



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*

*Corporate Presentation  
June 2008*



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# Agenda



**Business Overview**

**Industry Overview**

**Outlook and Development Strategies**

**Financial Review**



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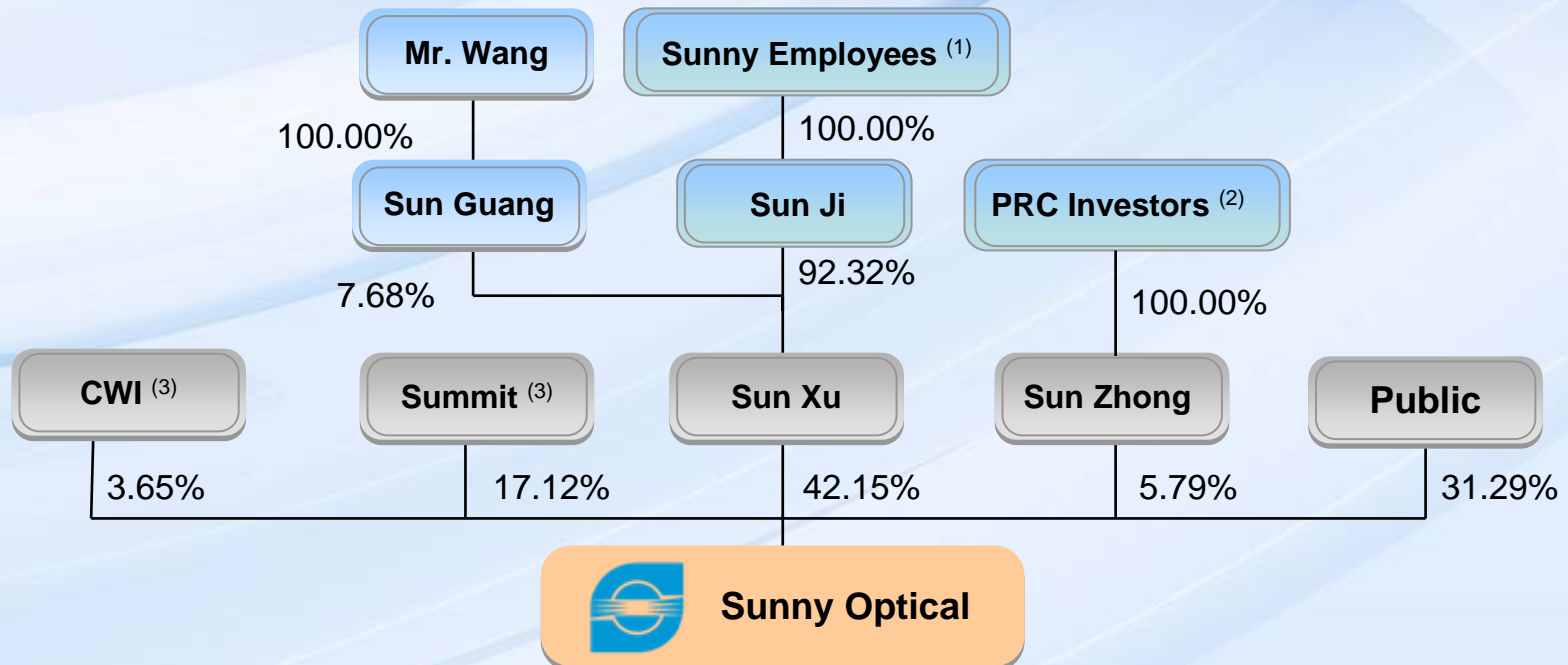
## Business Overview



# Shareholding Structure



(As at 30 June 2008)



(1) Mr. Wang, the Chairman and 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 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

# 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

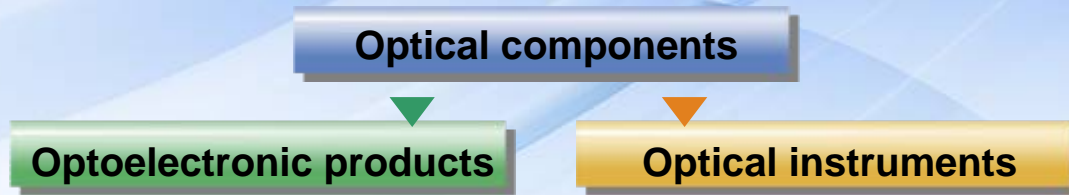
(microscopes, surveying and analytical instruments)



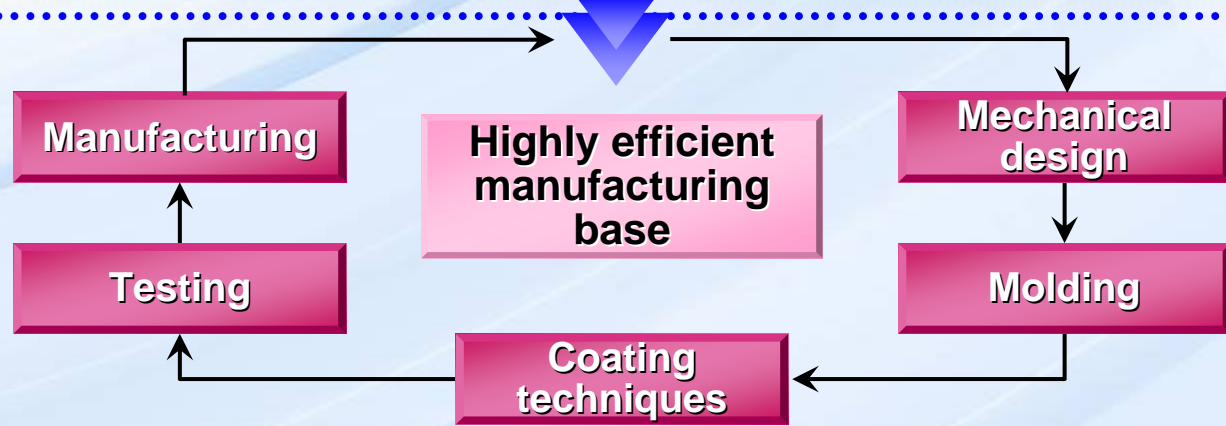
# Business Model



Unrivaled 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



**Renowned international clients**



Panasonic lenovo



KONICA MINOLTA

OLYMPUS Carl Zeiss

# 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**

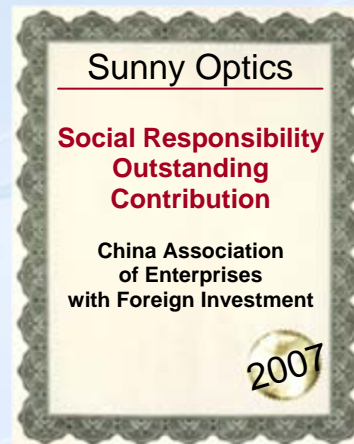
**Huawei**



# Accolades and Recognition from Customers



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



# Optical Components

## – Widening Product Applications



### Production and technology development

- Commenced production of new 8 mega pixel lens sets for DSC
- Developed a new 1:16 injection technology to increase manufacturing efficiency
- Established a designated automobile lens division to develop lens sets for automobile use and provided products to a customer in Germany
- 1 invention patent of projector engine
- 1 utility model patent of handset lens set
- Commenced mass production of chalcogenide infrared glass lens sets

### New products

- 5M handset lens sets to Samsung
- 3M,3X Zoom handset Lens sets
- Car parking lens set with wide view angle

### 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
- Commenced the R&D of 3M,3x zoom camera module
- Commenced mass production of Industrial endoscope
- Commenced mass production of IP camera module

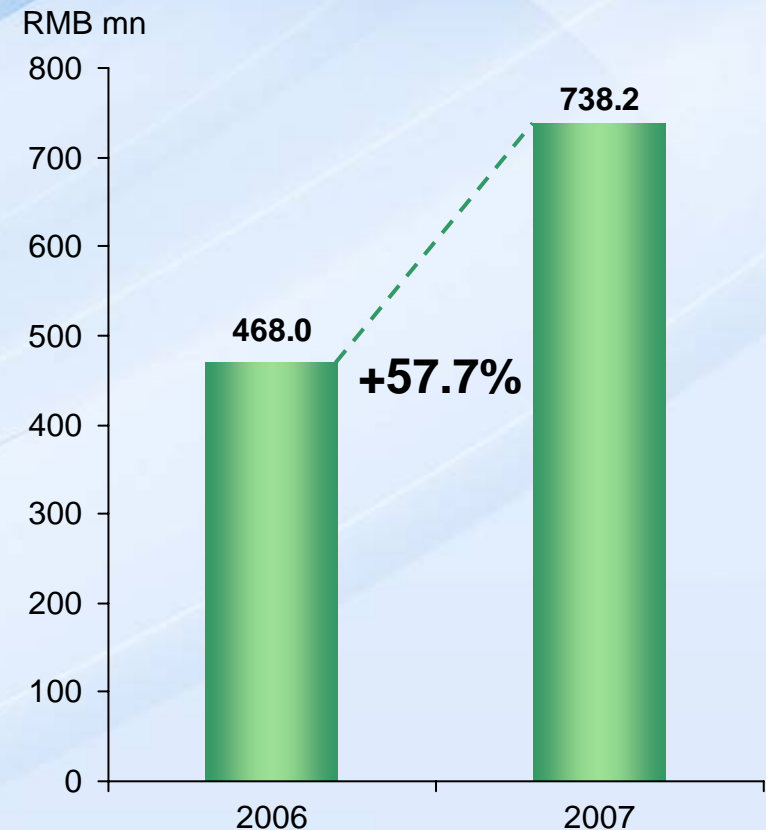
### New products

- Industrial endoscope
- IP camera module
- Notebook camera module
- Medical endoscope (JV with CTC affiliated to State Family Planning Commission)

### Customer base

- Lenovo and Huawei became major customers
- New customers include:
  - Hisense Communication
  - Qingdao Haier
  - Shenzhen SangFei

### 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.
-  Set up a new subsidiary company in Singapore in February this year

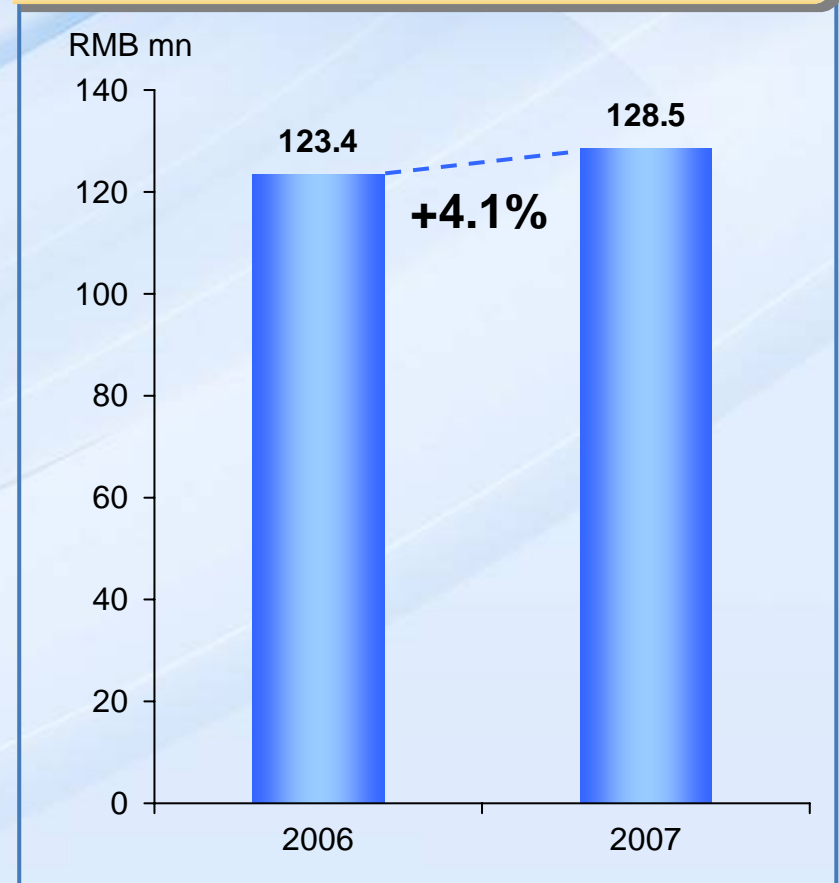
### Product development

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

### Solid customer base

-  Carl Zeiss MicroImaging GmbH

### Sales of Optical Instruments



# Capacity Expansion to Seize Growth Opportunities



	Annual Production Capacity			Utilization Rate (%)		
	08 1H	07 1H	2007	08 1H	07 1H	2007
Lenses (mn units)	93.0	60.0	168.0	61.7%	55.8%	57.1%
Lens sets (mn units)	73.8	42.0	144.0	59.5%	82.0%	66.0%
Optoelectronic products (mn units)	36.0	18.0	72.0	42.8%	77.0%	51.0%
Optical instruments ('000 sets)	99.6	82.0	199.2	64.6%	76.0%	71.0%

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

*The interim production capacity is calculated by using the highest production capacity of the sixth month multiplied by 6*



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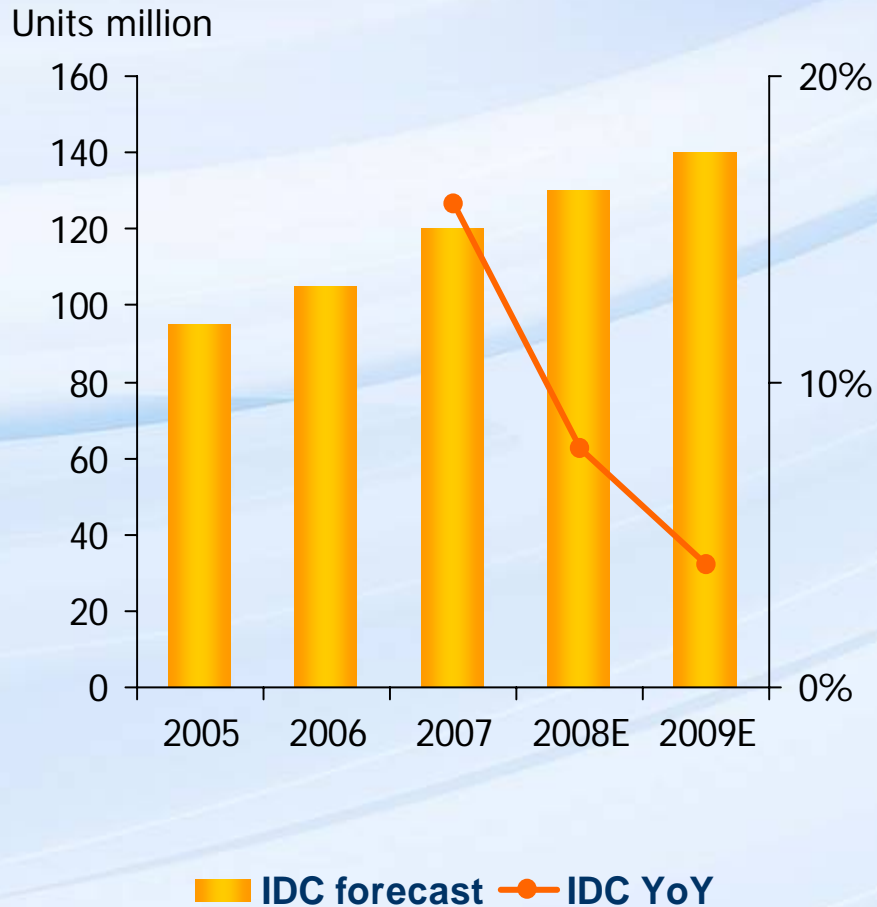
# Industry Overview



# Stabilizing Demand of Camera Handsets and DSC

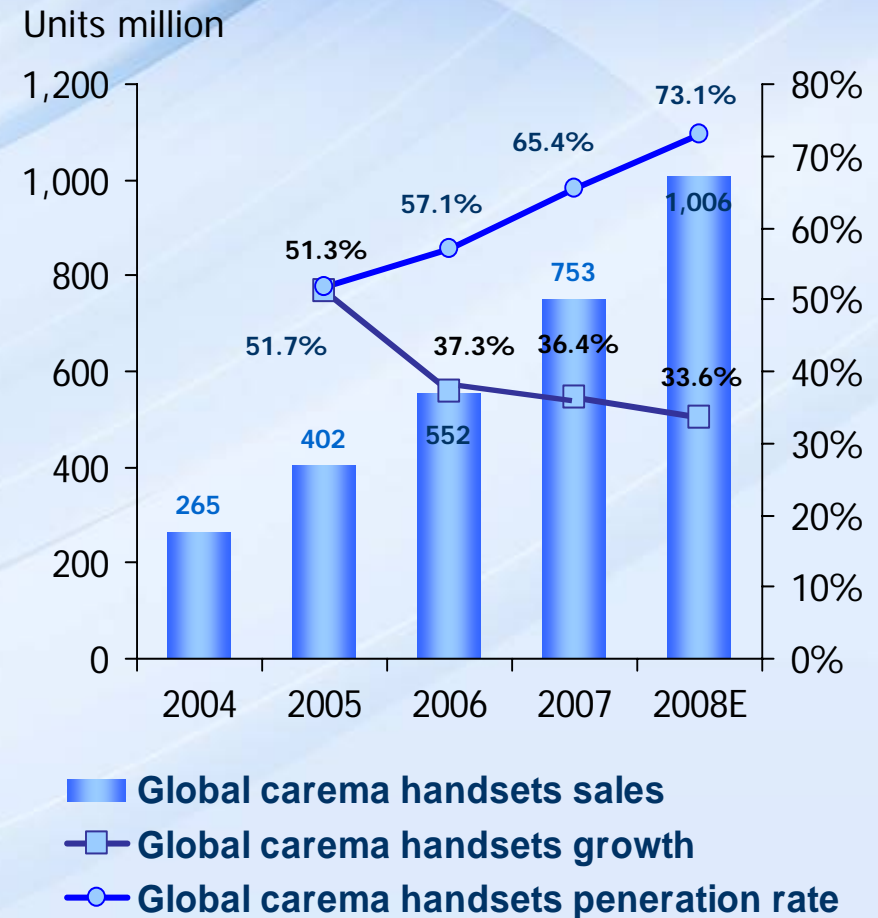


## Global DSC Shipments



Source: IDC

## 2004-2008 Global Camera Handsets Production Volume



Source: Topology Research Institute 2008/03

# Handsets Market Trend in China



### 2007 4Q – 2008 1Q China Handsets Sales Volume



Source: CCID 2008/04

### 2007 4Q – 2008 1Q China Handsets Sales Revenue



Source: CCID 2008/04





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# Outlook and Development Strategies



# Growing Demand for Optical and Optoelectronic Products and Instruments



# 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 Japanese and 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**



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# Financial Overview



# Results Highlights



(RMB mn)

**2007**

**2006**

**Change**

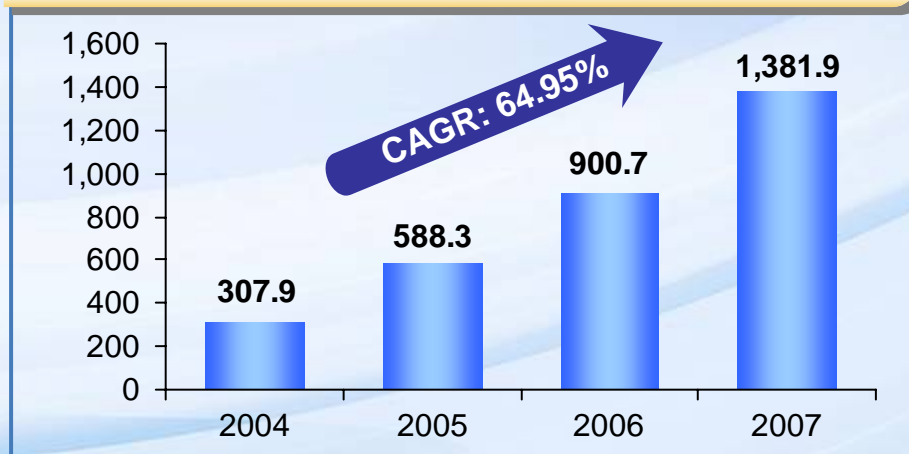
*For the year ended 31 December*

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

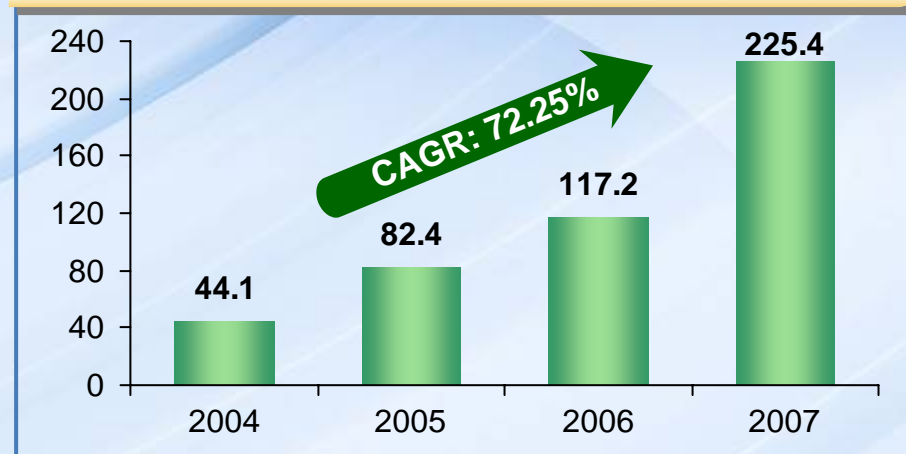
# Strong Sustainable Growth



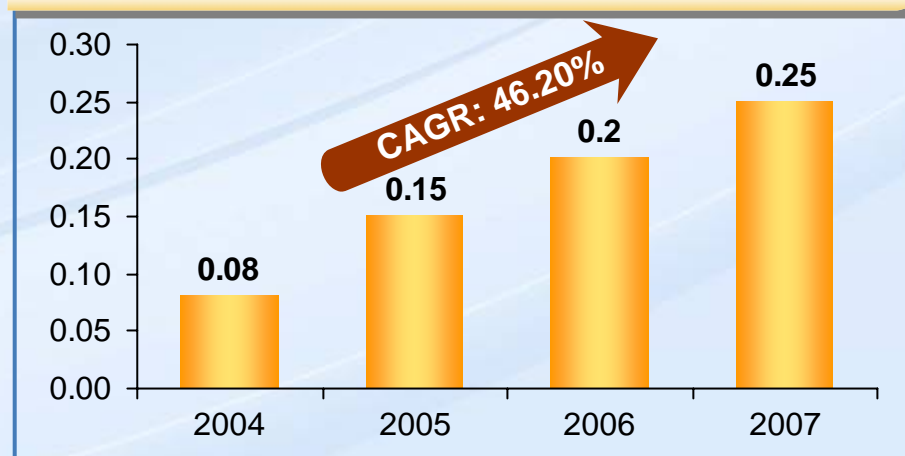
## Revenue (RMB mn)



## Profit Attributable to Equity Holders (RMB mn)



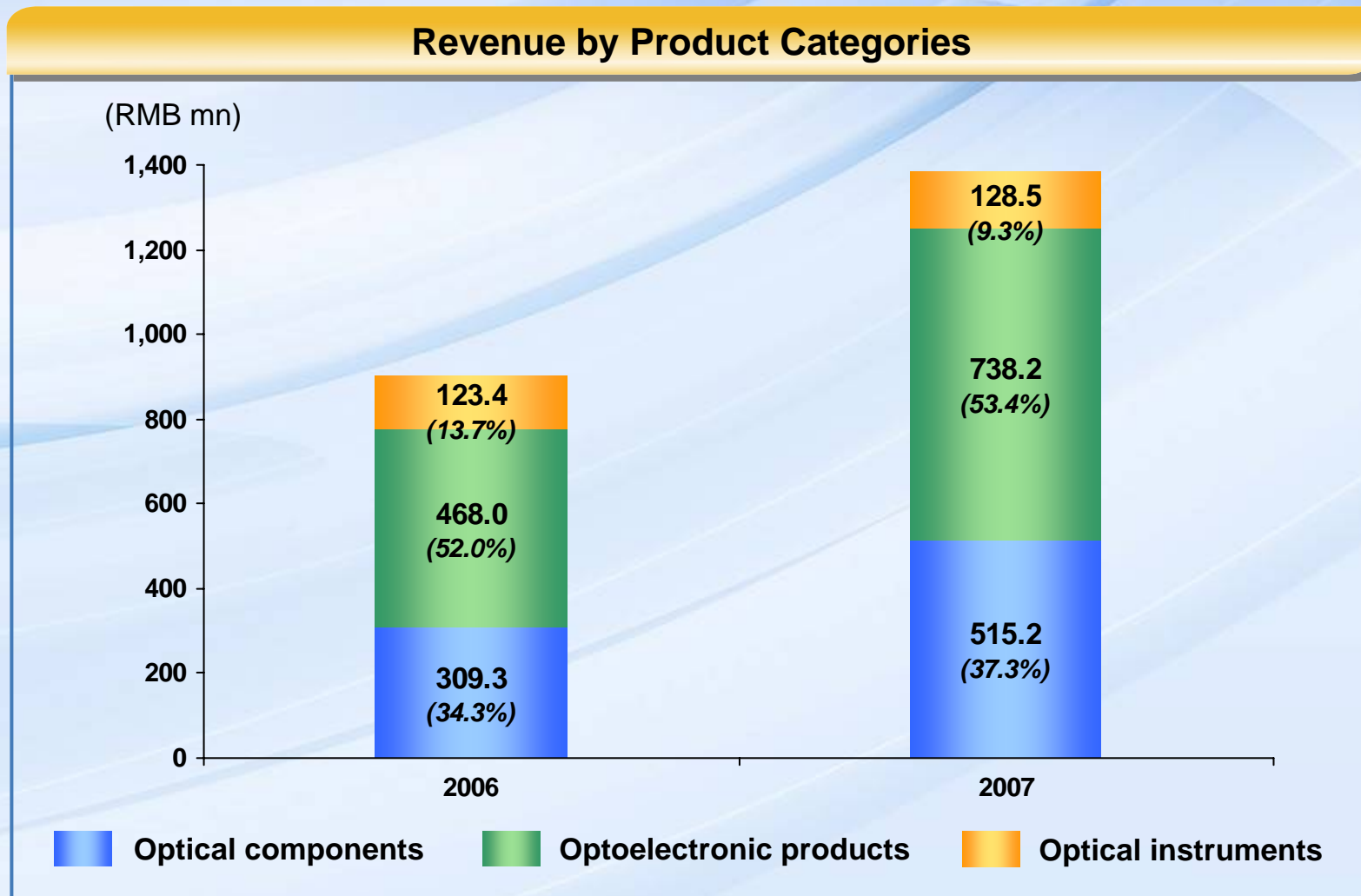
## EPS (RMB)



For the year ended 31 December



# Revenue Analysis by Product Categories



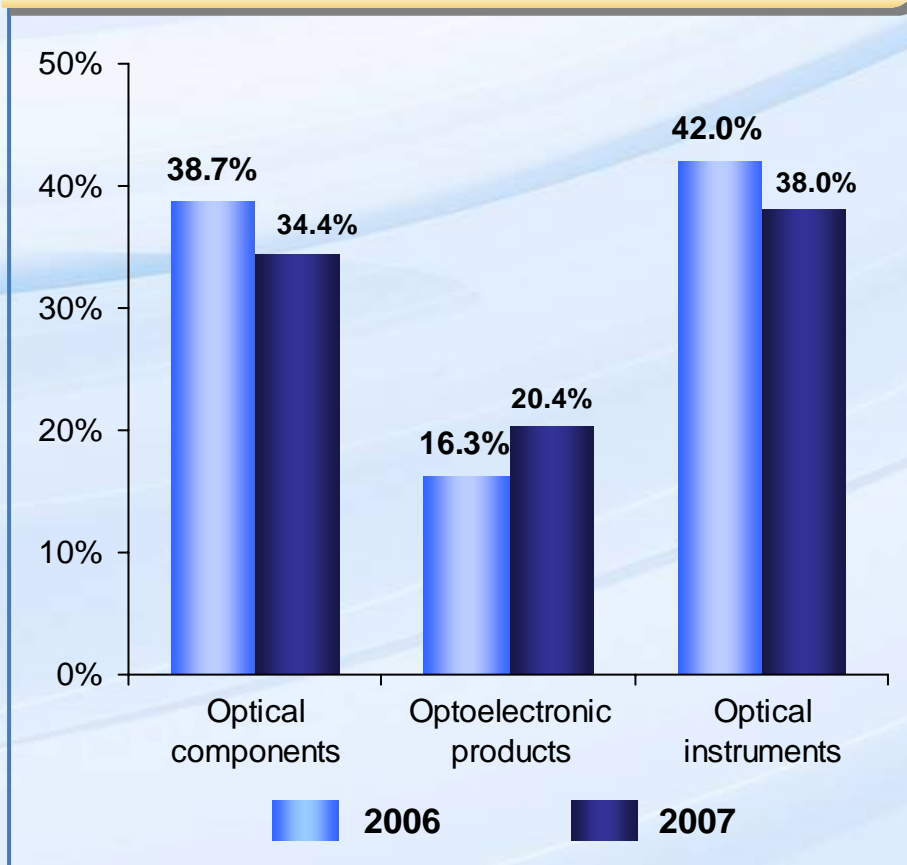
*Figures in brackets denote sales as a percentage of total revenue  
For the year ended 31 December*

# Margin Overview

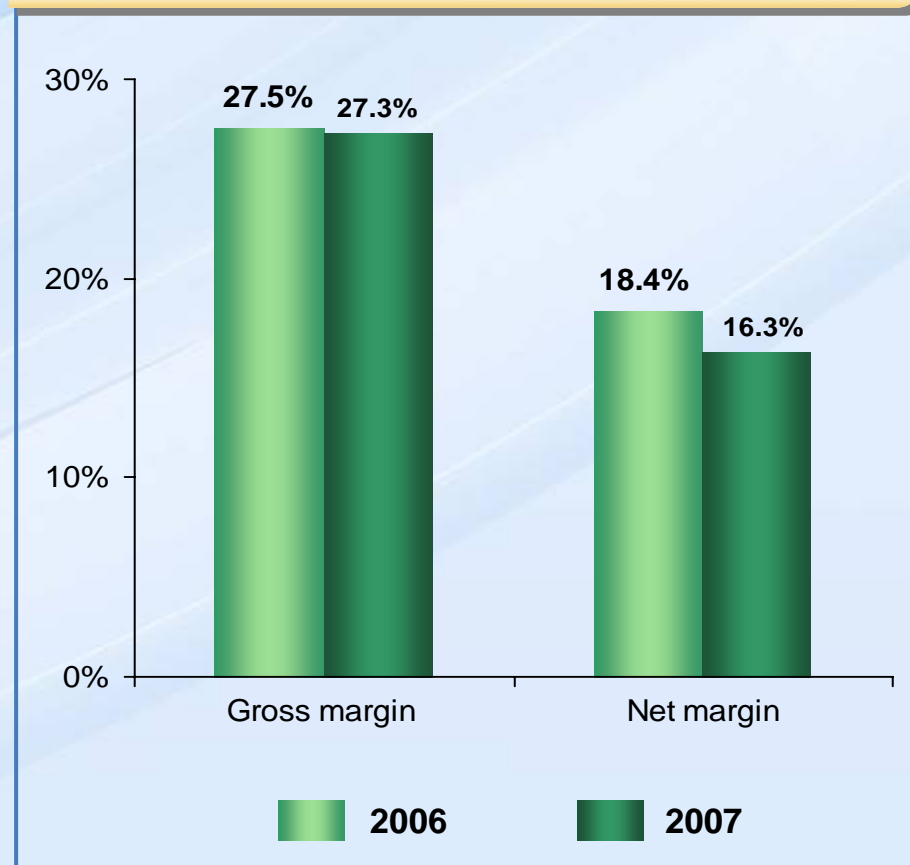


- Stable overall gross profit margin at 27.3%
- Net margin declined to 16.3% as a result of increased effective tax rate

### 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*

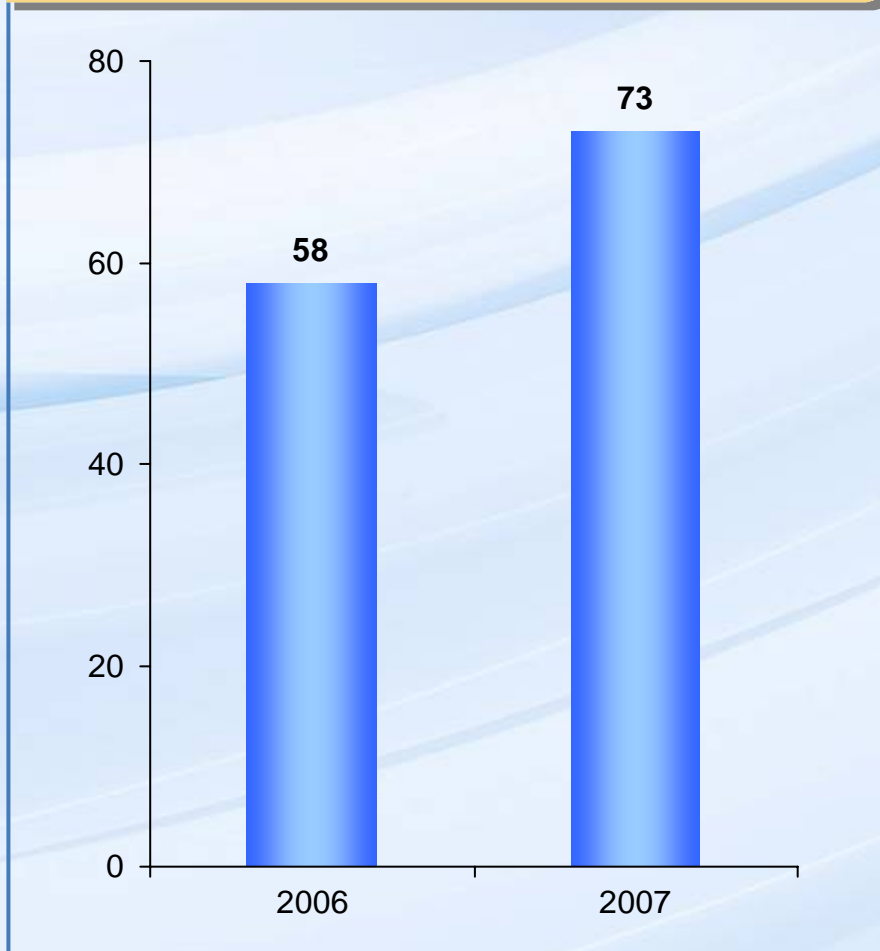
	<b>2007</b>	<b>2006</b>
	<i>RMB mn</i> <i>As % of revenue</i>	<i>RMB mn</i> <i>As % of revenue</i>
<b>Revenue</b>	<b>1,381.9</b> <b>100.0%</b>	900.7    100.0%
• <b>Sales and distribution expenses</b>	<b>32.9</b> <b>2.4%</b>	19.1    2.1%
• <b>R&amp;D expenses</b>	<b>28.5</b> <b>2.1%</b>	12.3    1.4%
• <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*

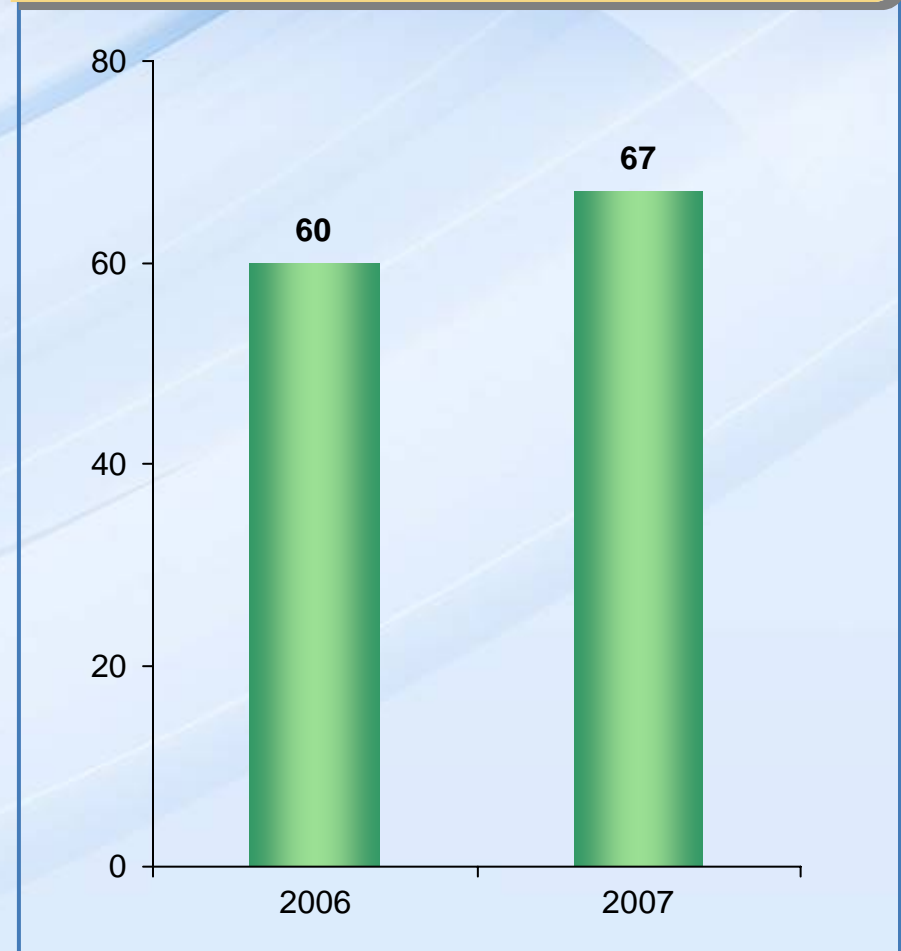
# Working Capital Management (1)



## A/R Turnover (Days)



## A/P Turnover (Days)



For the year ended 31 December







# Working Capital Management (2)

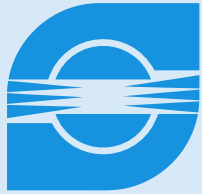


*For the year ended 31 December*

# 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



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**Thank You!**

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