



Sales Breakdown by Product Applications

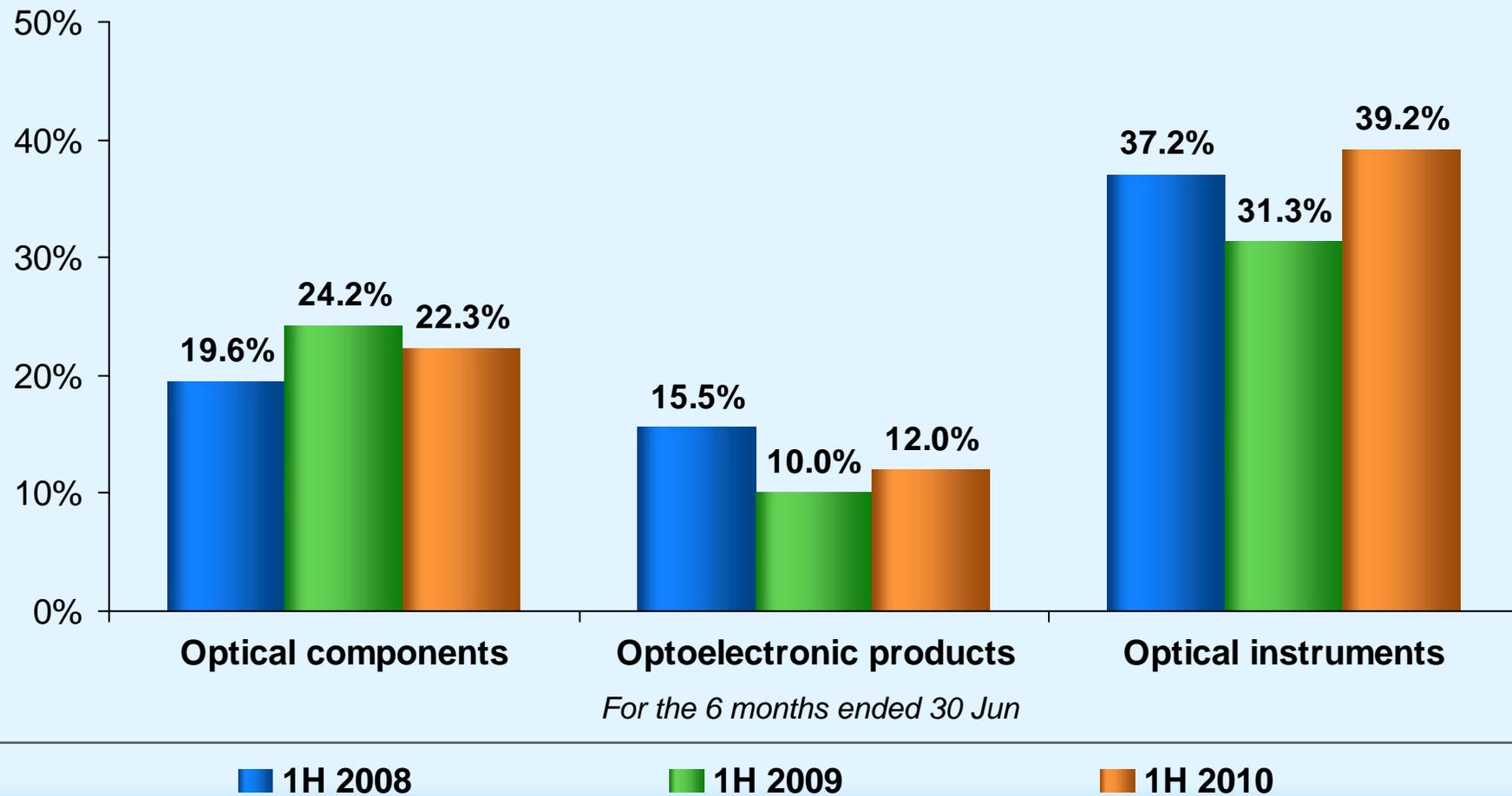


For the 6 months ended 30 Jun

Margin Overview



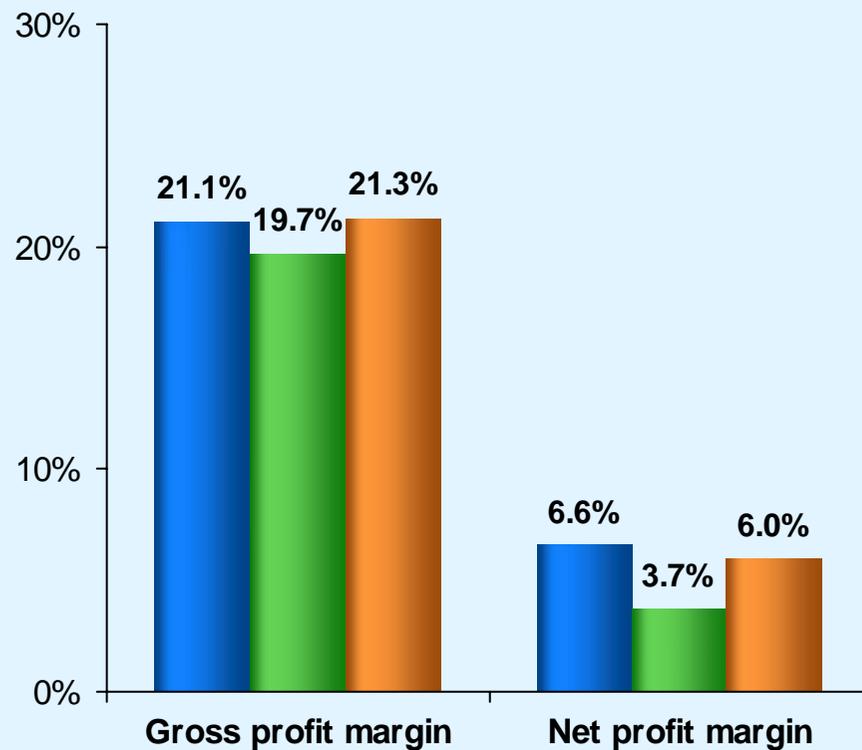
Gross Profit Margin by Business Segments



Gross Profit Margin & Net Profit Margin



Gross Profit Margin and Net Profit Margin



For the 6 months ended 30 Jun

■ 1H 2008 ■ 1H 2009 ■ 1H 2010

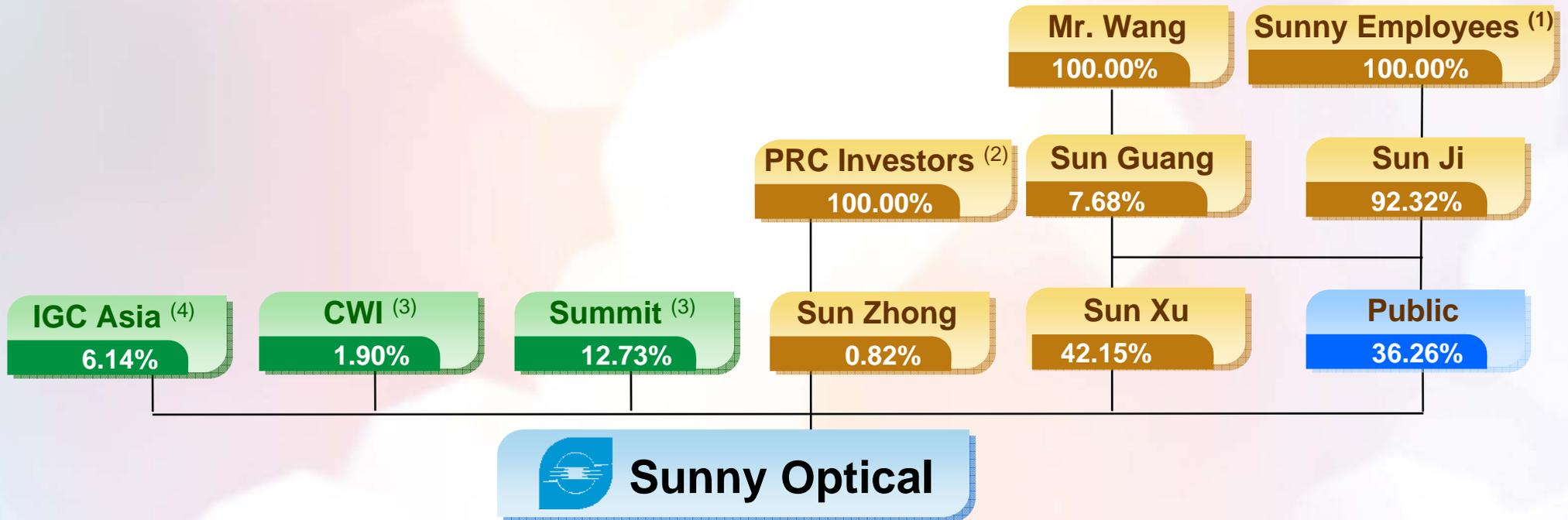
Gross profit margin rose due to...

- ▣ Improvement in product mix
- ▣ Effective implementation of “Lean Production”
- ▣ Increase of utilization rate

Increase in net profit margin mainly due to...

- ▣ Higher gross profit margin
- ▣ Effective expenses control

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 Chengwei Ventures Evergreen Mgt. LLC
- 4) Ultimate beneficially owned by Investor AB

* As at 30 Sept 2010