Sunny Optical Technology (Group) Company Limited
舜宇光学科技(集团)有限公司
股份代号: 2382

A Leading Integrated Optical and Optoelectronic Component Producer

June 2011
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Investment Highlights
Investment Highlights

- All business segments sustain growth:
  - beneficiary of rising demands of smartphones and 3G handsets
  - greater market share in digital camera divisions
  - Products for new optical application develop favourably

- Improving product mix and client base amid higher operating efficiency and wider application will continue to drive above-industry-average growth

- Solid financial position with cash of RMB700mn

Becomes a Constituent Stock of MSCI Global Small Cap Indices
### Peer Comparison

**Focus on optical application, diversification of products**

<table>
<thead>
<tr>
<th>Companies</th>
<th>Location</th>
<th>Key Technologies or Products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Glass lenses</td>
</tr>
<tr>
<td>Sunny Optical</td>
<td>PRC</td>
<td>✓</td>
</tr>
<tr>
<td>Phenix Optics</td>
<td>PRC</td>
<td>✓</td>
</tr>
<tr>
<td>Largan Precision</td>
<td>Taiwan</td>
<td></td>
</tr>
<tr>
<td>Kinko</td>
<td>Taiwan</td>
<td>✓</td>
</tr>
<tr>
<td>Altus</td>
<td>Taiwan</td>
<td></td>
</tr>
<tr>
<td>Liteon</td>
<td>Taiwan</td>
<td></td>
</tr>
</tbody>
</table>
Company Overview
Leading Integrated Optical and Optoelectronic Component Producer in China

- Over 26 years of professional experience
- Strong capabilities of R&D, technology and manufacturing.

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

Zhejiang Headquarters
- Employees: about 5727

Production facility in Zhongshan
- Employees: about 2538

Production facility in Shanghai
- Employees: about 177

Production facility in Tianjin
- Employees: about 473
1) Mr. Wang, the Chairman and an executive Director, holds the entire issued share capital of Sun Ji in favor of all the 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 31 May 2011.
Fruitful Achievements in R&D - Hi-tech Barrier

- **Unceasing Upgrade of Existing Products Needs Core Technology Competence**
  - Mass production for 5-mega and 8-mega pixel handset lens sets and camera modules with auto-focus function has been successfully launched
  - Development of 12-mega pixel handset camera modules has accomplished
  - Reflow handset camera modules, which enjoyed cost advantages and required high technology commenced the mass production
  - The Group has obtained the ascendant capability in producing DSLR lenses highlighted with high precision and sophistication

- **Developments of Products for Emerging Optical Applications Requires Innovation in R&D and Accumulation in Technology**
  - Several types of vehicle lens sets obtained Utility model patents in spite of strict requirements of environmental testing
  - Developments for numbers of teaching interactively microscope systems, analytical instruments oriented for spectrophotometer, gas chromatograph and mass spectrometer and high-end measuring machines have been accomplished
  - Security surveillance products entered into R&D upgrading procedures
  - Development for several types of micro-projectors and engines have been accomplished
  - Various of infrared lens sets developed for vehicle and security use

- **Production Technology Needs to be Upgraded Continuously**
  - “Particle-resistant gluing technique for camera modules for handset with high resolution technology” which has obtained invention patent
  - Breakthrough has been made in the technology for manufacturing glass aspheric lenses named “several cavities per mold”
  - Breakthrough has been secured in molding of plastic aspheric lens with narrow path
  - Automatic production and inspection technology for lens sets was further developed and applied
  - DIC “Differential Interference Contrast” technology achieved and strengthen the leading position of domestic microscope industry
**Strong Client Base**

**Top Five Customers**

- Samsung
- Panasonic
- Huawei
- ZTE
- Nikon

**DSC Lenses Business**

- Samsung
- Panasonic
- Nikon
- Sony
- Olympus
- Konica-Minolta
- Pentax
- Topcon
- Fujinon
- NEC
- LG

**Handset Lens Sets Business**

- Sharp (Nokia)
- Samsung
- Foxconn
- Truly
- Global Optics

**Handset Camera Modules Business**

- Sharp
- Huawei
- ZTE
- Coolpad
- Lenovo
- Oppo
- Tianyu
- Sangfei
- Foxconn
- Gionee

**Optical Instruments Business**

- Keyence
- Carl Zeiss
- Optika
- Amscope

**Other Businesses**

- Panasonic
- Sanyo
- Liteon
- Primax
- Magna
- Continental
- Delphi
- Autoliv
- Steel-mate
- TTE
- Ricoh
- Sindoh
- Silitech
- Microtek

**Renowned Customers**
## Capacity Utilization Rates

### 2011 CAPEX Plan:
- **RMB 150 million for expansion of existing production capacities and set up capacity for new products**
- **RMB 100 million for establishing a new production base in Henan**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 1Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lenses ((mn units))</td>
<td>70.4%</td>
<td>85.0%</td>
<td>88.4%</td>
<td>86.5%</td>
</tr>
<tr>
<td>Lens sets (mn units)</td>
<td>47.8%</td>
<td>64.9%</td>
<td>75.1%</td>
<td>74.6%</td>
</tr>
<tr>
<td>Optoelectronic products (mn units)</td>
<td>45.7%</td>
<td>43.1%</td>
<td>70.2%</td>
<td>99.0%</td>
</tr>
<tr>
<td>Optical instruments (’000 sets)</td>
<td>62.7%</td>
<td>61.8%</td>
<td>86.2%</td>
<td>73.4%</td>
</tr>
</tbody>
</table>
Financial Highlights
Result Highlights

Experienced the financial crisis in 2008, the Group has begun to restore the sound growth momentum.

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>1,309.6</td>
<td>1,818.1</td>
<td>+38.8%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>274.0</td>
<td>392.0</td>
<td>+43.1%</td>
</tr>
<tr>
<td><strong>Impairment loss on goodwill</strong></td>
<td>--</td>
<td>8.1</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>99.7</td>
<td>164.9</td>
<td>+65.4%</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(12.8)</td>
<td>(26.7)</td>
<td>+108.9%</td>
</tr>
<tr>
<td><strong>Profit attributable to owners</strong></td>
<td>91.9</td>
<td>143.8</td>
<td>+56.4%</td>
</tr>
<tr>
<td><strong>Basic earnings per share (RMB cents)</strong></td>
<td>9.19</td>
<td>14.7</td>
<td>+60.0%</td>
</tr>
<tr>
<td><strong>Proposed final dividend (RMB cents)</strong></td>
<td>2.0</td>
<td>4.35</td>
<td>+117.5%</td>
</tr>
</tbody>
</table>
Revenue Breakdown

Recorded Satisfactory Growth in Sales of All Business Segments

Business Segment Sales as a Percentage of Total Revenue

For the years ended 31 December

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optical Components</td>
<td>580.0</td>
<td>637.3</td>
<td>903.3</td>
</tr>
<tr>
<td>Optoelectronic Products</td>
<td>557.1</td>
<td>545.7</td>
<td>720.1</td>
</tr>
<tr>
<td>Optical Instruments</td>
<td>130.0</td>
<td>126.6</td>
<td>194.7</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>1,267.1</td>
<td>1,309.6</td>
<td>1,818.1</td>
</tr>
</tbody>
</table>

1,267.1 1,309.6 1,818.1

Recorded Satisfactory Growth in Sales of All Business Segments
Extensive Product Applications

Sales Breakdown by Products

Percentage of Sales of the Group’s Revenue for the years ended 31 December

2008
- Handset Related Products: 53%
- Digital Camera Related Products: 21%
- Optical Instruments: 9%
- Vehicle Lens Sets: 16%

2009
- Handset Related Products: 44%
- Digital Camera Related Products: 27%
- Optical Instruments: 8%
- Vehicle Lens Sets: 19%

2010
- Handset Related Products: 39%
- Digital Camera Related Products: 30%
- Optical Instruments: 10%
- Vehicle Lens Sets: 18%
- Other Products: 3%
Profit Margin Overview

- Increase in gross profit margin is mainly due to:
  1. Improvement in product mix
  2. Increase in utilization rate
  3. Positive effects on implementation of Lean Production

- Increase in net profit margin is mainly due to:
  1. Increase in gross profit
  2. Effective control over operation expenses

Gross Profit Margin and Net Profit Margin

For the years ended 31 December

Increase in net profit margin is mainly due to:
1. Increase in gross profit
2. Effective control over operation expenses

Gross Profit Margin by Business Segments

For the years ended 31 December

* Since the optical spherical lens sales as a proportion of Optical Components sales increased, gross profit of Optical Components business segment decreased slightly
## Operating Expenses Analysis

For the years ended 31 December

<table>
<thead>
<tr>
<th>(RMB mn)</th>
<th>2008</th>
<th>(As % of revenue)</th>
<th>2009</th>
<th>(As % of revenue)</th>
<th>2010</th>
<th>(As % of revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>1,267.1</td>
<td>100.0%</td>
<td>1,309.6</td>
<td>100.0%</td>
<td>1,818.1</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>195.1</td>
<td>15.3%</td>
<td>196.4</td>
<td>15.0%</td>
<td>250.9</td>
<td>13.8%</td>
</tr>
<tr>
<td><strong>Selling and distribution expenses</strong></td>
<td>31.0</td>
<td>2.4%</td>
<td>31.9</td>
<td>2.4%</td>
<td>43.9</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>R&amp;D expenditure</strong></td>
<td>56.1</td>
<td>4.4%</td>
<td>75.9</td>
<td>5.8%</td>
<td>99.6</td>
<td>5.5%</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>108.0</td>
<td>8.5%</td>
<td>88.6</td>
<td>6.8%</td>
<td>107.4</td>
<td>5.9%</td>
</tr>
</tbody>
</table>
Outlook and Development Strategies
Carry Out Management Innovation in Every Way

Human Resources

- Introduction of staff capability model to enhance the quality of the staff
- Continue to adopt the restricted share award scheme
- Implement the “Length of Service Allowance” system

Delicacy Management

- Continuous implementation of “Lean Production”
- Enhance operational efficiency and quality
- Build a brand management system

IT System

- Thorough implementation of the SAP system to support the business operation and development
Dedicated to and Focused on the Existing Industries

- Enhance the level of customer base and enter into the high-end markets
- Enrich the product mix to take advantage of its competitiveness
- Enhance R&D capabilities and added value of products
- For handset camera lens sets and camera modules, strive to enter into first class international handset supply chain
- Enhance the production capability of DSLR camera lens, aim to be No.1 of DSLR lens supplier
- Further develop both domestic and overseas markets of optical instruments

**Global Shipment and Growth Rate of Smartphones (2010 - 2015F)**

![Graph showing Global Shipment and Growth Rate of Smartphones](source: Gartner)

**Global Shipment and Growth Rate of DSLR (2010 - 2012F)**

![Graph showing Global Shipment and Growth Rate of DSLR](source: MIC)
Accelerate the Development of New Business

**Market Forecast of Domestic Video Security System**

- Maintain a rapid growth on vehicle imaging business with incessant exploration
- Make every effort to develop the business of infrared products, aim to double the Group’s revenue in the future
- Speed up the R&D and marketing of security cameras

**Market Forecast of Global Infrared Instruments**

**Global Market Forecast of Vehicle Camera Lens Module**

Source: IDC US ‘mn US ‘bn

Source: Techno Systems Research

Source: Maxtech International Inc.

Source: Techno Systems Research
Development Strategies

Dedicated to and focused on the existing industries

Accelerate the development of new businesses

Carry out management innovation in every way
Open Forum

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