



Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

Stock Code: 2382

***2010 Interim Results
Corporate Presentation***

August 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



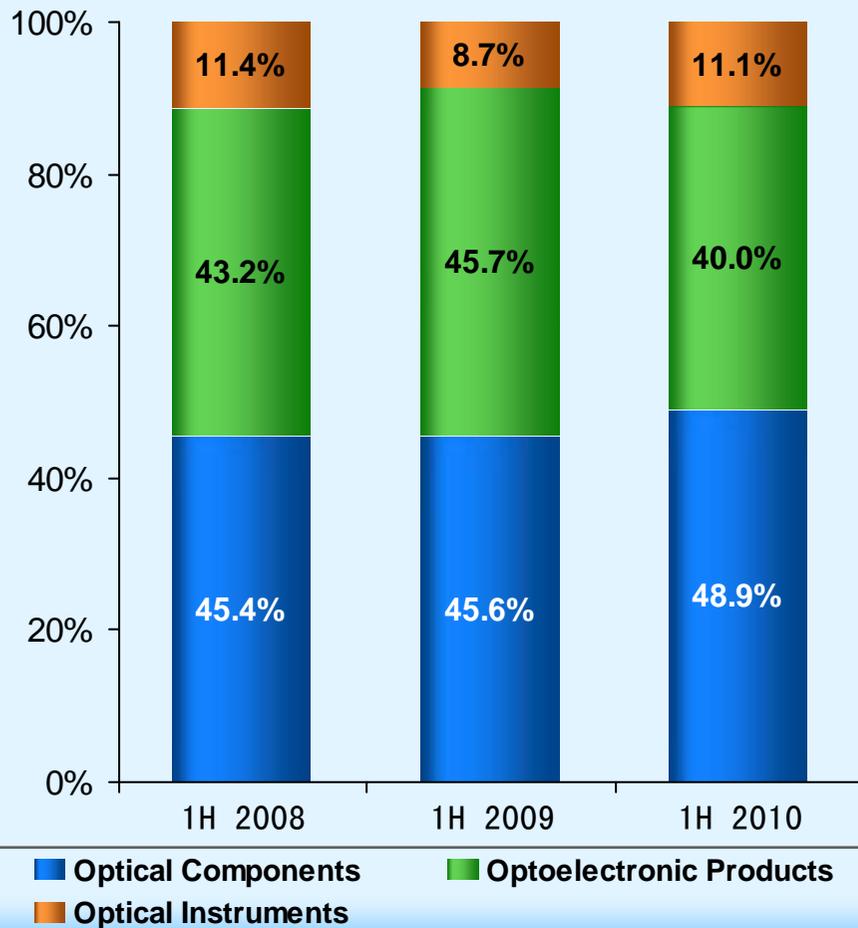
For the 6 months ended 30 Jun

	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%

Revenue Breakdown



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



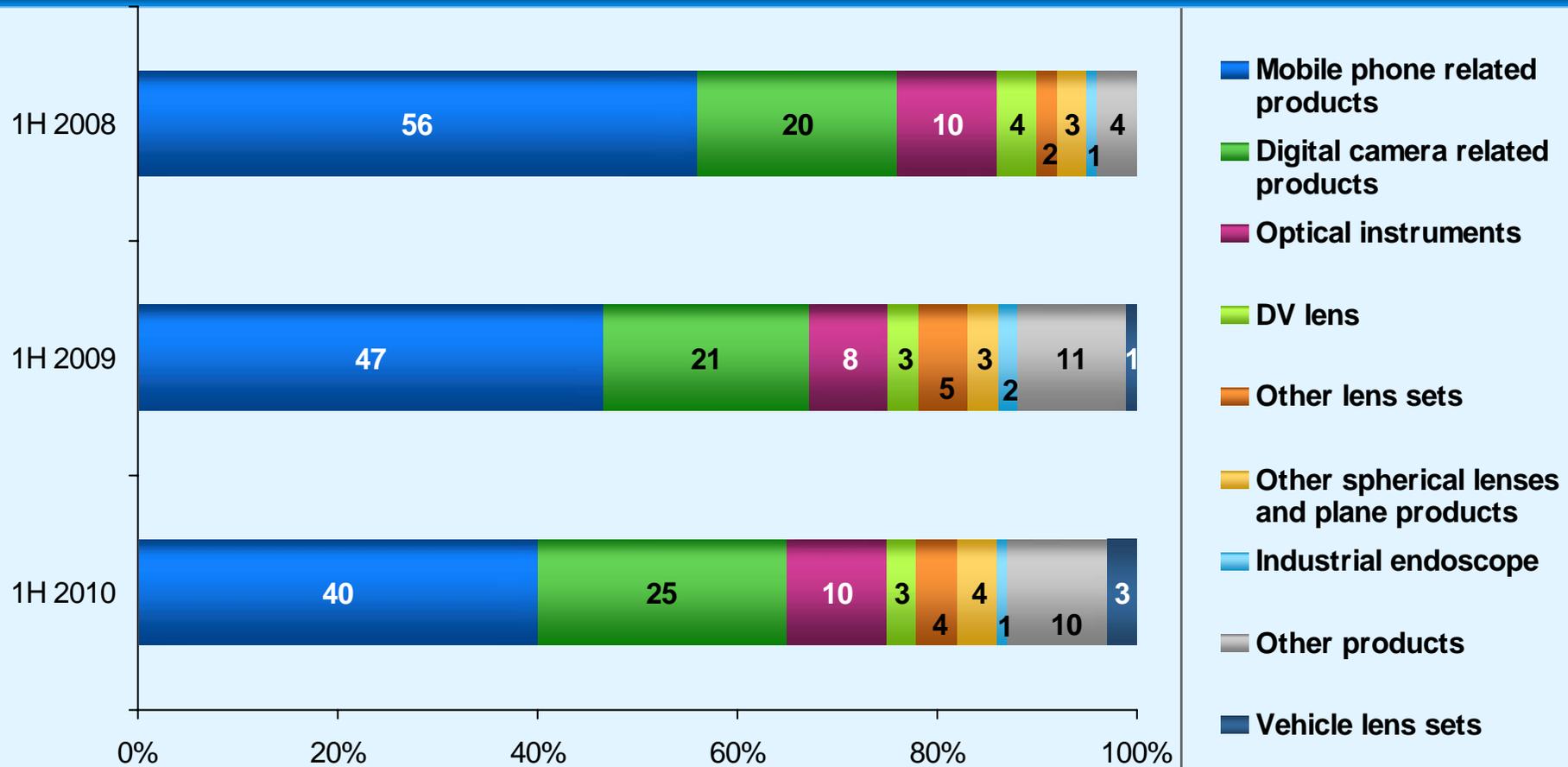
For the 6 months ended 30 Jun

	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

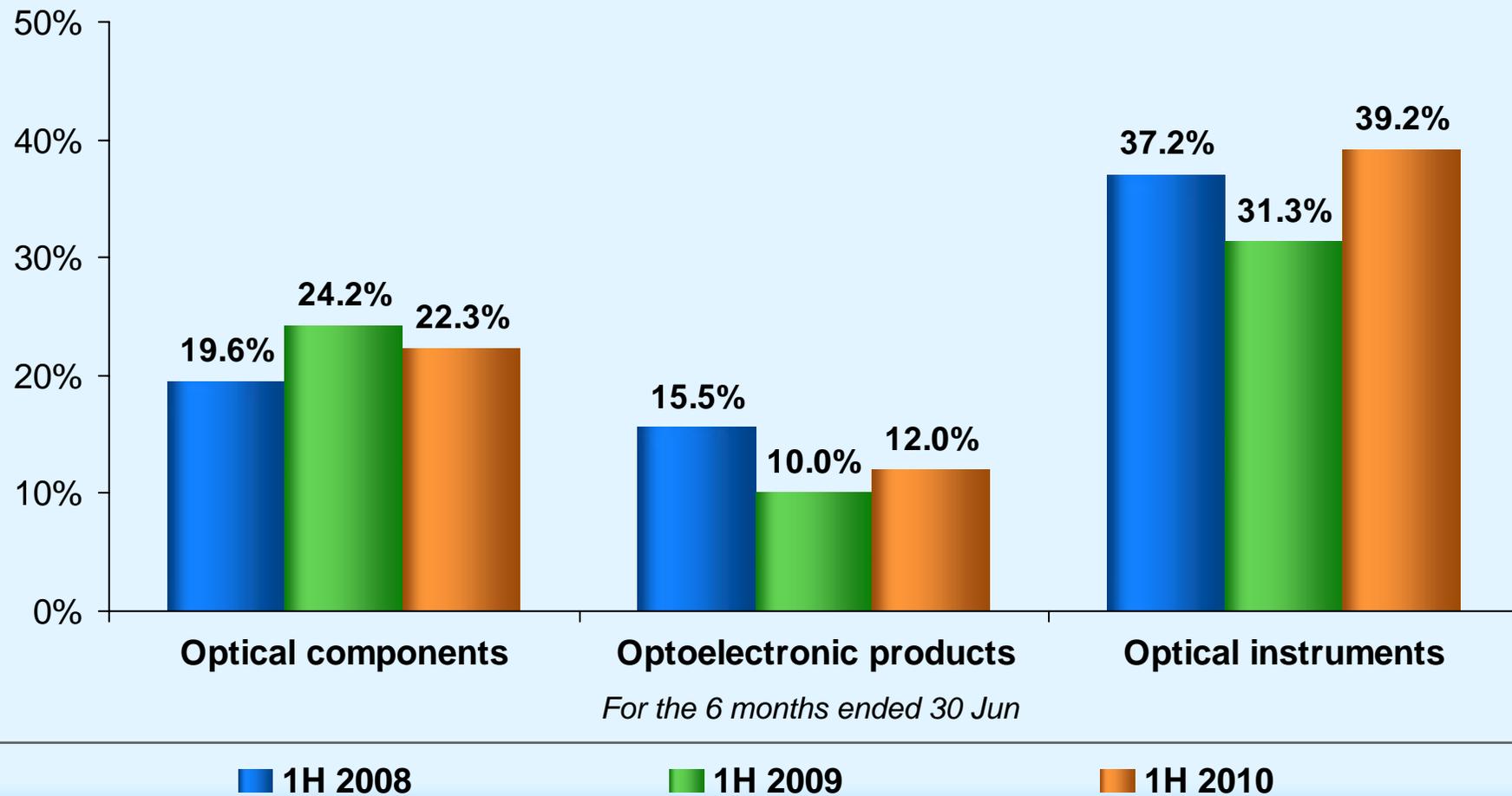


For the 6 months ended 30 Jun

Margin Overview



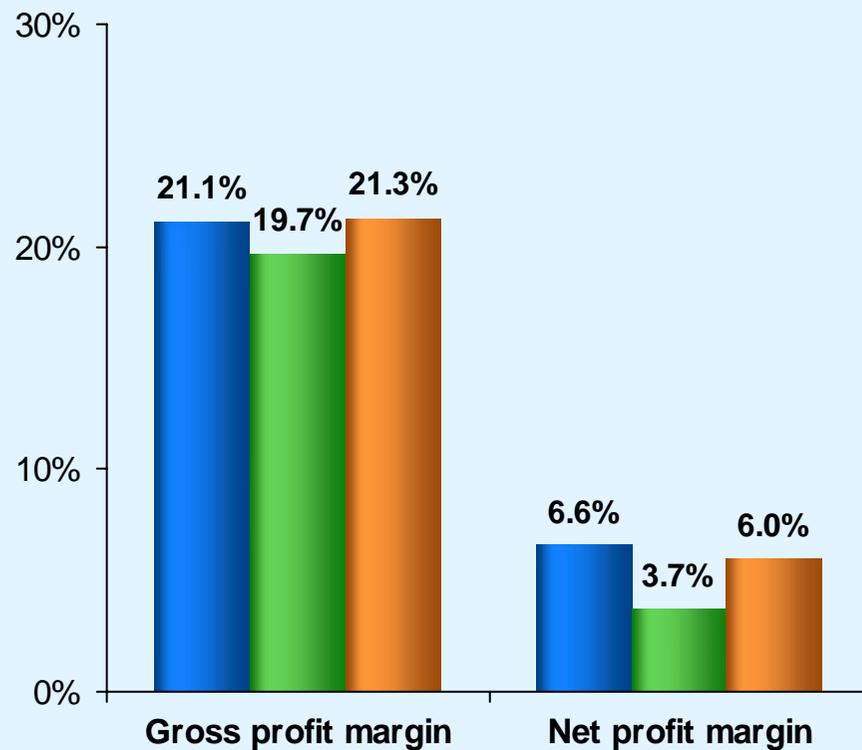
Gross Profit Margin by Business Segments



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

Operating Expenses Analysis



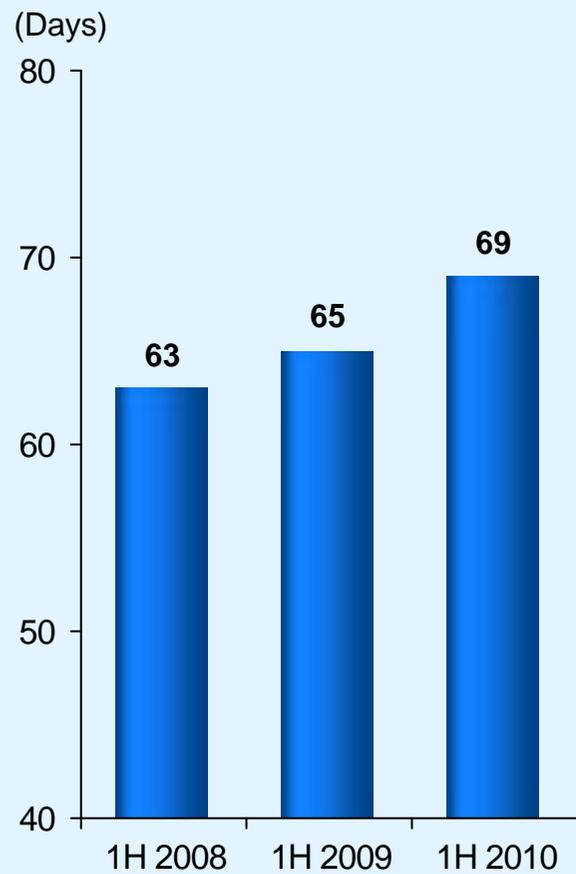
For the 6 months ended 30 Jun

	1H 2008		1H 2009		1H 2010	
	(RMB mn)	(As % of revenue)	(RMB mn)	(As % of revenue)	(RMB mn)	(As % of revenue)
Revenue	590.3	100.0%	547.3	100.0%	833.9	100.0%
Total operating expenses	92.9	15.8%	91.1	16.6%	117.7	14.2%
Selling and distribution expenses	14.7	2.5%	13.6	2.5%	20.6	2.5%
R&D expenses	23.9	4.1%	37.4	6.8%	45.5	5.5%
Administrative expenses	54.3	9.2%	40.1	7.3%	51.6	6.2%

Working Capital Management

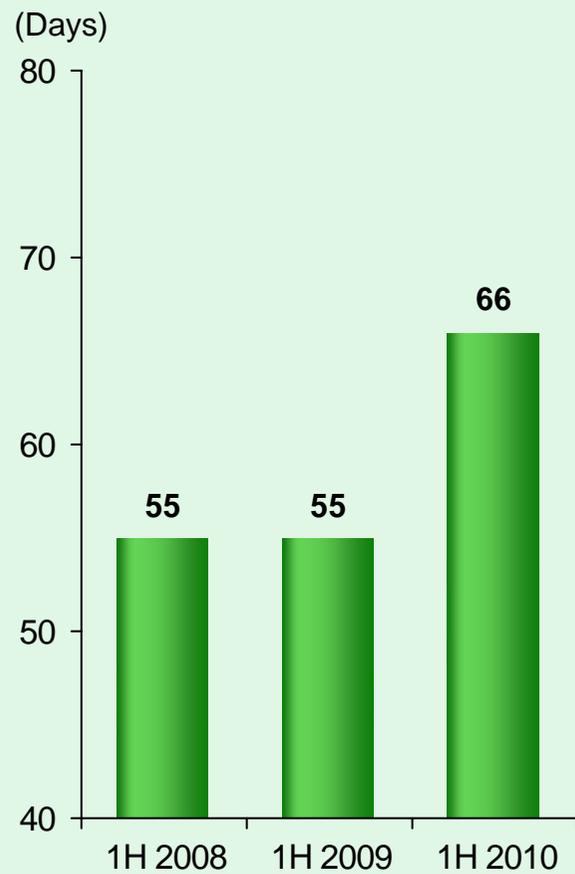


A/R Turnover



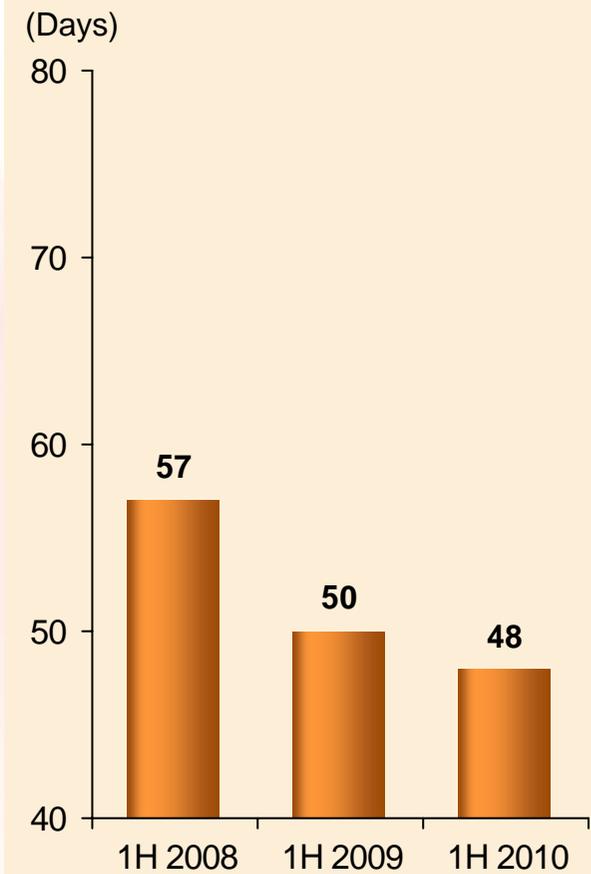
For the 6 months ended 30 Jun

A/P Turnover



For the 6 months ended 30 Jun

Inventory Turnover



For the 6 months ended 30 Jun

Solid Financial Position



For the 6 months ended 30 Jun

	1H 2008	1H 2009	1H 2010
Current ratio (<i>times</i>)	5.0	5.0	3.2
Operating cashflow (<i>RMB mn</i>)	58.7	46.6	49.1
Bank balances and cash (<i>RMB mn</i>)	387.5	689.0	666.5
Gearing ratio (%)	0	3.2	6.9
ROE (%)	3.0	1.5	3.5
Capital Expenditure (<i>RMB mn</i>)	101.3	29.6	35.5



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Review of Operations

Market Review



Handset Market



- Shipment volume of 3G handset in China increased persistently
- Price cuts of smartphones stimulated demand

DC Market



- Global demand of DSLR remained strong
- Japanese manufacturers shifted to procure more components from China, benefiting domestic suppliers of lenses

Optical Instrument Market



- Recovery of global economy boosted demand
- PRC Government Increased investments in environmental protection and food safety, drove demand for optical analytical instruments

SALES

**Economy Recovered
Markets Revived**

Business Review



Grasped the momentum of economic recovery Business performance improved stably in 2010 1H

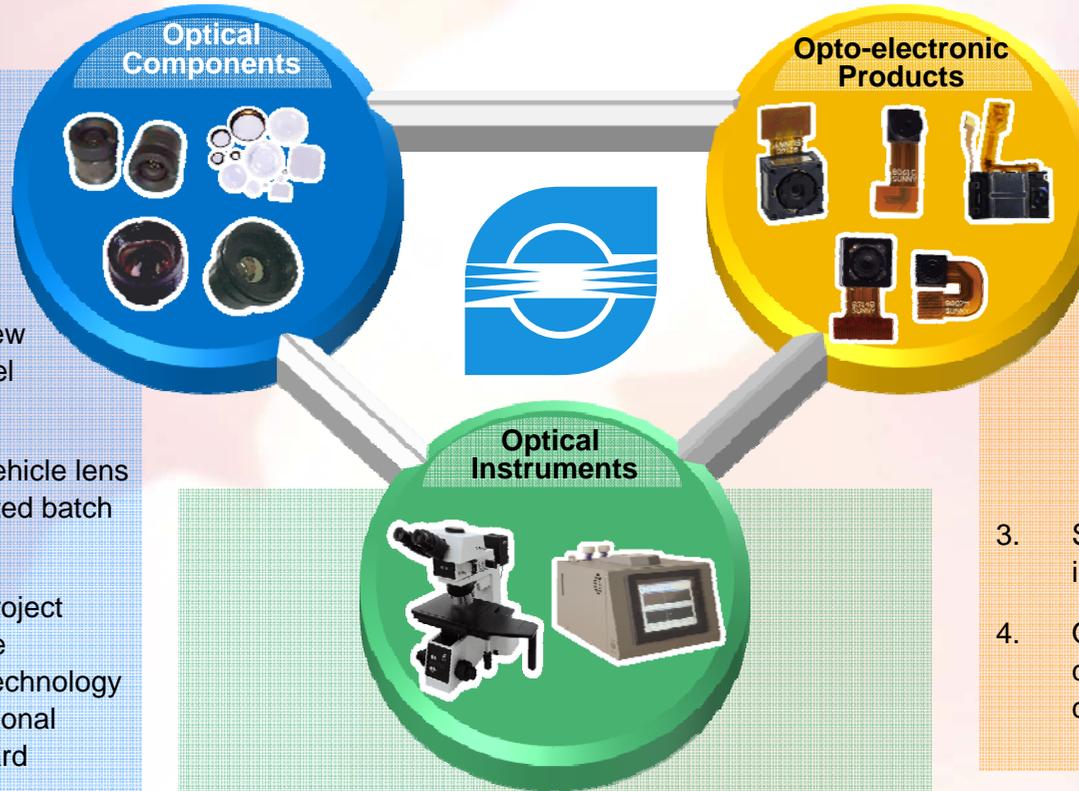
- Recorded higher growth rate for core businesses compared with market level
- Sources of income turned to be more balanced
- New businesses grew rapidly, revenue from vehicle lens sets business increased by 353%, infrared lens and lens sets business increased by 694% compared with 1H 2009
- Made an investment of RMB20 million to Visiondigi (Shanghai) Technology Co., Ltd, to expand product portfolio of security surveillance business
- Disposed of surveying instruments business from optical instruments business segment to concentrate the Group's resources on the development of the mid-high end microscopes, optical measuring instruments and analytical instruments businesses
- Implemented "Lean Production" effectively and improved productivity which led to the ratio of loss on scraps and spoiled materials dropped by 1.7 ppt.



Research & Development



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



1. "Lens set with extra wide view angle and low distortion", "New model of rear view and wide angle lens set with low cost" and the "Slim lens sets with ultra wide view angle" obtained utility model patents
2. Developed "Surrounding vehicle lens sets" successfully and started batch production
3. Pre-set vehicle lens sets project received subsidies from the Technology-based SME Technology Innovation Fund of the National Science & Technology Board
4. Acquired the ability to produce aspheric glass lenses
5. Breakthrough of automatic assembling techniques was made to apply on high resolution handset lens sets

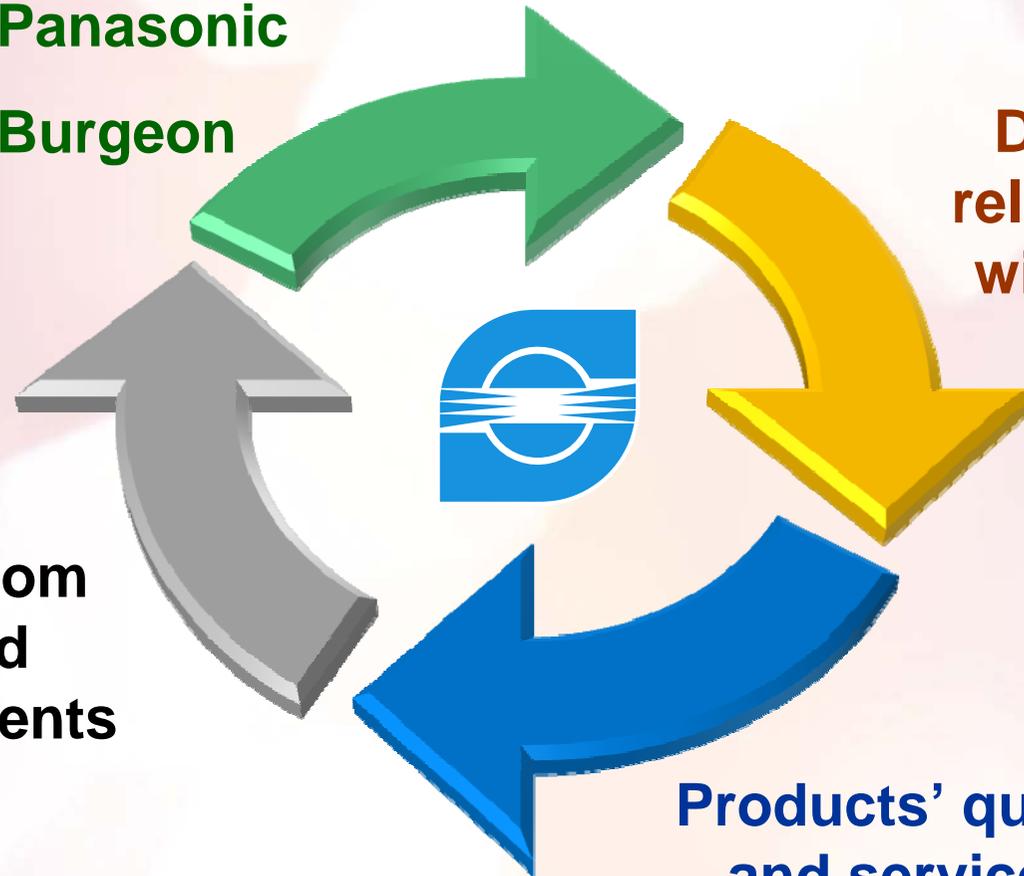
1. Development of Process mass spectrometer completed, sales were made on water treatment, bio-pharmaceuticals and petrochemical industry
2. Successfully developed laser doppler interferometer specifications and sales were made
3. Breakthrough of differential interference contrast technique was acquired,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

1. Successfully developed 8M pixel auto-focused handset lens sets and commenced small batch production
2. The particle resistant gluing technique used for handset camera modules with high resolution obtained invention patent
3. Security surveillance cameras were in the prototype stage
4. Optical touch screen module which can be used in integrated tablet PC commenced mass production



Top 5 Clients

- Samsung
- Panasonic
- Huawei
- Burgeon
- ZTE



Deepened relationships with clients

Acquired certifications from two renowned international clients

Products' quality and services recognized by clients



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%

Awards and Recognitions



2009 Sangfei
Outstanding
Suppliers



2009 Ningbo City
Safety (Model)
Enterprise



2010 Top 30 Electronic
Information Product
Enterprises



2010 Top 10 Electronic
Information Product
Export Enterprises



Yuyao
Charity Federation
Charity Model





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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

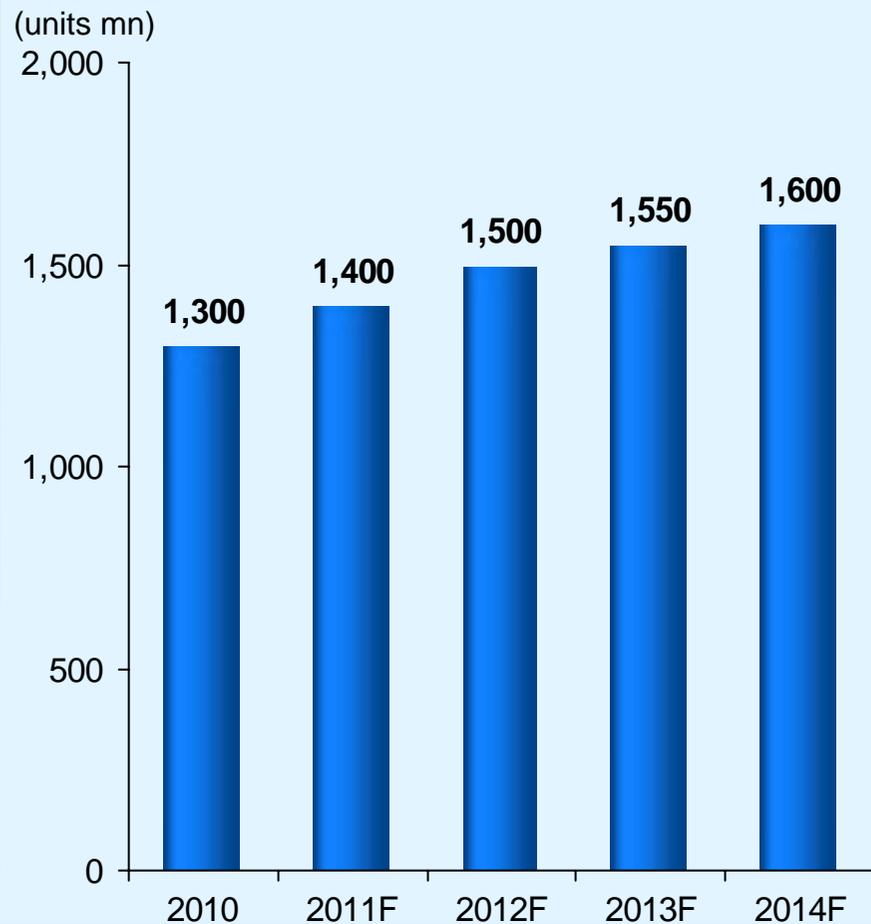


Global Market - The Global Economy Recovers Gradually

Stable Growth of Demand - Handset Market

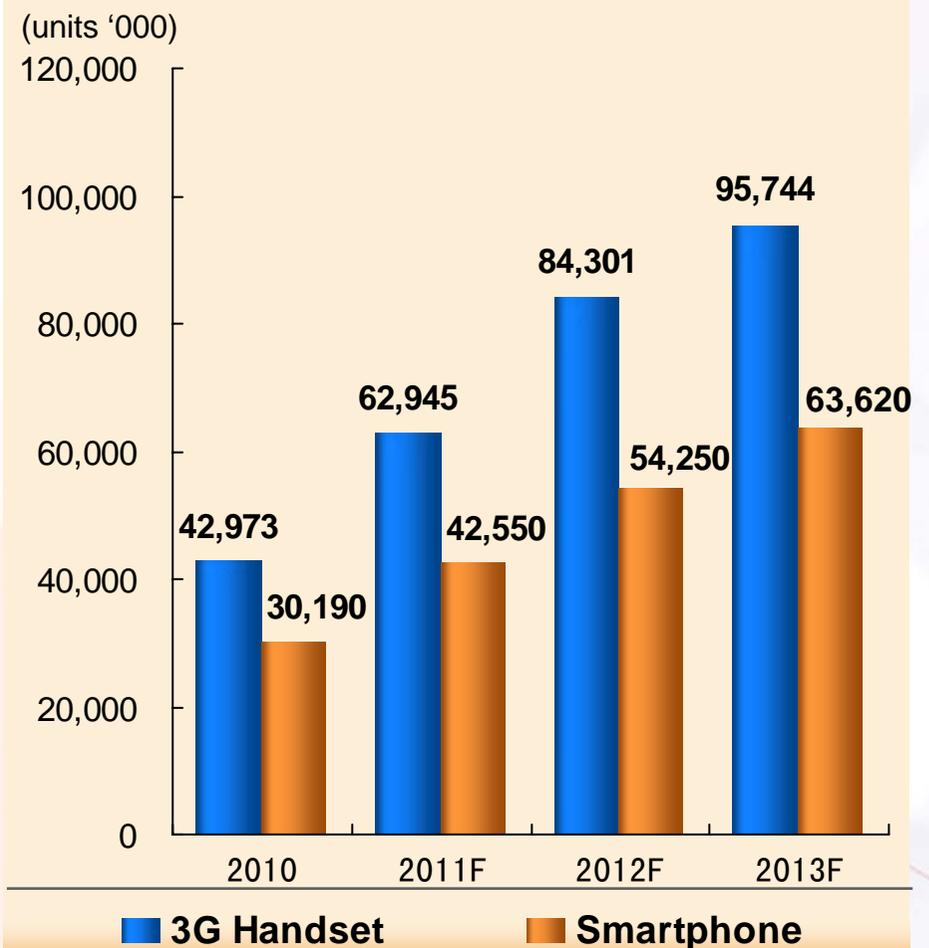


**Global Shipment of Handset
(2010 – 2014F)**



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)



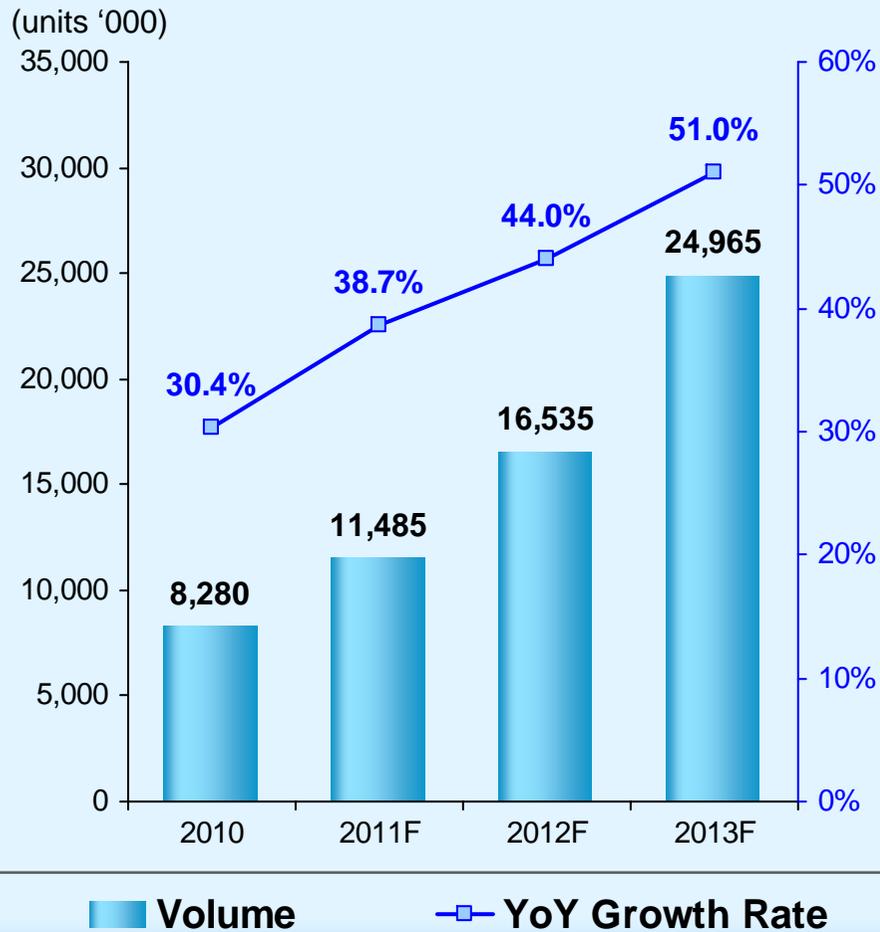
Source: Techno Systems Research Co., Ltd.

Stable Growth of Demand

- Vehicle Lens Sets and Infrared Instruments Market

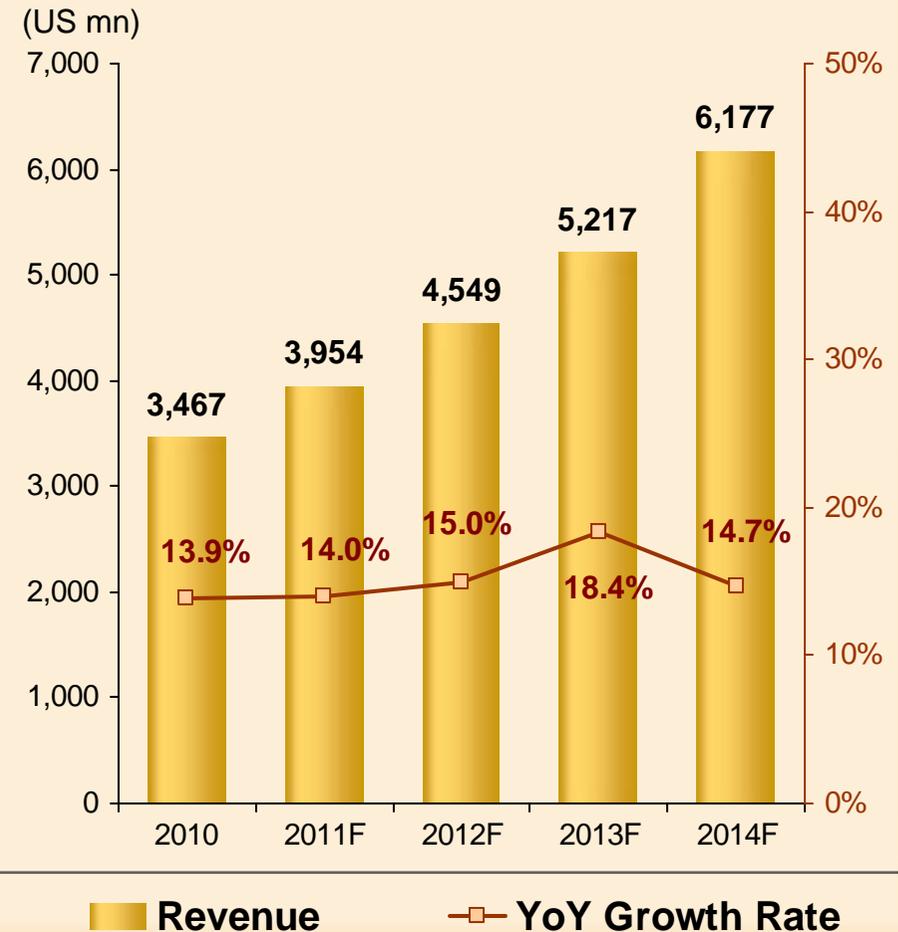


Global Market Forecast of Vehicle Camera Lens Module



Source: Techno Systems Research

Market Forecast of Global Infrared Instruments



Source: Maxtech International Inc.

Stable Growth of Demand - Security Surveillance Market

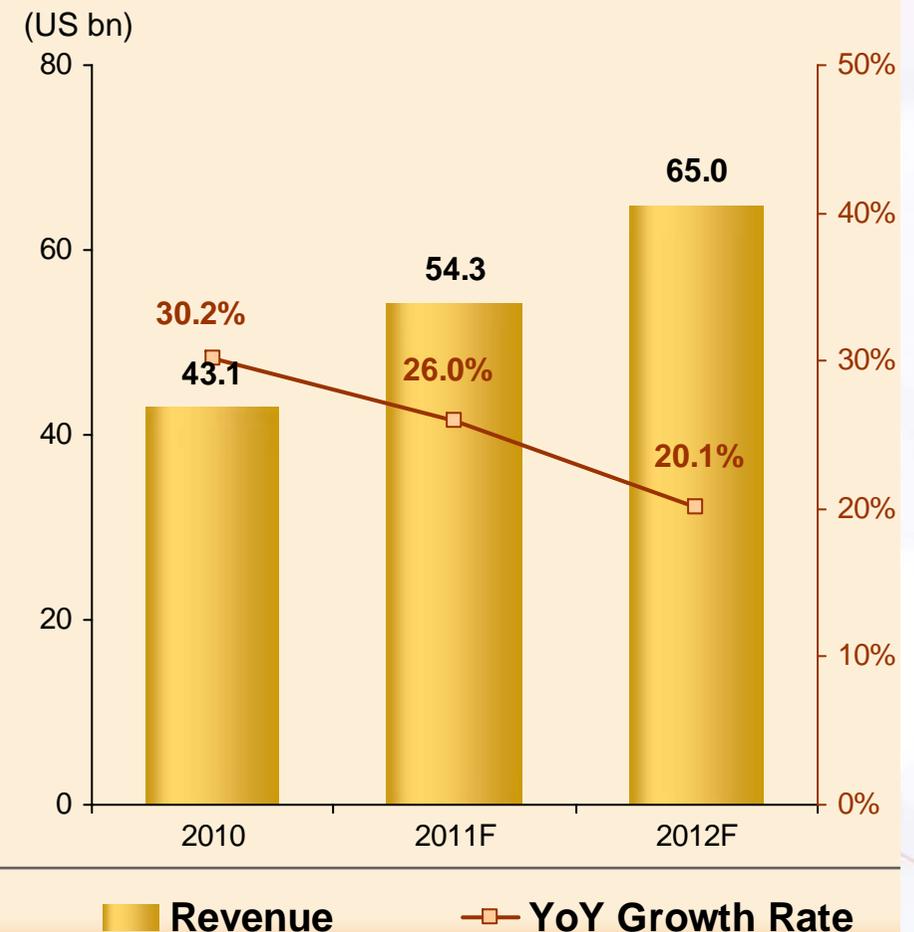


Revenue Forecast of Global Security Surveillance Camera



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



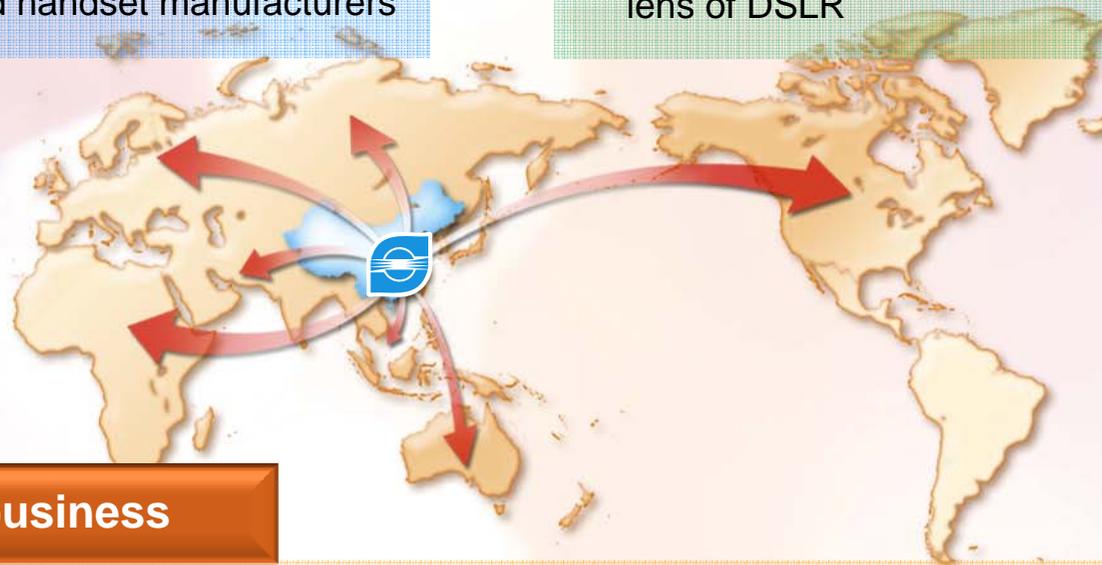
Seize opportunities from related markets
Continue to expand overseas market

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





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Open Forum

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