



Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

Stock Code: 2382

Corporate Presentation

October 2013





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Company Overview



Leading Integrated Optical Components and Products Producer



- Established in 1984 and listed on the Main Board of the Hong Kong Stock Exchange in 2007, issued 1 billion shares
- 5 production bases in China with strong technical and manufacturing capabilities
- Strong R & D capabilities, with R & D centers set up in China, Singapore, South Korea, etc.



Zhejiang
Headquarters



Zhongshan Production
Base



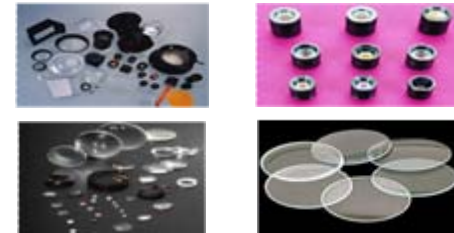
Shanghai Production
Base



Tianjin Production
Base

Business Segments

Optical Components



Glass spherical/aspherical lenses, handset lens sets, plane products, vehicle lens sets, infrared lens sets and other lens sets

Optoelectronic Products



Handset camera modules, smart television video modules, security surveillance cameras and other optoelectronic modules

Optical Instruments

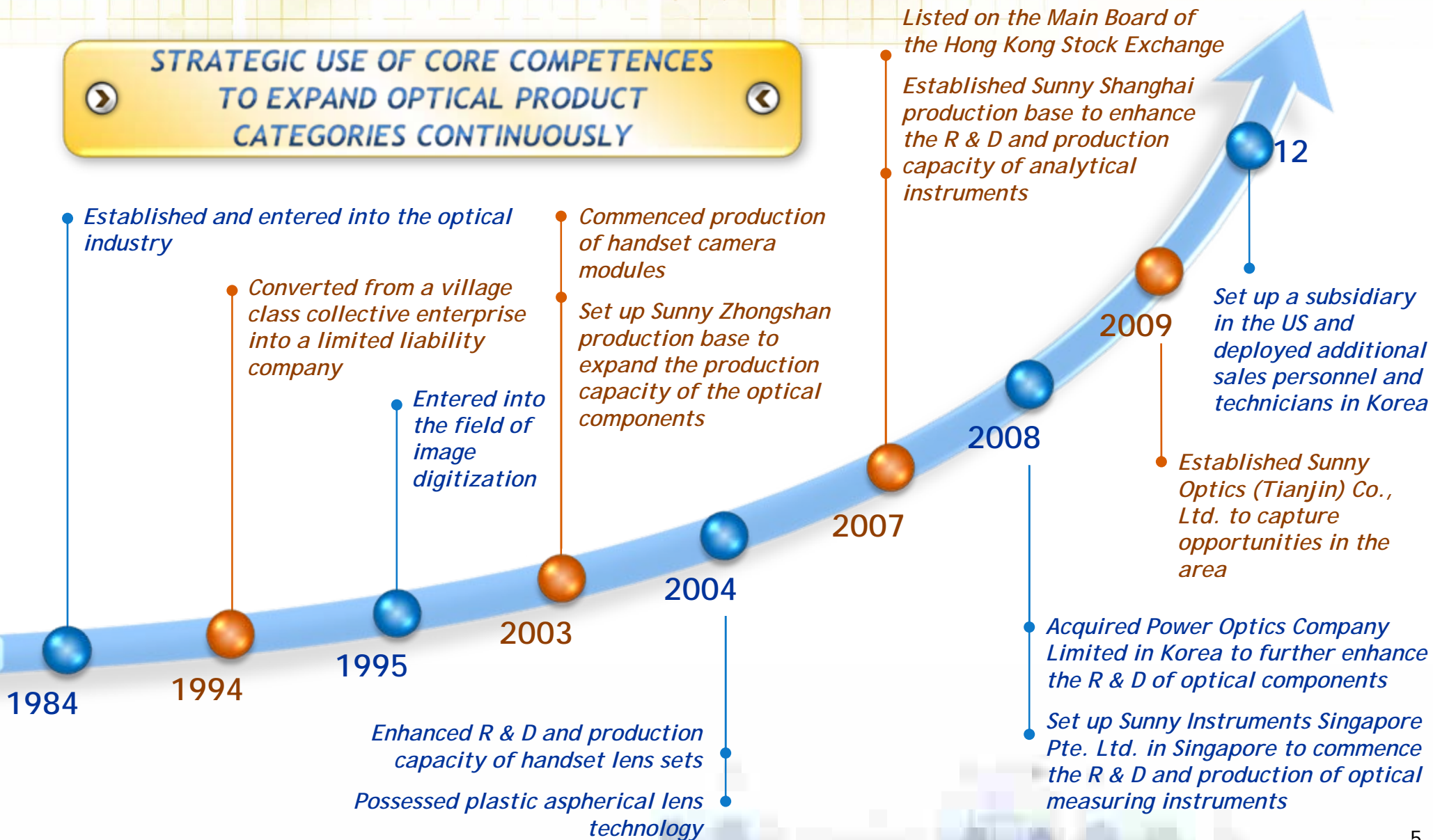


Microscopic, optical measuring and various optical analytical instruments

Growth Story



**STRATEGIC USE OF CORE COMPETENCES
TO EXPAND OPTICAL PRODUCT
CATEGORIES CONTINUOUSLY**



Diversified Application Fields



* The Company has reserved the optical infrared technology which can be applied in the above diversified fields in future



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Financial Highlights



Financial Highlights

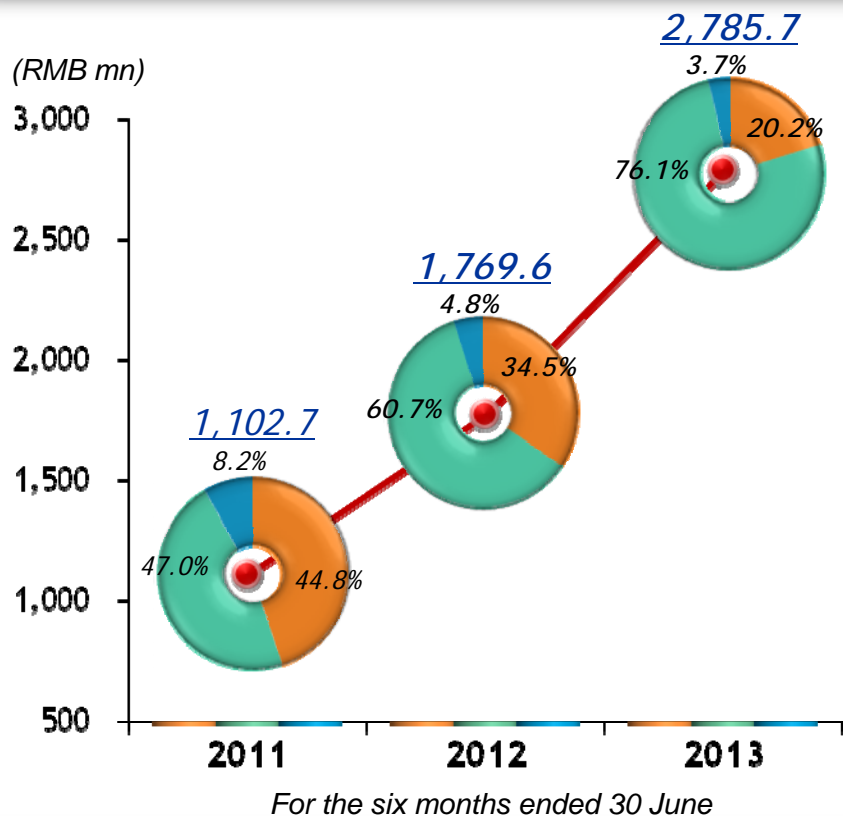


	2012	2013	Change
<i>(RMB mn)</i>	<i>For six months ended 30 June</i>		
Revenue	1,769.6	2,785.7	+57.4%
Gross Profit	340.0	440.4	+29.6%
Profit Before Tax	187.5	235.4	+25.5%
Income Tax Expense	(32.4)	(40.5)	+25.1%
Effective Tax Rate	17.3%	17.2%	-0.1ppt
Profit for the Period Attributable to Owners of the Company	156.5	196.8	+25.7%
Basic Earnings per Share <i>(RMB cents)</i>	16.23	20.39	+25.6%

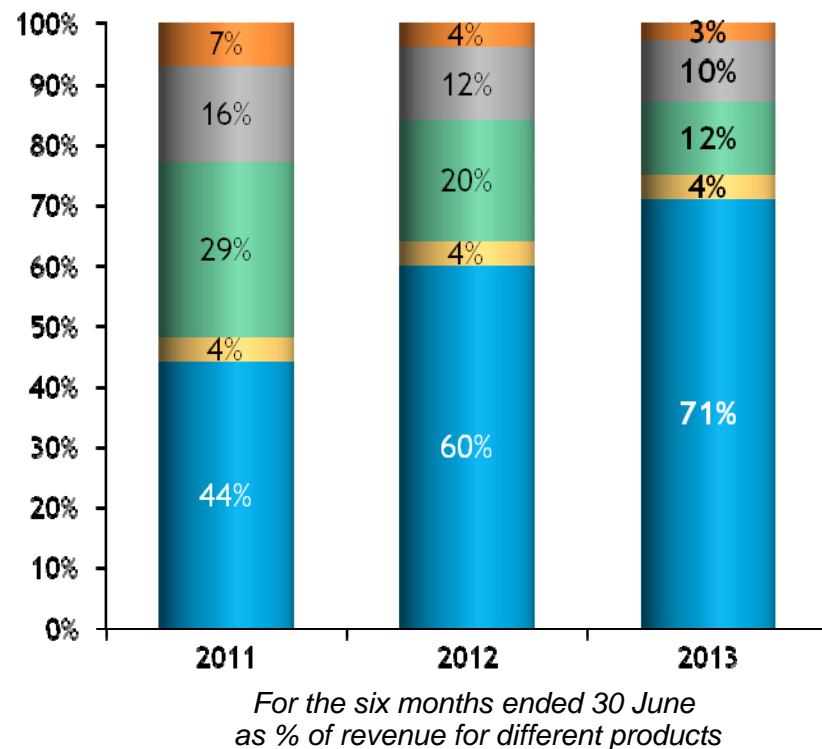
Revenue Breakdown



Business Segments Sales as % of Total Revenue



Sales Breakdown by Product Applications



- Optical Components
- Optoelectronic Products
- Optical Instruments
- Total Revenue

- Handset Related Products
- Vehicle Lens Sets
- Digital Camera Related Products
- Other Products
- Optical Instruments

Operating Expenses Analysis



(RMB mn)	2011		2012		2013	
	For the six months ended 30 June					
		(As % of revenue)		(As % of revenue)		(As % of revenue)
Revenue	1,102.7	100.0%	1,769.6	100.0%	2,785.7	100.0%
Total Operating Expenses	139.2	12.6%	174.8	9.9%	224.4	8.1%
<i>Selling and Distribution Expenses</i>	25.9	2.4%	31.6	1.8%	42.1	1.5%
<i>R&D Expenditure</i>	51.7	4.7%	67.9	3.8%	101.7	3.7%
<i>Administrative Expenses</i>	61.6	5.5%	75.3	4.3%	80.6	2.9%

Solid Financial Position



	2011	2012	2013
	<i>For the six months ended 30 June</i>		
Current Ratio (Times)	3.1	2.3	1.8
Operating Cashflow (RMB mn)	47.3	110.5	(84.4)*
Cash and Cash Equivalents (RMB mn)	752.2	650.3	533.7
<i>Pledged Bank Deposits (RMB mn)</i>	48.0	131.2	0.75
<i>Financial Assets Designated as at Fair Value through Profit and Loss (RMB mn)</i>	51.0	80.0	202.5
<i>Bank Guaranteed Entrusted Loan Receivables (RMB mn)</i>	355.0	113.0	-
<i>Bank Balances and Cash (RMB mn)</i>	298.2	326.1	330.4
Net cash per share (RMB cents)	69.0	51.8	20.83
Gearing Ratio (%)	4.1	5.8	9.1
ROE (%)	5.6	8.8	9.7
Capital Expenditure (RMB mn)	94.7	179.5	118.8

* The main reason is that the trade receivables and inventories increased due to the rapid growth of the revenue



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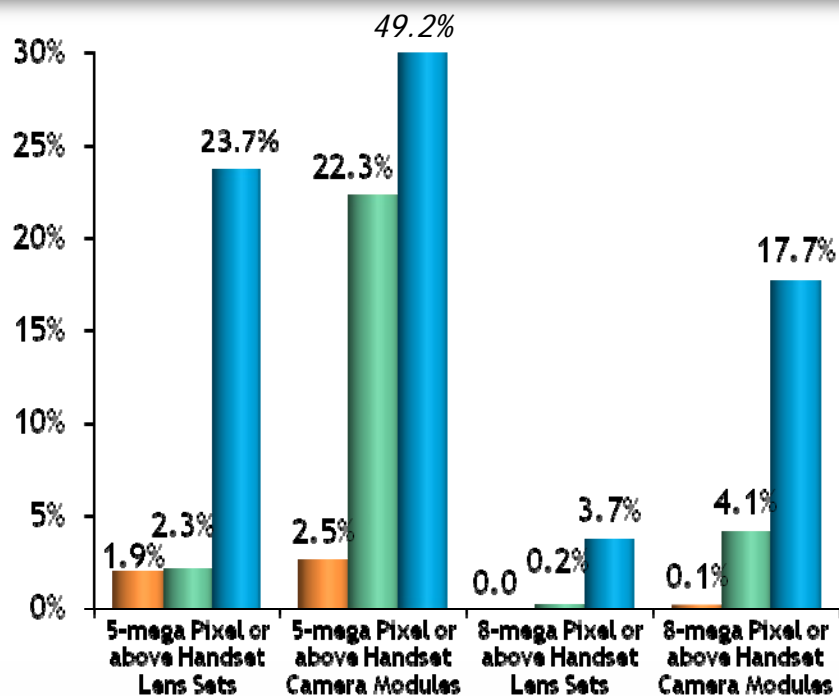
Review of Operations





Benefited From the Rapid Growth of Smartphone Industry Business Performance Improved in the first half of 2013

5-mega Pixel or above Handset Lens Sets and Handset Camera Modules Shipment Volume as % of Total Shipment Volume



For the six months ended 30 June

■ 2011 ■ 2012 ■ 2013

Smartphone related and vehicle lens set businesses recorded favorable results and were the main drivers of the group's growth

Global position and in-depth expansion of the international markets (The Group's U.S. subsidiary achieved good performance. Mass production of the 3D related products were launched.)

Strengthen the Group's R&D capabilities continuously, increase the investment in R&D, all the three major business segments upgraded their respective R&D on the existing products

Processing technology standards were improved, especially propelling the automation process

Successfully transferred a majority of production lines for digital camera related products to the new production base in Xinyang, Henan Province

Successfully raised about 100 million USD by issuing 97 million new shares, which laid the foundation for bringing the Group to a new stage of development

Fruitful Achievements in R&D - Hi-tech Barrier



● Unceasing Upgrade of Existing Products Needs Core Technology Competences

- Mass production for 8-mega and 14-mega pixel handset camera modules has been successfully launched
- Mass production for 8-mega pixel handset lens sets has been successfully launched

● Development of Products for Emerging Optical Applications Requires Innovation in R&D and Accumulation in Technology

- Mass production of various new vehicle and industrial lens sets was launched
- Completed R&D of various infrared lens sets for vehicles and security surveillances
- Accomplished R&D upgrade for a number of optical analytical instruments oriented for spectrophotometers, gas chromatographs, mass spectrometers and high-end optical measuring machines, including LDV, etc.
- Key projects of optical analytical instruments received special supportive funding from the State
- Three-dimensional Laser Motion Measurement System and Method has obtained the national invention patent
- High-resolution wide-angle lens sets for webcams obtained an national invention patent

● Hi-tech Production and Processing Technology Continuously Upgraded

- Application of automatic production and inspection technology for lens sets has been already in full swing
- Self-developed semi-automatic, automatic camera module testers were widely applied in mass production
- Self-developed automatic video testing technology was applied in testing production lines
- Application of plastic injection molding technology with narrow runway was in full swing
- Mass production for glass aspheric lenses with several cavities per mold was launched

Possessed 152 Patents

Optical Components



Optoelectronic Products



Optical Instruments



Strong Client Base

Top Five Customers

Huawei

Lenovo

Oppo

Gionee

Tinno



Renowned Customers

<i>DSC Lenses Business</i>	<i>Handset Lens Sets Business</i>	<i>Handsets Camera Modules Business</i>	<i>Optical Instruments Business</i>	<i>Other Businesses</i>
<p><i>Samsung</i></p> <p><i>Panasonic</i></p> <p><i>Nikon</i></p> <p><i>Sony</i></p> <p><i>Olympus</i></p> <p><i>Konica-Minolta</i></p> <p><i>Pentax</i></p> <p><i>Topcon</i></p> <p><i>Fujinon</i></p> <p><i>NEC</i></p> <p><i>LG</i></p>	<p><i>A Korean Customer</i></p> <p><i>Sharp (Nokia)</i></p> <p><i>Truly</i></p> <p><i>Kerr</i></p> <p><i>Global Optics</i></p>	<p><i>Huawei</i></p> <p><i>ZTE</i></p> <p><i>Coolpad</i></p> <p><i>Lenovo</i></p> <p><i>Oppo</i></p> <p><i>Xiaomi</i></p> <p><i>Tianyu</i></p> <p><i>Sangfei</i></p> <p><i>Gionee</i></p> <p><i>TCL</i></p> <p><i>Sharp</i></p> <p><i>Pantech</i></p> <p><i>Tinno</i></p>	<p><i>Carl Zeiss</i></p> <p><i>Optika</i></p> <p><i>Amscope</i></p> <p><i>Olympus</i></p>	<p><i>Magna</i></p> <p><i>Continental</i></p> <p><i>Delphi</i></p> <p><i>Keyence</i></p> <p><i>Autoliv</i></p> <p><i>Steel-mate</i></p> <p><i>TTE</i></p> <p><i>Panasonic</i></p> <p><i>Fujitsu</i></p> <p><i>SMK</i></p> <p><i>Sanyo</i></p> <p><i>Liteon</i></p> <p><i>Primax</i></p> <p><i>Ricoh</i></p> <p><i>Sindoh</i></p> <p><i>Silitech</i></p> <p><i>Microtek</i></p>

Awards and Recognitions



Second class prize of Ningbo City Technology Advancement Award

“Research and Industrialization of Key Technologies for High-reliable COF Handset Camera Modules”

Ranked 27th in the top 108 annual imports and exports list of Ningbo in 2012

Ranked 14th of the Ningbo Competitiveness in “2013 Ningbo Hundred Enterprise”

2012 Ningbo Mayor Quality Award

2012 Ningbo Innovative Pilot Enterprise

2012 Shanghai Innovative Enterprise

“Excellent Supplier”

Lenovo Mobile

“Excellent Supplier”

Samsung Electronics Supplier Conference

Corporate Governance





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Outlook and Development Strategies

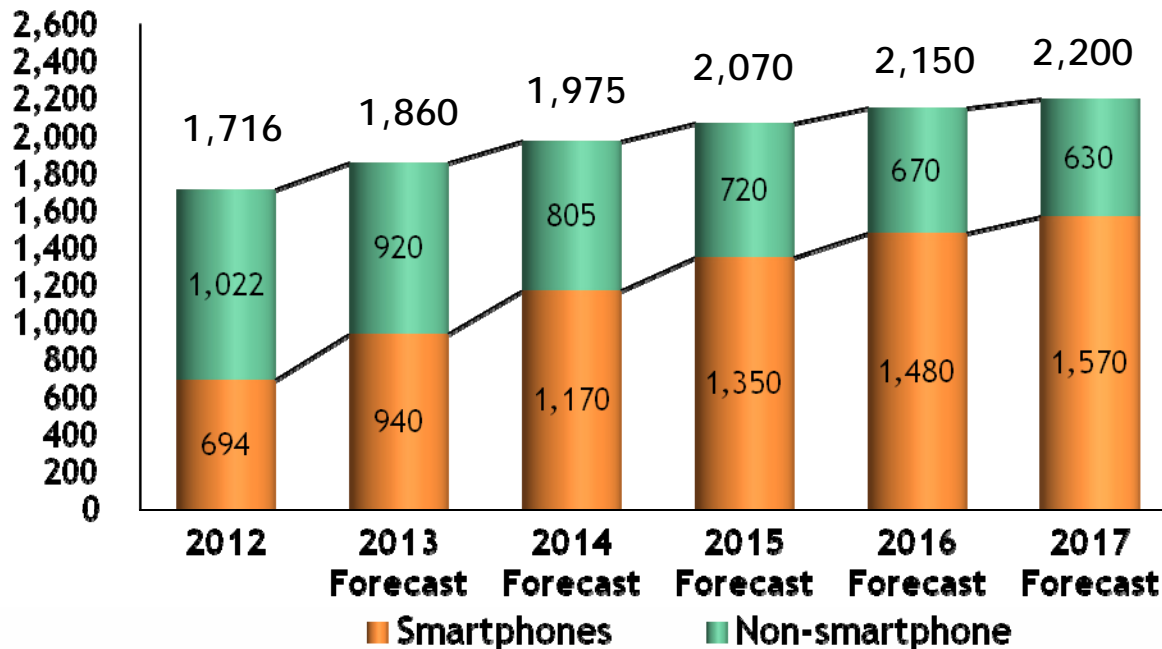


Make In-depth Exploration and Focus on Existing Businesses



*Global Shipment of Handset
(2012 - 2017 Forecast)*

(Units mn)



Source: EM Data

- Exert all the advantageous capabilities and improve the respective market share of high-end handset lens sets and camera modules.
- Enhance the exploration capacities of markets through the subsidiary in the U.S.
- Further boost process automation and "Lean Production", in order to play a proper role in maintaining or stably rising gross profit margin.
- Sound industrial transfer strategy to ensure stable production of new production base in Xinyang.

Breakthrough Emerging Businesses and Realise a Balanced Development



- To maintain the biggest market share of vehicle lens sets in the world and further expand it
- To maintain the first position of infrared business in the PRC, and further explore the international market
- To achieve import substitution strategy under the support of national special funds in high-end optical analytical instruments and optical measuring instruments
- To continue to explore new optical applications, especially new development in innovative optical applications on mobile devices and 3D control and imaging fields, identify key emerging businesses to realise the sustainable medium- and long-term development of the Group

Enhance Management Performance and Facilitate Management Innovation



STRENGTHEN MANAGEMENT FUNCTION OF THE GROUP



- Enhance financial management capabilities
- Promote technological innovation by focusing on automation

STABILIZE CORE WORKFORCE



- Innovate in enterprise culture and management model
- Improve performance evaluation system



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Investment Highlights



Investment Highlights



- **29-year track record, currently the largest camera module producer for smartphones in China**
- **Well-established for sustainable growth**
 - Strong demand for lens sets and camera modules of smartphones
 - Rising contribution from vehicle lens sets (Gross Margin > 40%), >20% market share in the global original market
 - Infrared related products (Gross Margin > 50%) started to contribute to the bottom line
 - High-end optical analytical and measuring instruments businesses are in uptrend (Gross Margin > 50% respectively)
- **Abundant opportunities for new optical applications, creative optical applications on mobile devices in particular, including 3D control and imaging field, etc.**
- **Solid financial position with net cash of approximately RMB200mn as at 30 June 2013 (Net cash per share RMB20.83cents)**
- **A constituent stock of Hang Seng Composite Index—Industrial Sub-Index, Hang Seng Composite Small Cap Index and Hang Seng Global Composite Index**
- **Sunny Optical has been awarded as “Best Under A Billion” by Forbes**

Investment Highlights

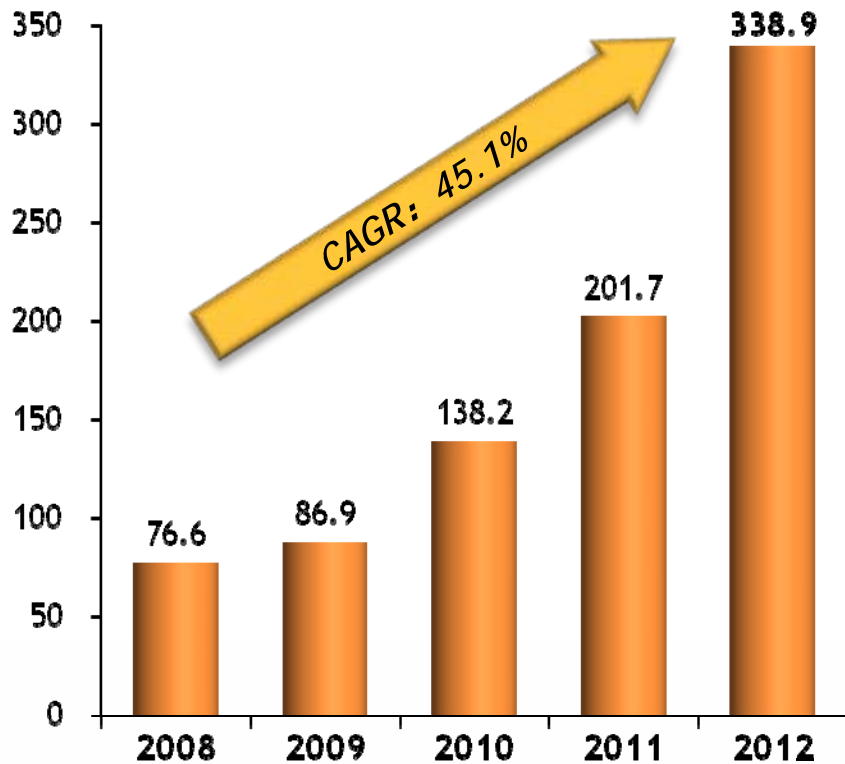


CONTINUED GROWTH IN NET PROFIT

FINAL DIVIDEND PAYOUT RATIO WAS 20%-30% OF THE PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY ACCUMULATED TOTAL DIVIDEND REACHED RMB280 MILLION SINCE LISTED TO THE END OF 2012

Net Profits

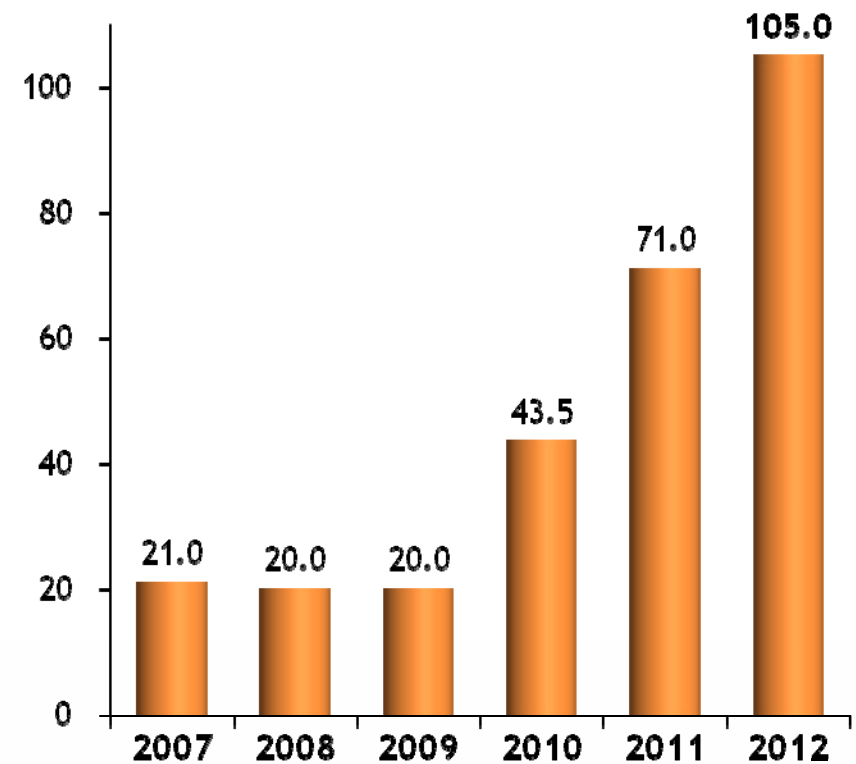
(RMB million)



For the year ended 31 December 2012

Dividends

(RMB million)



For the year ended 31 December 2012



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Open Forum

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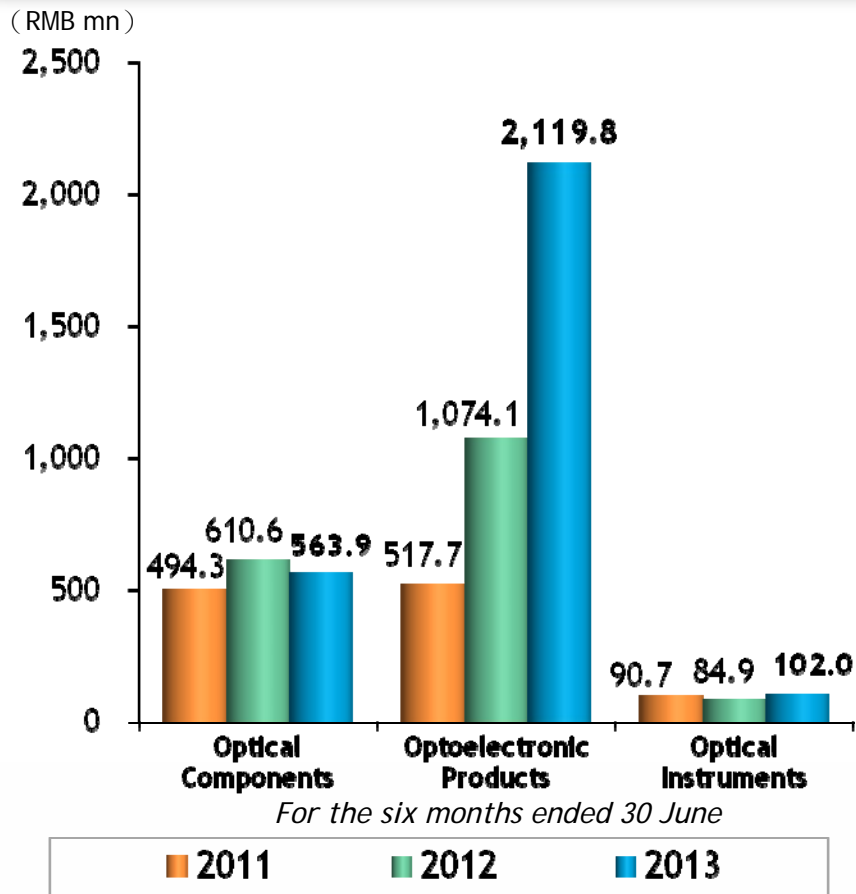
Appendix



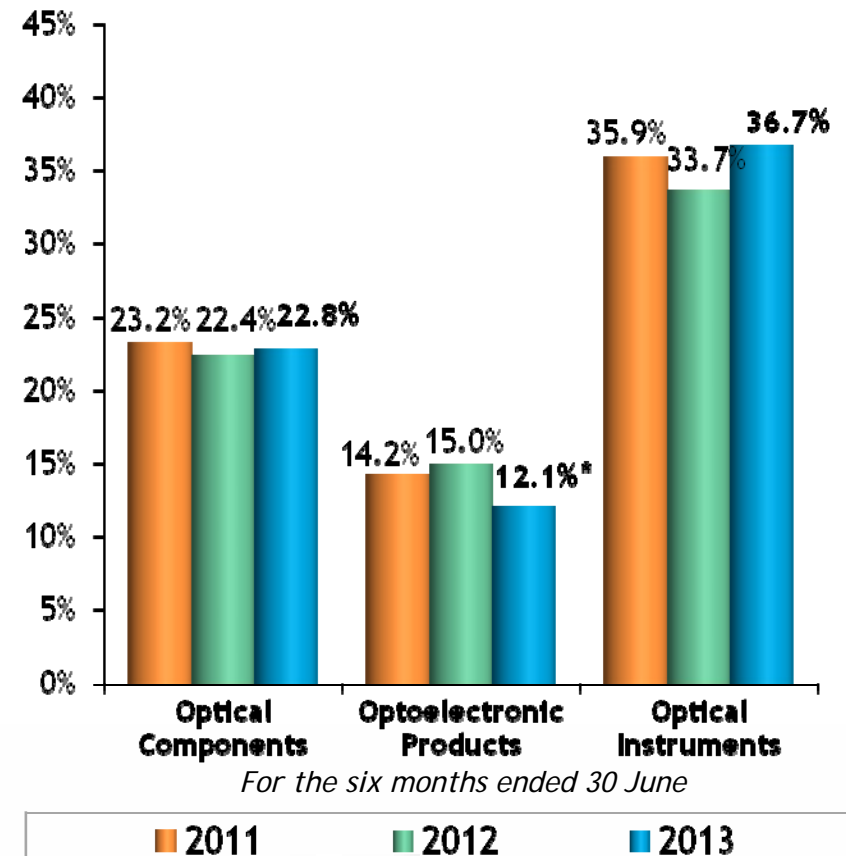
Sales and Gross Margins by Business Segments



Sales by Business Segments

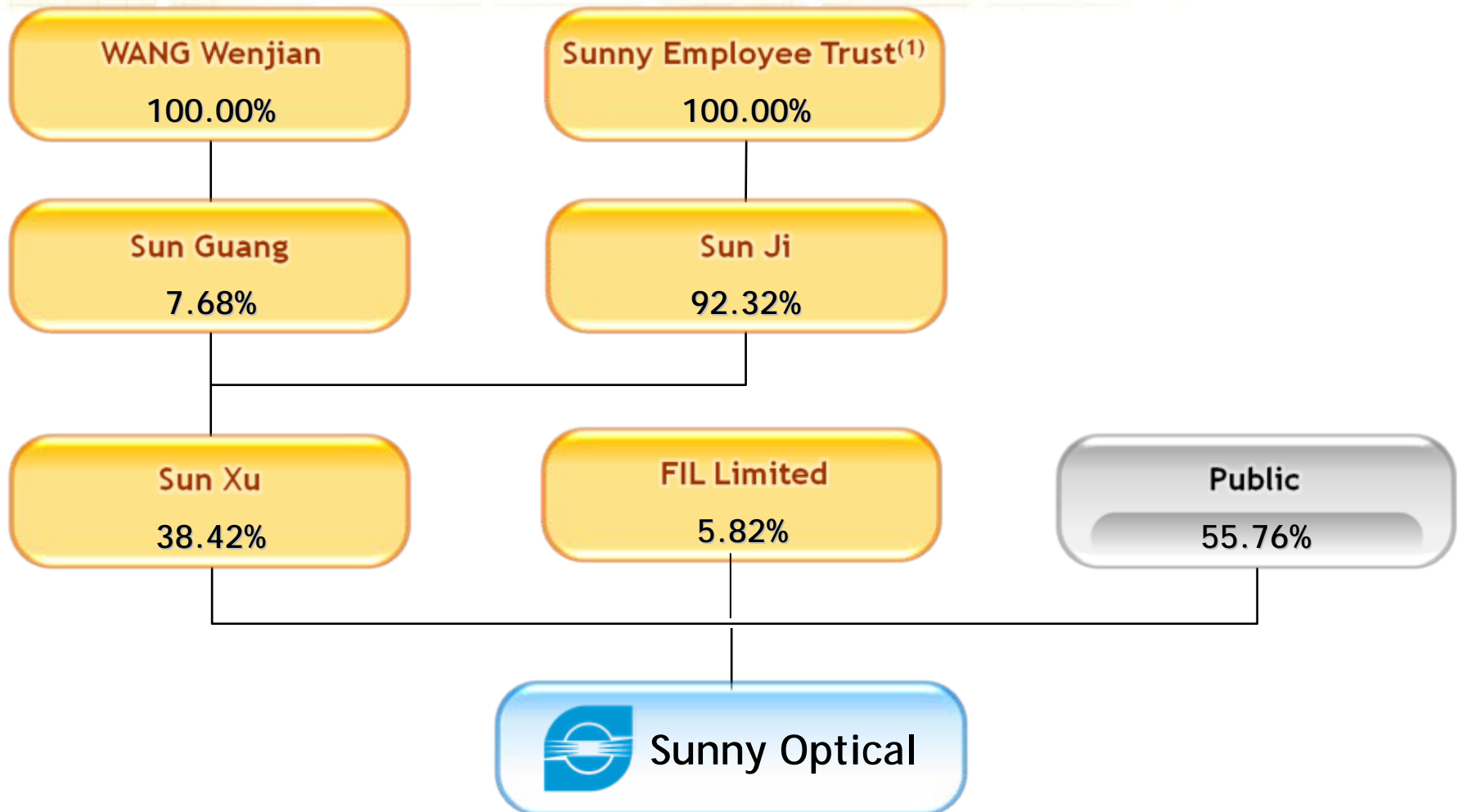


Gross Profit Margins by Business Segments



* Due to the decrease in the price of 5M handset camera module

Shareholding Structure



(1) Mr. Wang Wenjian, the Honorary Chairman of the Board and non-executive Director of the Company, together with Equity Trust (HK) Limited, hold the entire issued share capital of Sun Ji Limited on behalf of the Sunny Employee Trust.

* As at 7 October 2013