



Sunny Optical Technology (Group) Company Limited  
舜宇光學科技(集團)有限公司

Stock Code: 2382

*A Leading Integrated Optical and  
Optoelectronic Product Enterprise  
in the PRC*

*2007 Annual Results  
Corporate Presentation*



# Disclaimer



- ❏ **The information contained in this presentation is intended solely for your personal reference. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning Sunny Optical Technology (Group) Company Limited (the “Company”). The Company makes no representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.**
- ❏ **In addition, the information contains projections and forward-looking statements that may reflect the Company’s current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the Company’s assumptions are correct. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Company’s financial or trading position or prospects.**
- ❏ **This presentation does not constitute an offer or invitation to purchase or subscribe for any securities or financial instruments or to provide any investment service or investment advice, and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto.**

# Agenda



**Results Summary**

**Financial Highlights**

**Review of Operations**

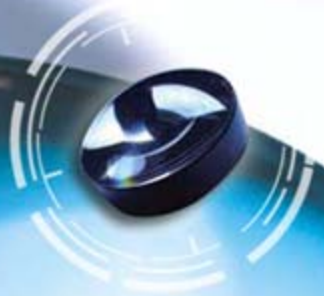
**Outlook and Development Strategies**

**Open Forum**



Sunny Optical Technology (Group) Company Limited  
舜宇光學科技(集團)有限公司

# Results Summary



# Results Summary



- Further strengthened its position as the leading integrated optical and optoelectronic product enterprise in China
- Impressive revenue growth of 53.4% year-on-year to RMB1,381.9 million
- Profit attributable to equity holders surged 92.3% to RMB225.4 million
- Further broadened international customer base, with Samsung as the largest customer, accounting for 12.0% of revenue
- Strengthened international presence with the establishment of an R&D centre in Singapore; together with sales offices in Japan and Korea, enhanced footprint in three of Asia's strategic markets
- Ranked as one of the “**China Best SMEs 2008**” by *Forbes Magazine*

# Three Categories of Core Products



## Optical components

(glass/plastic lenses and various lens sets)



## Optoelectronic products

(mobile phone camera modules, CCTV and PC camera modules)



## Optical instruments

(surveying and analytical instruments)



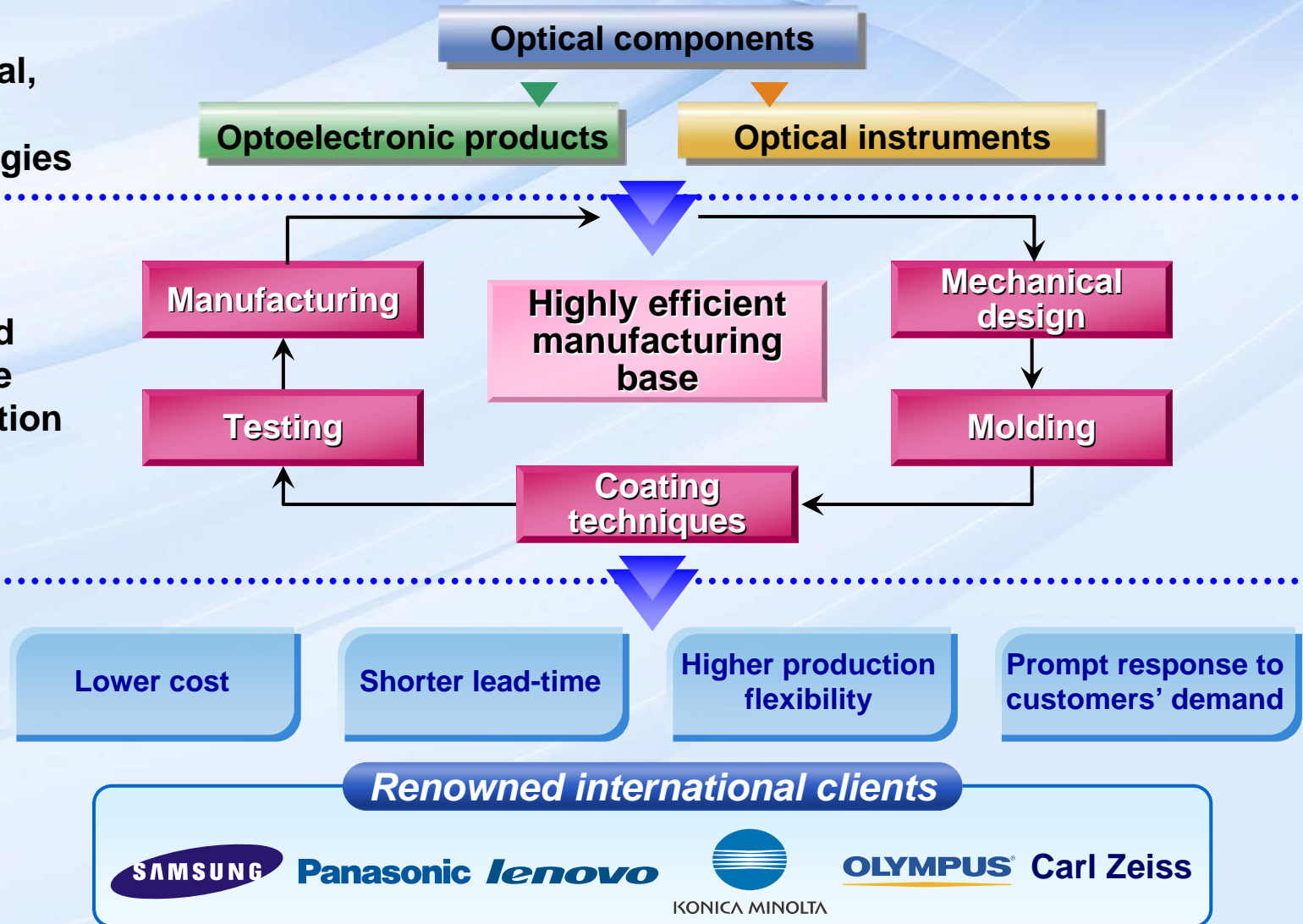
# Business Model



Unrivalled ability of integrating optical, mechanical and electronic technologies

Vertically integrated manufacturing base with strong production know-how

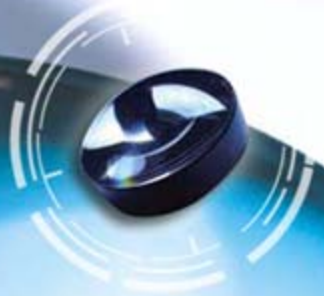
Market leading position with strong and diverse customer base





Sunny Optical Technology (Group) Company Limited  
舜宇光學科技(集團)有限公司

# Financial Highlights





# Results Highlights



(RMB mn)

**2007**

**2006**

**Change**

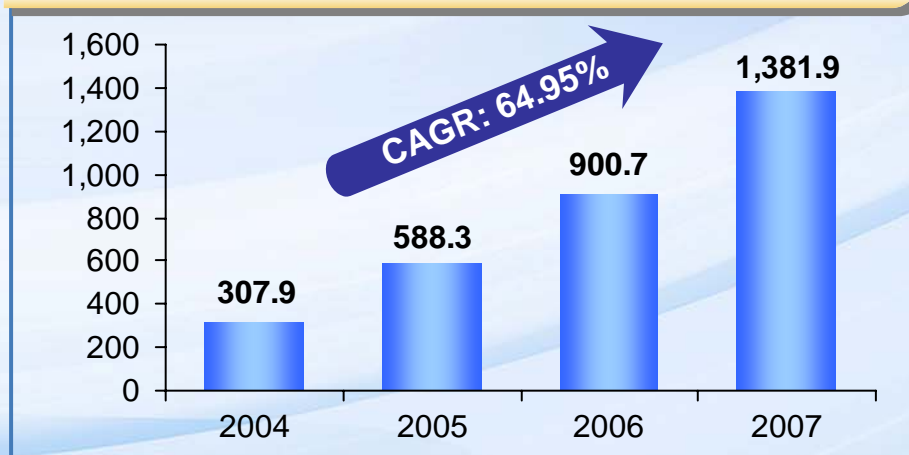
*For the year ended 31 December*

Revenue	<b>1,381.9</b>	900.7	<b>+53.4%</b>
Gross profit	<b>376.6</b>	247.8	<b>+52.0%</b>
Profit before tax	<b>236.3</b>	166.0	<b>+42.4%</b>
Profit attributable to equity holders	<b>225.4</b>	117.2	<b>+92.3%</b>
Basic earnings per share (RMB)	<b>0.25</b>	0.20	<b>+25.0%</b>
Final dividend per share (RMB)	<b>0.021</b>	-	<b>N.A</b>

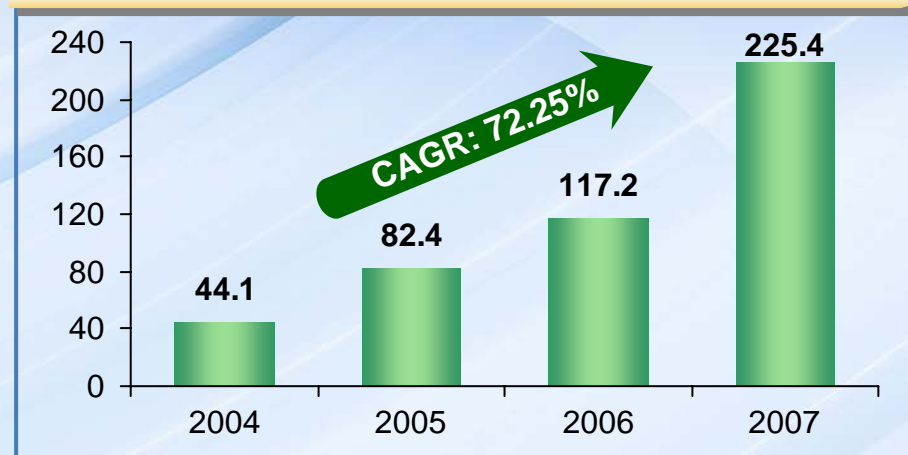
# Strong Sustainable Growth



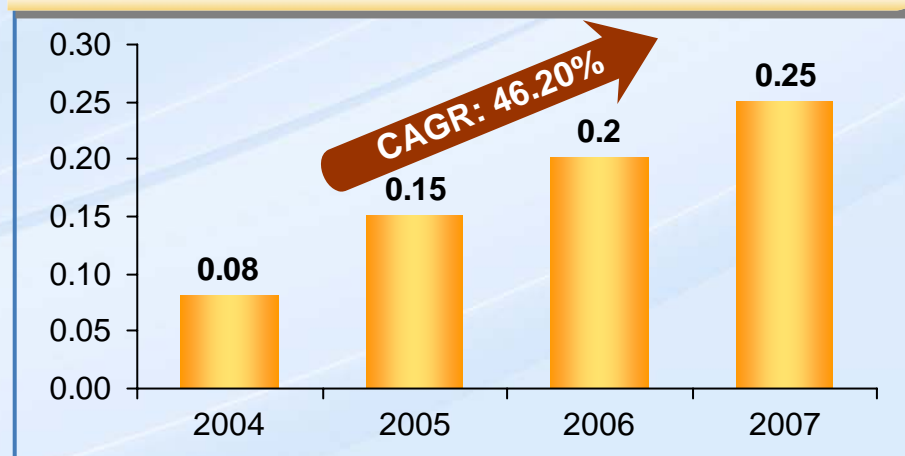
## Revenue (RMB mn)



## Profit Attributable to Equity Holders (RMB mn)

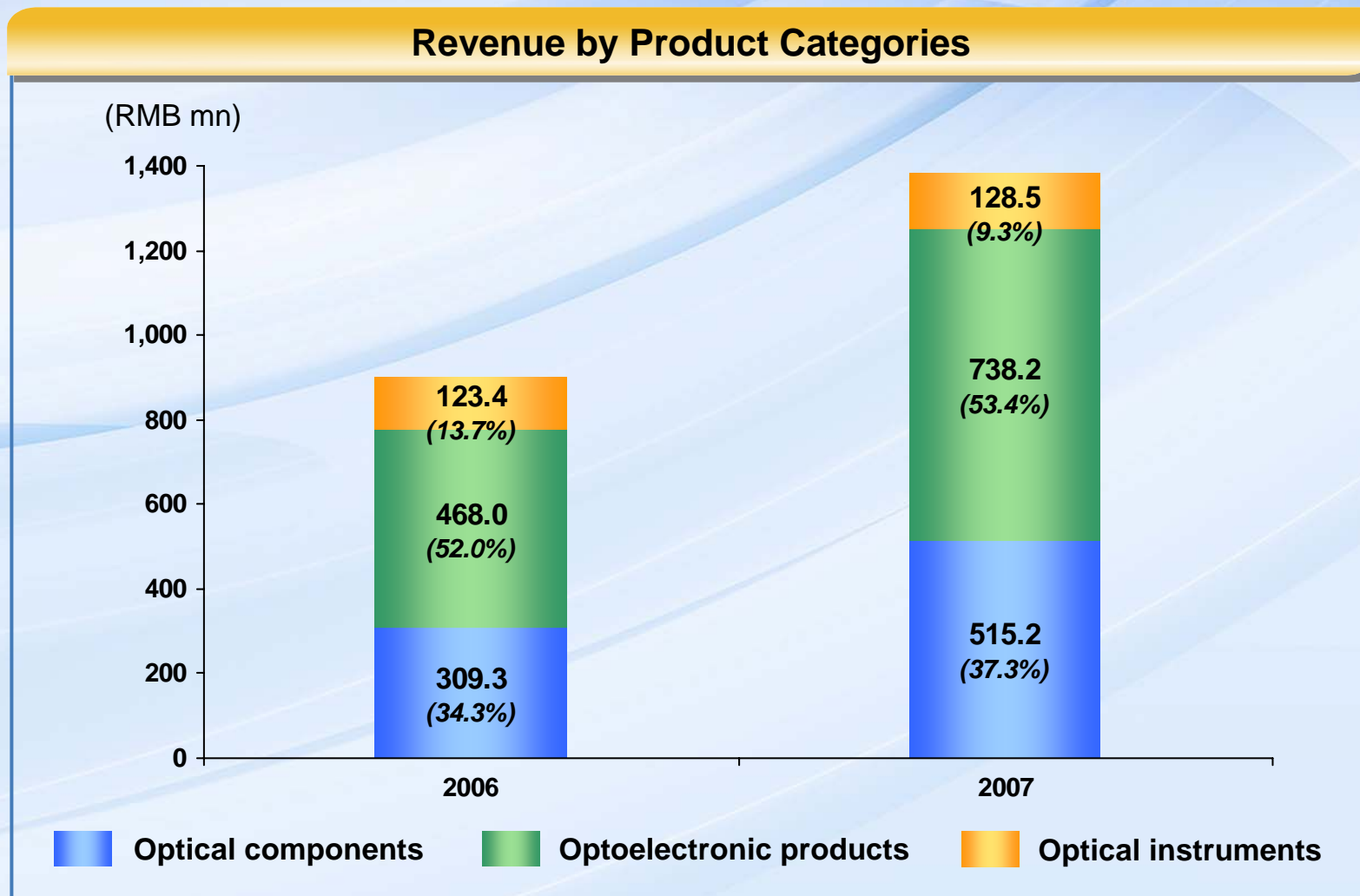


## EPS (RMB)



For the year ended 31 December

# Revenue Analysis by Product Categories



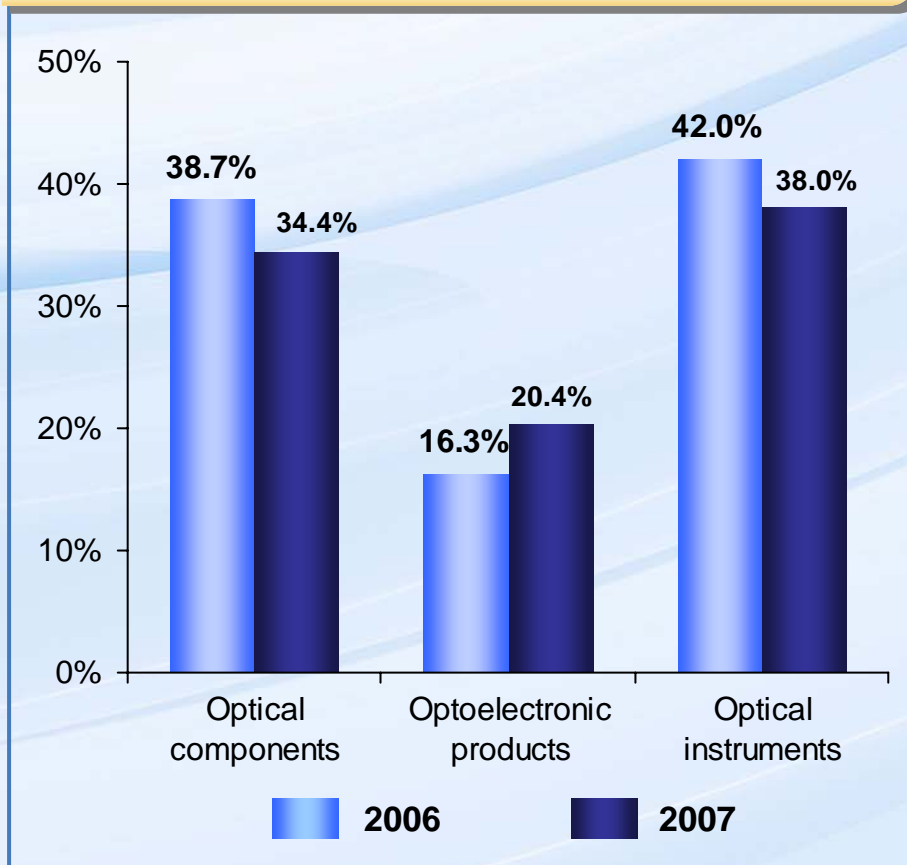
*Figures in brackets denote sales as a percentage of total revenue  
For the year ended 31 December*

# Margin Overview

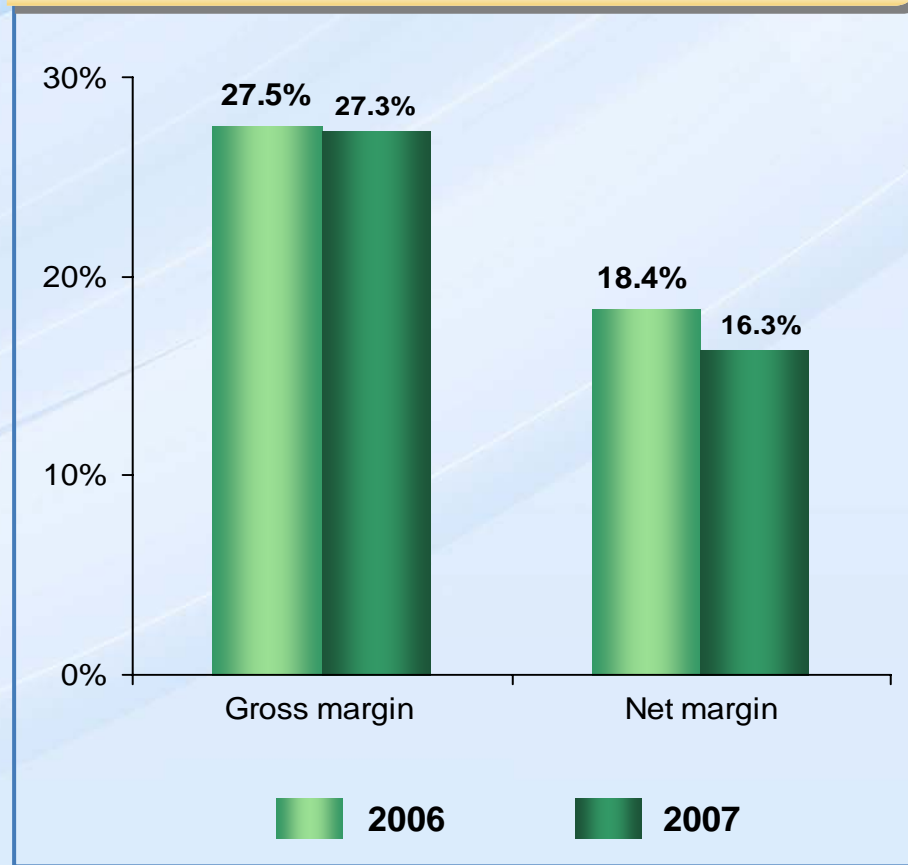


- Stable overall gross profit margin at 27.3%
- Net margin declined to 16.3% as a result of increased effective tax rate

### Gross Profit Margin by Products



### Overall Margin Overview



For the year ended 31 December

# Operating Expenses Analysis



**2007**

**2006**

*For the year ended 31 December*

*RMB mn*    *As % of revenue*

*RMB mn*    *As % of revenue*

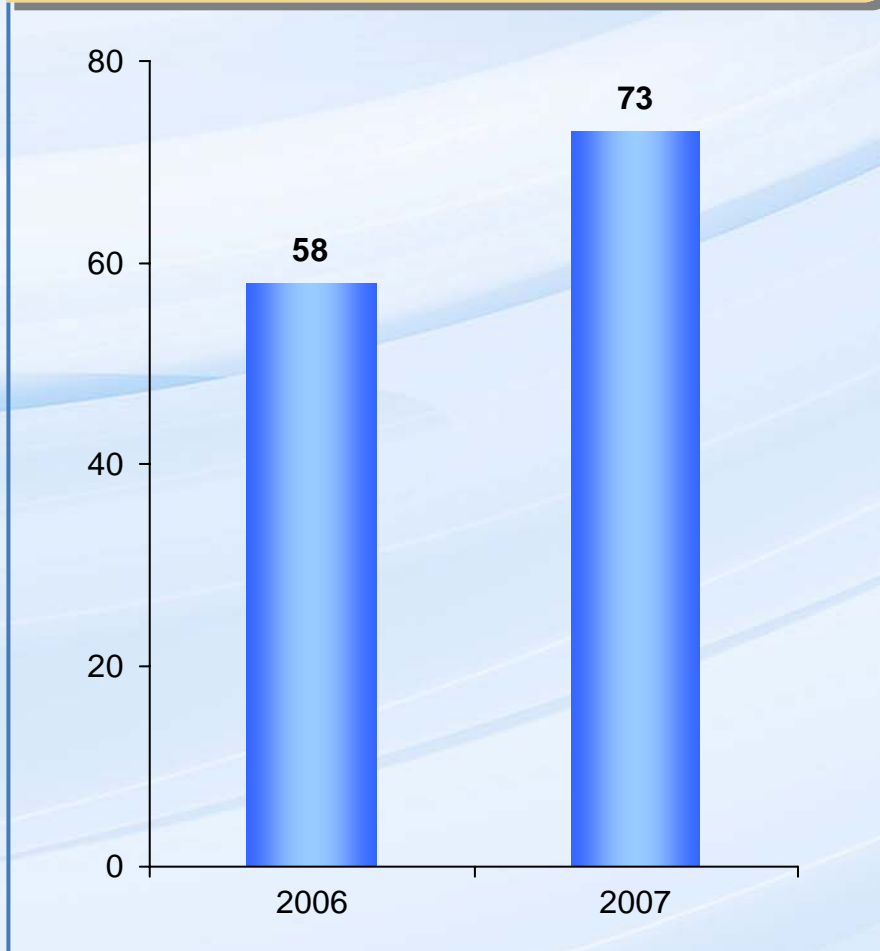
	<b>2007</b>	<b>2006</b>
	<i>RMB mn</i> <i>As % of revenue</i>	<i>RMB mn</i> <i>As % of revenue</i>
<b>Revenue</b>	<b>1,381.9</b> <b>100.0%</b>	900.7    100.0%
• <b>Sales and distribution expenses</b>	<b>32.9</b> <b>2.4%</b>	19.1    2.1%
• <b>R&amp;D expenses</b>	<b>28.5</b> <b>2.1%</b>	12.3    1.4%
• <b>Administrative expenses*</b>	<b>121.1</b> <b>8.8%</b>	55.7    6.2%
<b>Total operating expenses</b>	<b>182.5</b> <b>13.3%</b>	87.1    9.7%

*Note: Administrative expenses in 2007 included non-recurring listing expenses of RMB 16.62 million*

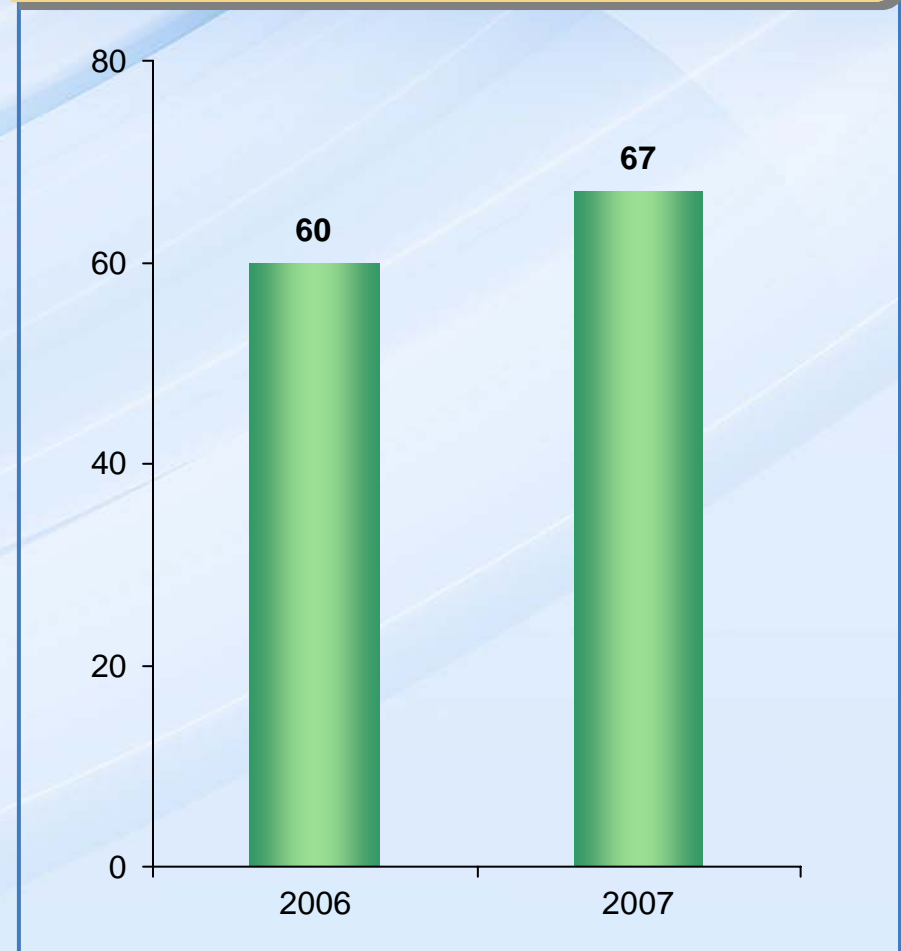
# Working Capital Management (1)



## A/R Turnover (Days)



## A/P Turnover (Days)



*For the year ended 31 December*







# Working Capital Management (2)



*For the year ended 31 December*

# Solid Financial Position



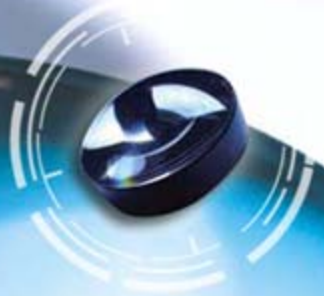
	2007	2006
	<i>As at 31 December</i>	
 <b>Current ratio (times)</b>	<b>4.1</b>	1.1
 <b>Operating cashflow (RMB mn)</b>	<b>160.1</b>	258.2
 <b>Bank balances and cash (RMB mn)</b>	<b>543.7</b>	160.3
 <b>Gearing ratio (%)</b>	<b>N.A</b>	N.A.
 <b>ROE (%)</b>	<b>17.4</b>	46.8
 <b>Capex (RMB mn)</b>	<b>170.3</b>	111.4





Sunny Optical Technology (Group) Company Limited  
舜宇光學科技(集團)有限公司

# Review of Operations



# Expanded Customer Base



- Products sold to over 40 countries and regions
- Further strengthened business cooperation with international customers

## 2006 Top 5 Customer Groups

**Burgeon**

**Panasonic**

**Samsung**

**Cking**

**Lenovo**

## 2007 Top 5 Customer Groups

**Samsung**

**Burgeon**

**Tianyu**

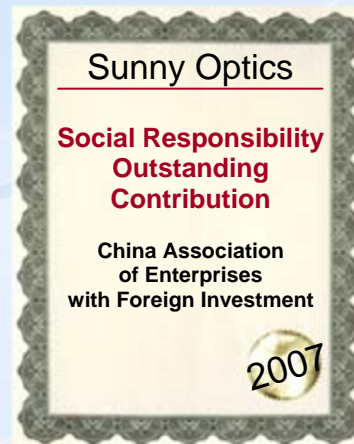
**Panasonic**

**Huawei**

# Accolades and Recognition from Customers



- Received high recognition from customers as a partner of choice for its high quality products and timely delivery



# Product Research and Development Updates



## Optical components:

- ☒ Fostered cooperation with Power Optics Co., Ltd. in Korea to jointly develop 3x 3 Mega pixel zoom lens sets



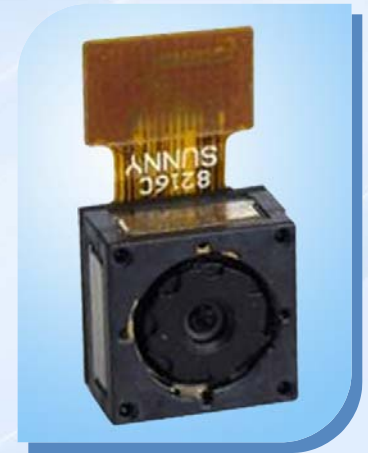
*IR lens set*

## Optoelectronic products:

- ☒ Introduced COB technology to produce camera modules for handset use
- ☒ Developed auto-focus camera modules



*3 x 3M zoom lens set*



*AF camera module*

## Optical Instruments:

- ☒ Broadened product offering with the launch of new analytical instruments
  - ☒ New generation of UV-spectrophotometers
  - ☒ Gas chromatographs



*Gas chromatographs*





*UV-spectrophotometer*

# Optical Components


## – Widening Product Applications





### Production and technology development

-  Commenced production of new 8 mega pixel lens sets for DSC
-  Established a designated automobile lens division to develop lens sets for automobile use and provided products to a customer in Germany

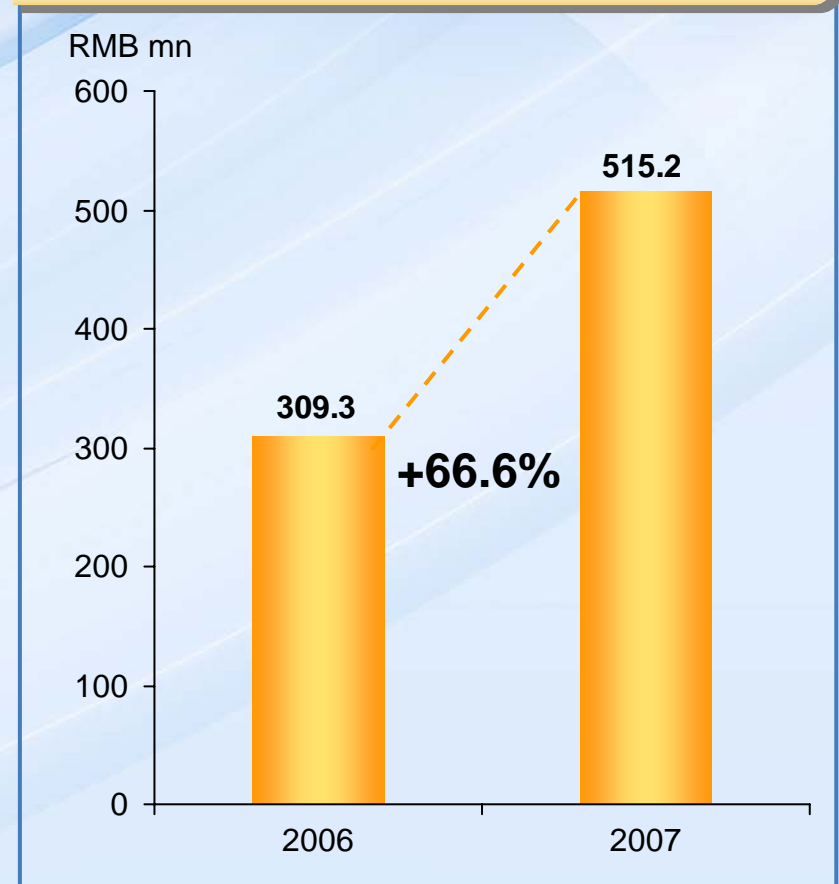
### New product sales

-  Supplied handset lens sets to Samsung, with monthly production reaching 1.2 million pcs

### Customer base

-  Samsung has become the Group's largest optical component customer
-  New customers included:
  - Pentax
  - NEC
  - Topcon Optical

### Sales of Optical Components






# Optoelectronic Products


## – *The Revenue Driver*





### **Production and technology development**

-  Produced 0.3M to 3.0 M camera modules with CSP and COB technologies
-  Developed auto-focus camera modules and commenced mass production
-  Commenced the R&D of products for CCTV use

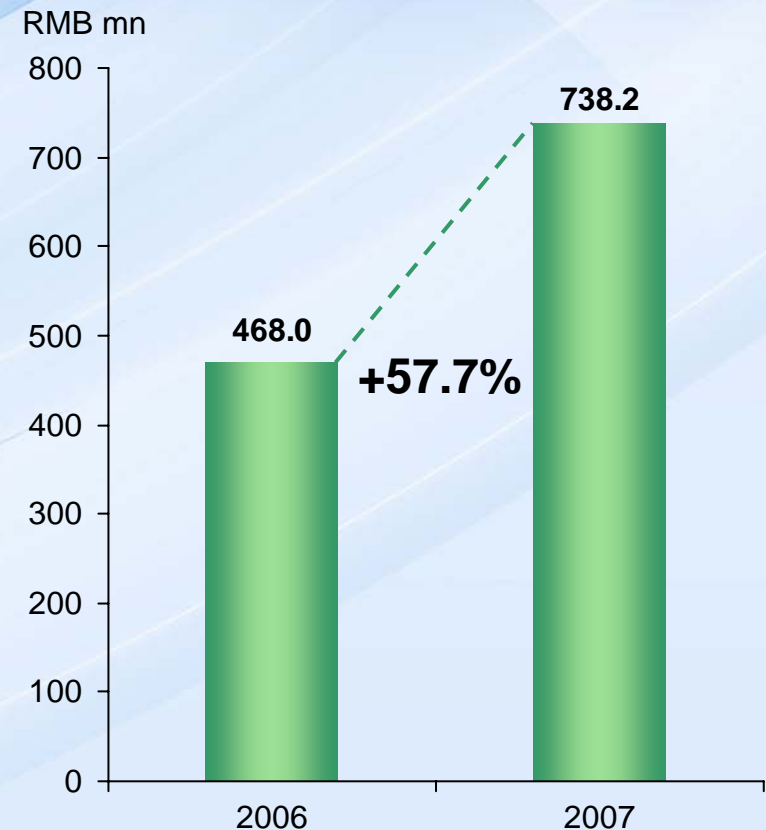
### **New product sales**

-  Commenced the provision of IP camera modules to Panasonic

### **Customer base**

-  Lenovo and Huawei became major customers
-  New customers include:
  - Skyworth Mobile Communication
  - Hisense Communication
  - Qingdao Haier

### Sales of Optoelectronic Products




# Optical Instruments



## – *New Analytical Products with Broad Applications*



### Investment projects

-  Acquired a 64.29% stake in Shanghai Sunny Hengping Scientific Instruments Co., Ltd.

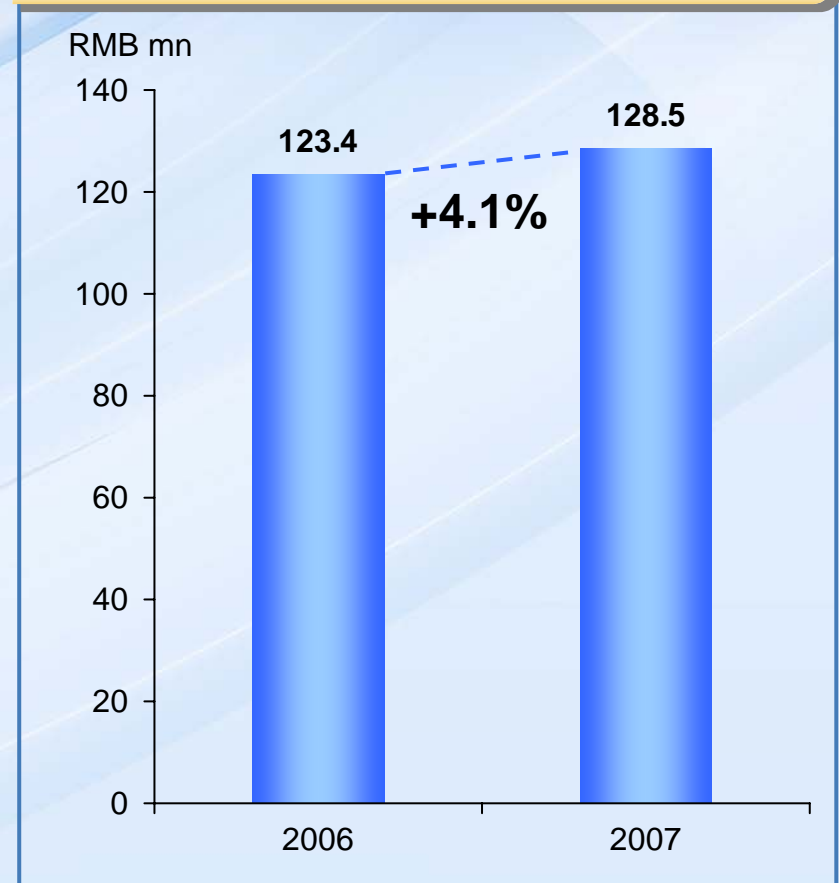
### Product development

-  Analytical instruments:  
UV-spectrophotometers, gas chromatographs  
and COD analytical systems
-  Microscopes:  
Metallurgical microscopes

### Solid customer base





-  Carl Zeiss MicroImaging GmbH

### Sales of Optical Instruments



# Capacity Expansion to Seize Growth Opportunities



	Annual Production Capacity			Utilization Rate		
	2007	2006	2005	2007	2006	2005
 Lenses (mn units)	<b>168.0</b>	86.0	74.0	<b>55.0%</b>	78.0%	44.0%
 Lens sets (mn units)	<b>144.0</b>	44.6	14.0	<b>66.0%</b>	56.0%	78.0%
 Optoelectronic products (mn units)	<b>72.0</b>	15.6	7.2	<b>51.0%</b>	101.0%	82.0%
 Optical instruments ('000 sets)	<b>199.2</b>	146.2	122.7	<b>71.0%</b>	91.0%	88.0%

*Note: The annual production capacity is calculated by using the highest production capacity of the last month multiplied by 12.*



# Use of IPO Proceeds Update

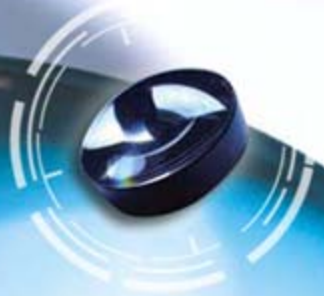


	Use of Proceeds	Amount Used
Expansion of production capability and capacity	275.0 mn	70.7 mn
Enhancement of R&D activities and facilities	173.0 mn	30.9 mn
Acquisition of land & buildings which are previously leased to Ningbo Instruments by Sunny Group for the manufacture and R&D of optical instruments	28.0 mn	28.0 mn
Enhancement of information systems	25.0 mn	1.3 mn
Settlement of bank borrowings	130.0 mn	130.0 mn
Working capital	51.0 mn	n.a



Sunny Optical Technology (Group) Company Limited  
舜宇光學科技(集團)有限公司

# Outlook and Development Strategies



# Growing Demand for Optical and Optoelectronic Products and Instruments



**Automobile  
and CCTV  
optical systems**



**Optical  
Components**



**Optical  
Instruments**

**Microscopes,  
analytical  
instruments and  
surveying  
relevant  
products**



**Optoelectronic  
Products**



**Communication,  
consumer  
electronic  
and computer  
peripherals**



# Growth Engines of the Optical and Optoelectronics Segment



**The 3G era is approaching, driving the demand for handsets**



**Rising demand for optical components and camera modules**

**Increasing applications of optical instruments for chemical, environmental and medical analysis**



**Boosting the demand for innovative analytical instruments**

**Rising security consciousness**



**Rising demand for CCTV modules**

**Rapid development on optical imaging system of the automobile industry**



**Wider use of optical and optoelectronic products in the automobile industry**



## R&D Strategy

- ☞ Guided by market demand to offer value-added products
- ☞ Base on optical technology, integrate electronic and mechanical technologies
- ☞ Place emphasis on team building and fostering external technology cooperation

## Key Products

### Optical components:

- ☞ AF/ZOOM technology
- ☞ Aspheric glass lenses
- ☞ Infrared materials/lenses/lens sets
- ☞ Automobile optical lens sets
- ☞ CCTV lens sets
- ☞ Industry monitoring lens sets

### Optoelectronic products:

- ☞ AF/ZOOM camera modules with high resolutions
- ☞ Automobile camera modules
- ☞ CCTV modules
- ☞ Optical-image heads in medical and industry domain

### Optical instruments:

- ☞ Mid & high-end microscopes
- ☞ 3D optical vision measuring machines
- ☞ Microscopic Interferometers

# Marketing Strategy

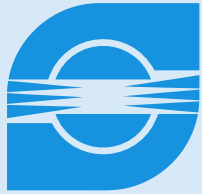


## Continue to implement “Mingpeijiao” Strategy

**Strengthen existing  
sales and distribution channels**

**Further strengthen the role of the Korean  
branch to tap opportunities in Japan and Korea**

**Plans to establish sales offices in Europe and the US  
to increase shares in the international market**



**Sunny Optical Technology (Group) Company Limited**  
**舜宇光學科技(集團)有限公司**

## Open Forum

### ***IR Contact:***

**Sunny Optical Technology (Group) Company Limited**

*Email: [idahu@sunnyoptical.com](mailto:idahu@sunnyoptical.com) / [jasmine@sunnyoptical.com](mailto:jasmine@sunnyoptical.com) /  
[ir@sunnyoptical.com](mailto:ir@sunnyoptical.com)*

*Tel: +86 574 6253 0875 / +852 3568 7038*

### ***Media Relations Contact:***

**Porda International (Finance) PR Group**

*Email: [harriet@pordafinance.com.hk](mailto:harriet@pordafinance.com.hk) /  
[kate@pordafinance.com.hk](mailto:kate@pordafinance.com.hk)*

*Tel: +852 3150 6788*

