



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***

***2008 Interim Results  
Corporate Presentation***

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# Agenda



**Financial Highlights**

**Operation Review**

**Outlook and Development Strategies**

**Open Forum**





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## Financial Highlights



# Results Highlights



**2008 1H**

**2007 1H**

**Change**

*(RMB mn)*

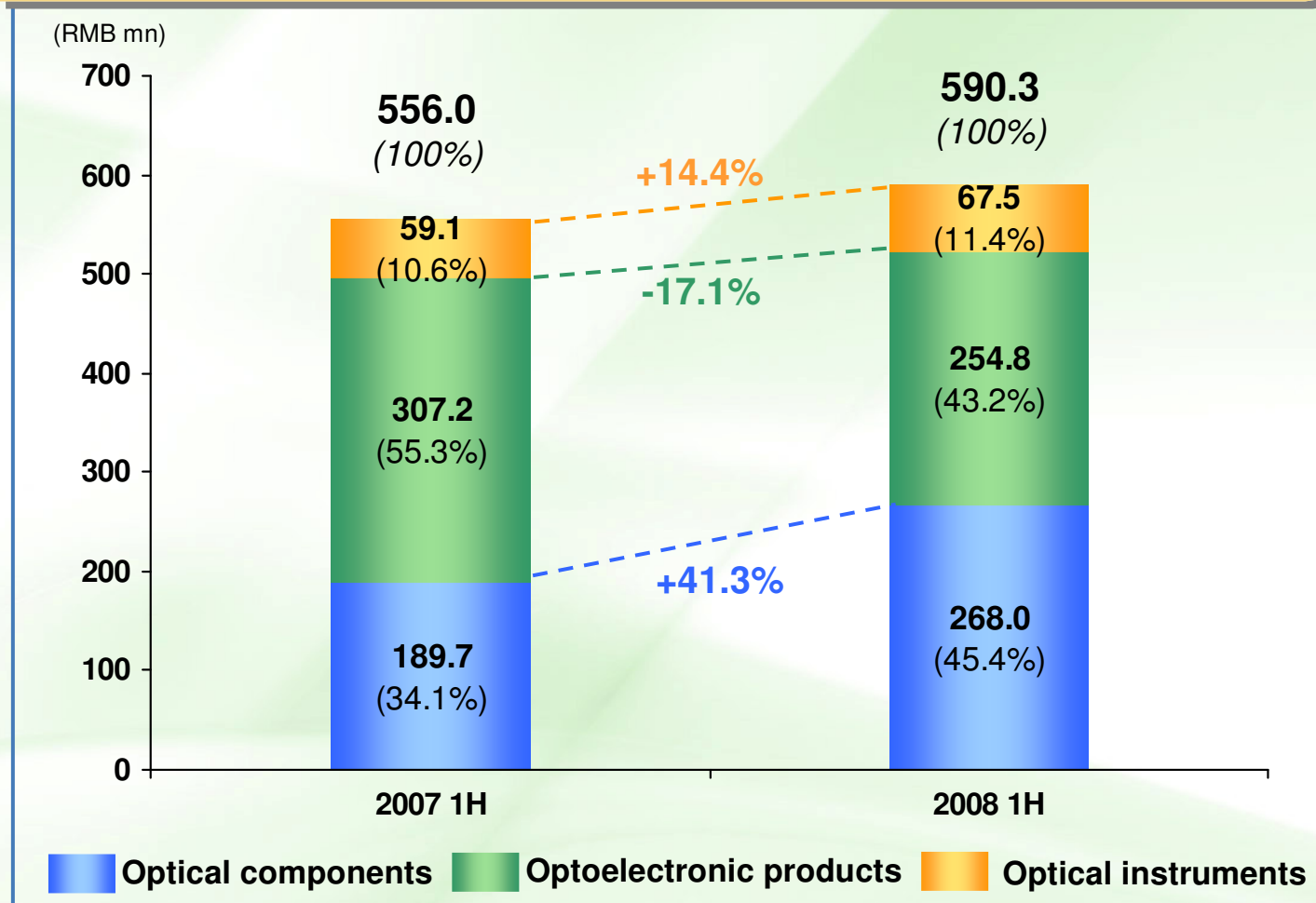
*For the 6 months ended 30 June*

	<b>2008 1H</b>	<b>2007 1H</b>	<b>Change</b>
<b>Revenue</b>	<b>590.3</b>	556.0	<b>+ 6.2%</b>
<b>Gross profit</b>	<b>124.8</b>	149.9	<b>- 16.8%</b>
<b>Profit before tax</b>	<b>48.9</b>	107.3	<b>- 54.4%</b>
<b>Taxation</b>	<b>9.8</b>	5.2	<b>+ 88.5%</b>
<b>Profit attributable to equity holders</b>	<b>39.1</b>	102.1	<b>- 61.7%</b>
<b>Basic earnings per share (RMB cents)</b>	<b>3.91</b>	12.3	<b>- 68.2%</b>
<b>Interim dividend per share (RMB)</b>	<b>—</b>	—	<b>N/A</b>

# Revenue Analysis



## Revenue Analysis by Product Categories



For the 6 months ended 30 June

# Rising Contribution from Non-mobile Phone Related Business



## Diversified Revenue Streams

Mobile phone related products

Digital camera related products

Optical instruments

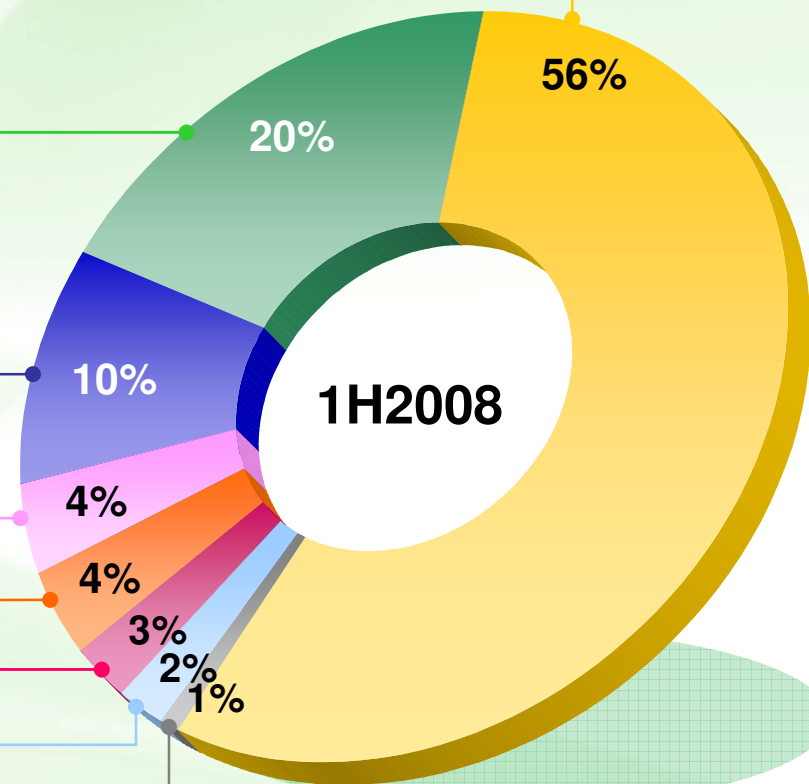
DV lens

Other non-core products

Other spherical lenses and plane products

Other lens sets

Industrial endoscopes

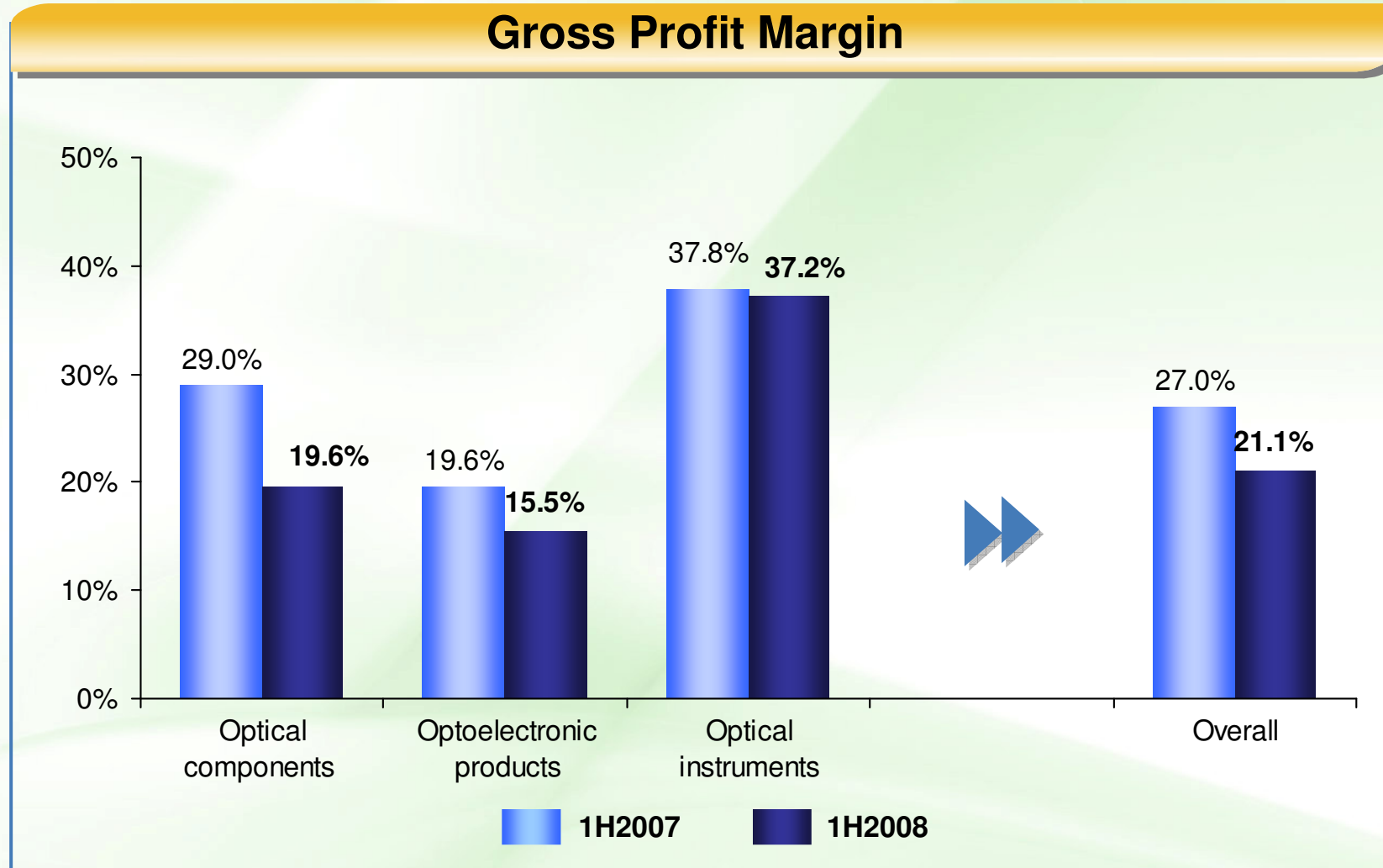


*For the 6 months ended 30 June, 2008*

# Margin Overview



## Gross Profit Margin



For the 6 months ended 30 June



# Operating Expenses Analysis



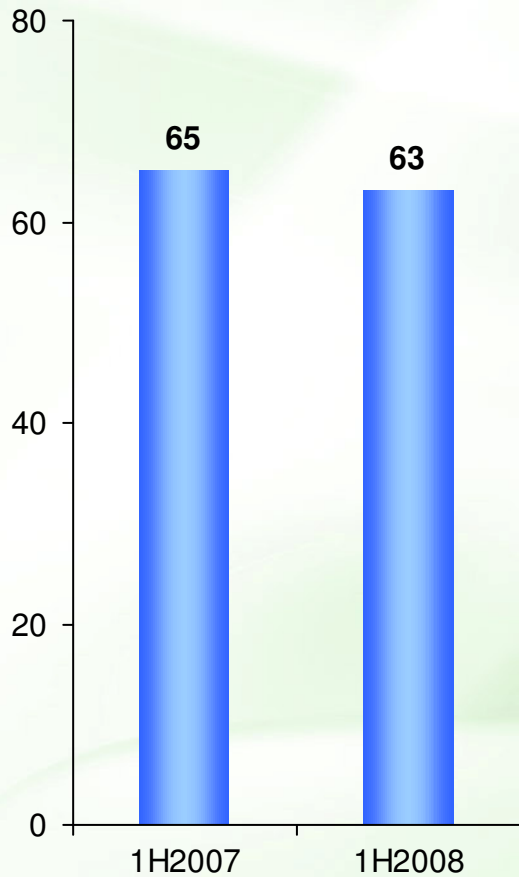
	2008 1H		2007 1H	
	<i>For the 6 months ended 30 June</i>			
	<i>(RMB mn)</i>	<i>(As % of revenue)</i>	<i>(RMB mn)</i>	<i>(As % of revenue)</i>
<b>Revenue</b>	<b>590.3</b>	<b>100%</b>	556.0	100%
<b>Sales and distribution expenses</b>	<b>14.7</b>	<b>2.5%</b>	12.7	2.3%
<b>R&amp;D expenses</b>	<b>23.9</b>	<b>4.1%</b>	7.5	1.3%
<b>Administrative expenses*</b>	<b>54.3</b>	<b>9.2%</b>	49.1	8.8%
<b>Total operating expenses</b>	<b>92.9</b>	<b>15.8%</b>	<b>69.3</b>	<b>12.4%</b>

*Note: Administrative expenses in 2007 1H included non-recurring listing expenses of RMB 16.6 million*

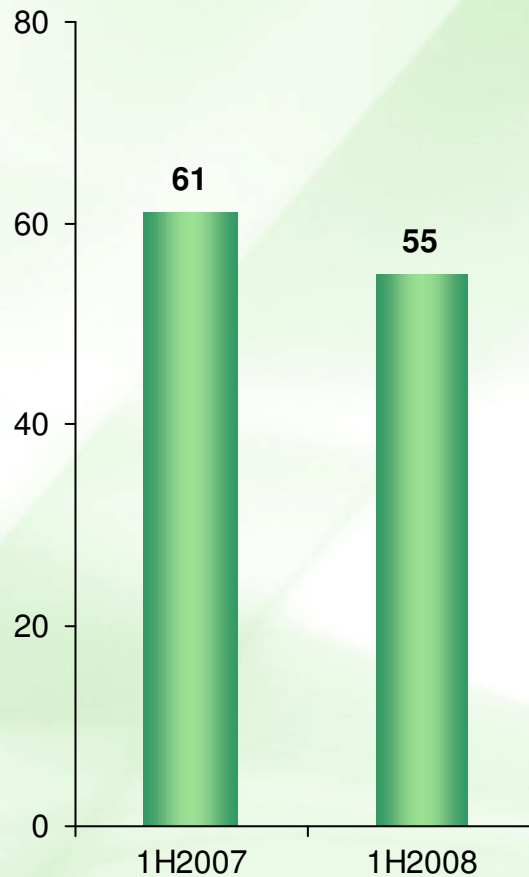
# Working Capital Management



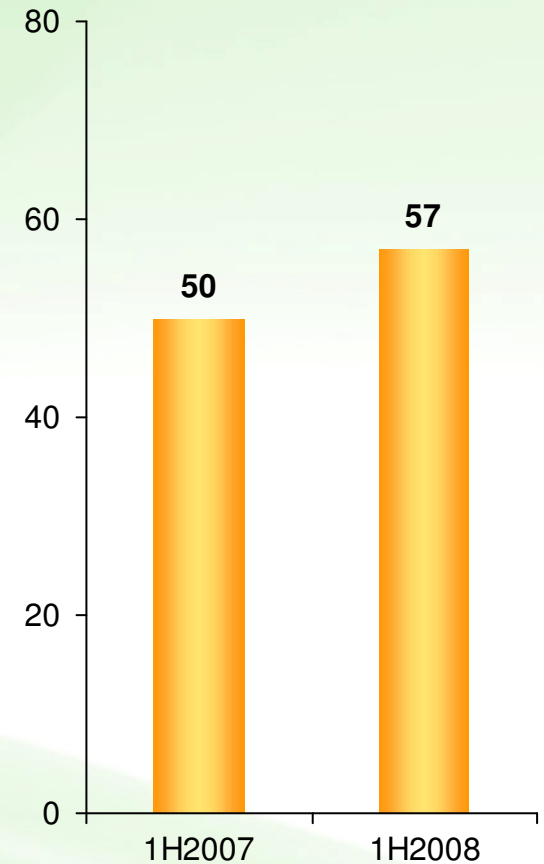
### A/R Turnover (Days)



### A/P Turnover (Days)



### Inventory Turnover (Days)



*For the 6 months ended 30 June*

# Solid Financial Position



2008 1H

2007 1H

*For the 6 months ended 30 June*

<b>Current ratio</b> (times)	<b>5.0</b>	3.3
<b>Operating cashflow</b> (RMB mn)	<b>58.7</b>	105.0
<b>Bank balances and cash</b> (RMB mn)	<b>491.5</b>	797.2
<b>Gearing ratio</b> (%)	<b>N/A</b>	N/A
<b>ROE</b> (%)	<b>3.0</b>	8.8
<b>Capital expenditure</b> (RMB mn)	<b>101.3</b>	68.0



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## Review of Operations





# Use of IPO Proceeds Update



<i>RMB mn</i>	Use of proceeds	Amount used
Expansion of production capability and capacity	275.0	140.8
Enhancement of R&D activities and facilities	166.0	46.3
Acquisition of land & buildings which were leased to Ningbo Instruments by Sunny Group for the manufacture and R&D of optical instruments	28.0	28.0
Enhancement of information systems	25.0	3.3
Settlement of bank borrowings	130.0	130.0
Working capital	68.0	26.2

As at 30 June 2008

# Aggressive R&D with Fruitful Results – Optical Components



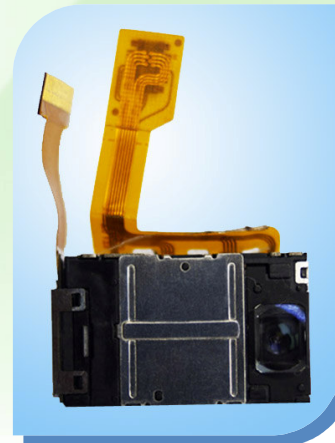
## More professional products with excellent quality

### Qualifications attained

- ☞ 1 invention patent of projector engine
- ☞ 1 utility model patent of handset lens set

### R&D and mass production

- ☞ Mass production of the chalcogenide infrared glass lens sets commenced successfully
- ☞ The development of the 3M pixels 3X Zoom handset lens sets has entered into the 3rd phase sampling stage
- ☞ Blue-ray DVD prisms are developed successfully
- ☞ Mass production of DSLR lens with high precision commenced
- ☞ Commenced production of 5M pixels handset lens sets to Samsung



3M pixels 3X Zoom handset lens sets



Brand new handset lens sets



Chalcogenide infrared glass lens sets



Blue-ray DVD prisms

# Aggressive R&D with Fruitful Results – Optoelectronic Products



## Explore different functions with wider applications

### R&D and mass production

- Industrial endoscope developed successfully and mass production commenced
- Video door phone module developed successfully and approved by Japan customers
- Started supplying mass orders of IP camera modules to Panasonic
- Commenced the R&D of 3M pixels, 3x zoom handset camera module
- Started R&D and marketing of medical endoscope (JV with CTC affiliated to State Family Planning Commission)



Industrial endoscope



IP camera module



Video door phone module



Business card scanner



# Aggressive R&D with fruitful results – Optical Instruments



## Consolidated overseas R&D capability, further enhanced R&D efficiency

### R&D and mass production

- Set up a new optical instruments company in Singapore which mainly focuses on the R&D of high-end optical instruments such as 3D optical vision measuring machines and microscopic interferometers
- Development of a new MX-6R metallurgical microscope was completed
- Mass production of the IP66 waterproof level commenced and the product has attained IP66 standard for its water resistance feature, an internationally leading ranking
- Jewelry microscope has been successfully developed and production on small quantity has commenced



Jewelry  
microscope



MX-6R metallurgical  
microscope



IP66 waterproof level



# Capacity Utilization to Seize Growth Opportunities



	Production Capacity			Utilization Rate		
	2008 1H	2007 1H	2007	2008 1H	2007 1H	2007
<b>Lenses</b> (mn units)	<b>93.0</b>	60.0	168.0	<b>62.0%</b>	55.8%	57.1%
<b>Lens sets</b> (mn units)	<b>73.8</b>	42.0	144.0	<b>56.3%</b>	82.0%	66.0%
<b>Optoelectronic products</b> (mn units)	<b>36.0</b>	18.0	72.0	<b>43.9%</b>	77.0%	51.0%
<b>Optical instruments</b> (‘000 sets)	<b>99.6</b>	82.0	199.2	<b>63.3%</b>	76.0%	71.0%

*Note: The annual /semiannual production capacity is calculated by using the highest production capacity of the last month multiplied by 12/6.*

# Enhance Sales Channels and Expand Business Network



- Further enhanced sales channel and expanded sales network to maintain the position as the leading supplier of optical and optoelectronic products in the PRC
- Strengthen relationships with existing clients
- Expanded international clientele with the addition of new clients from Germany, Japan, etc
- Further strengthened the sales function of the Branch in Korea and Japan
- Set up sales points in Europe and USA in the pipeline



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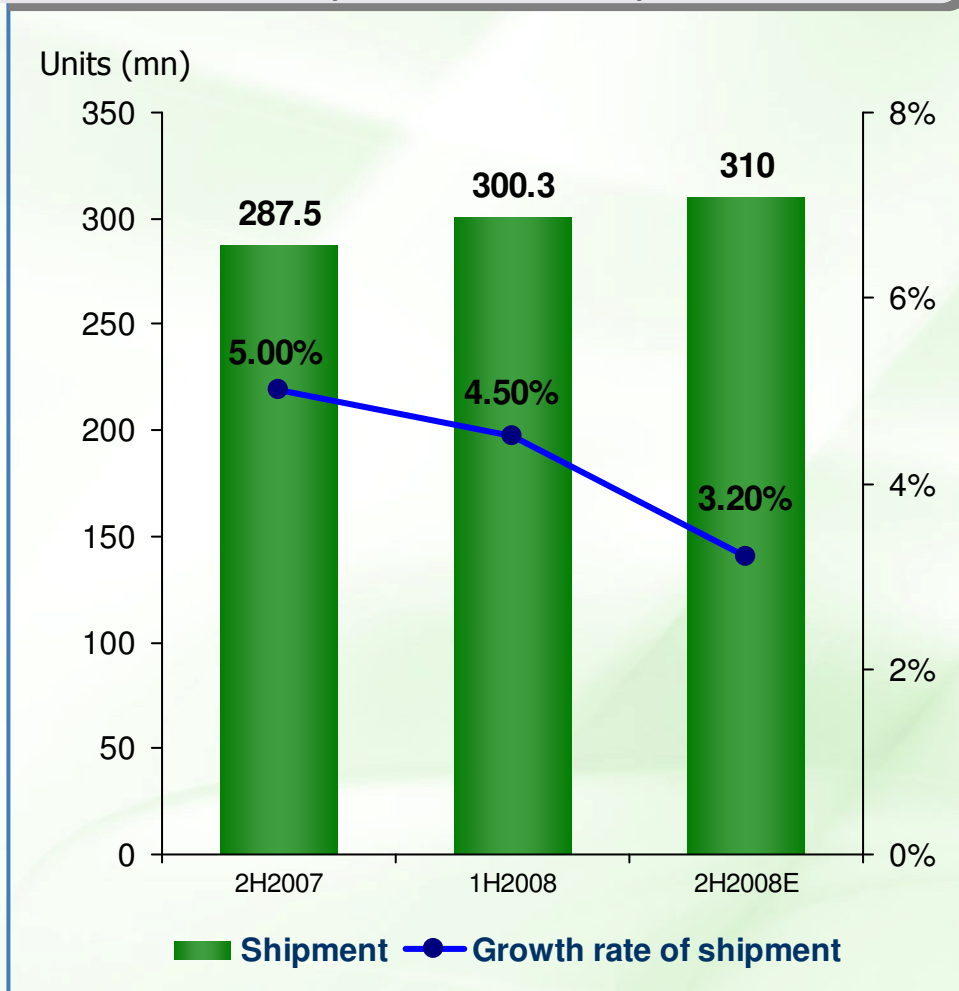
# Outlook and Development Strategies



# Overview of Mobile Phone Market

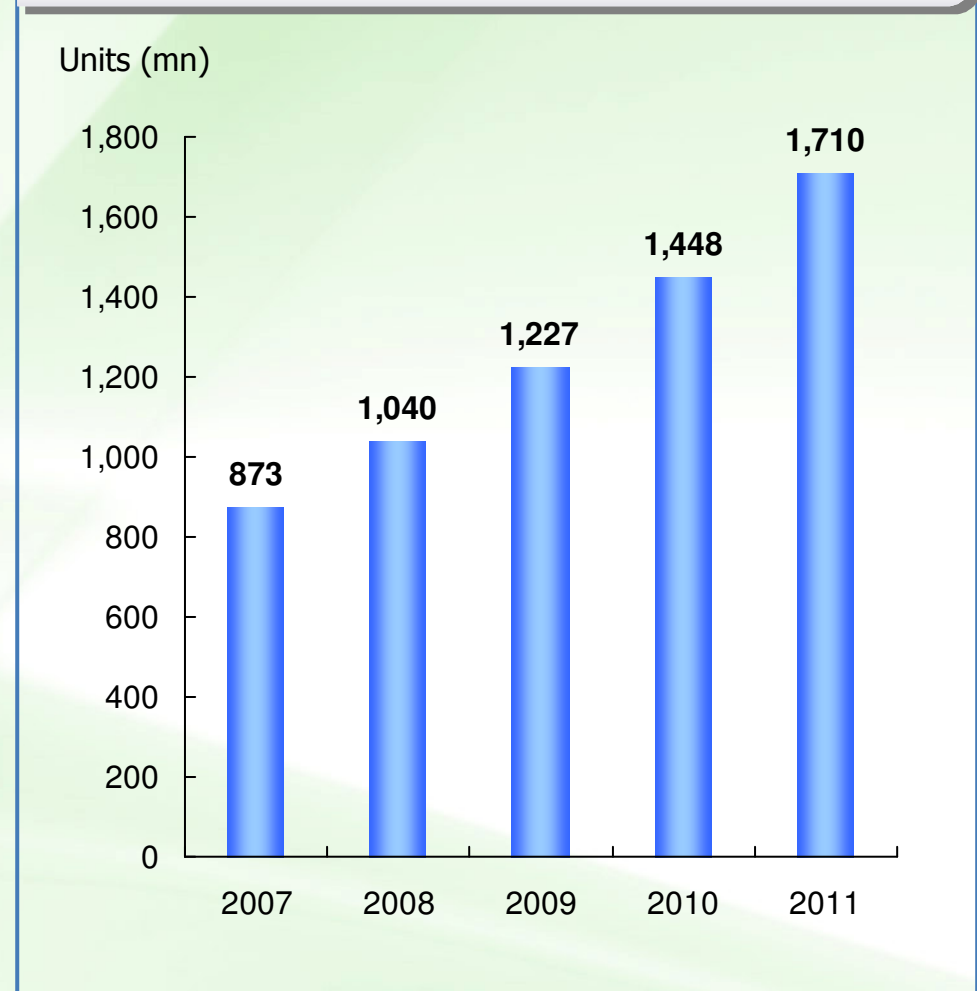


**Shipment of Mobile Phones in the PRC  
(2H2007-2H2008E)**



Source: TRI Research

**Global Handset Camera Modules Demand Volume  
(2007-2011)**



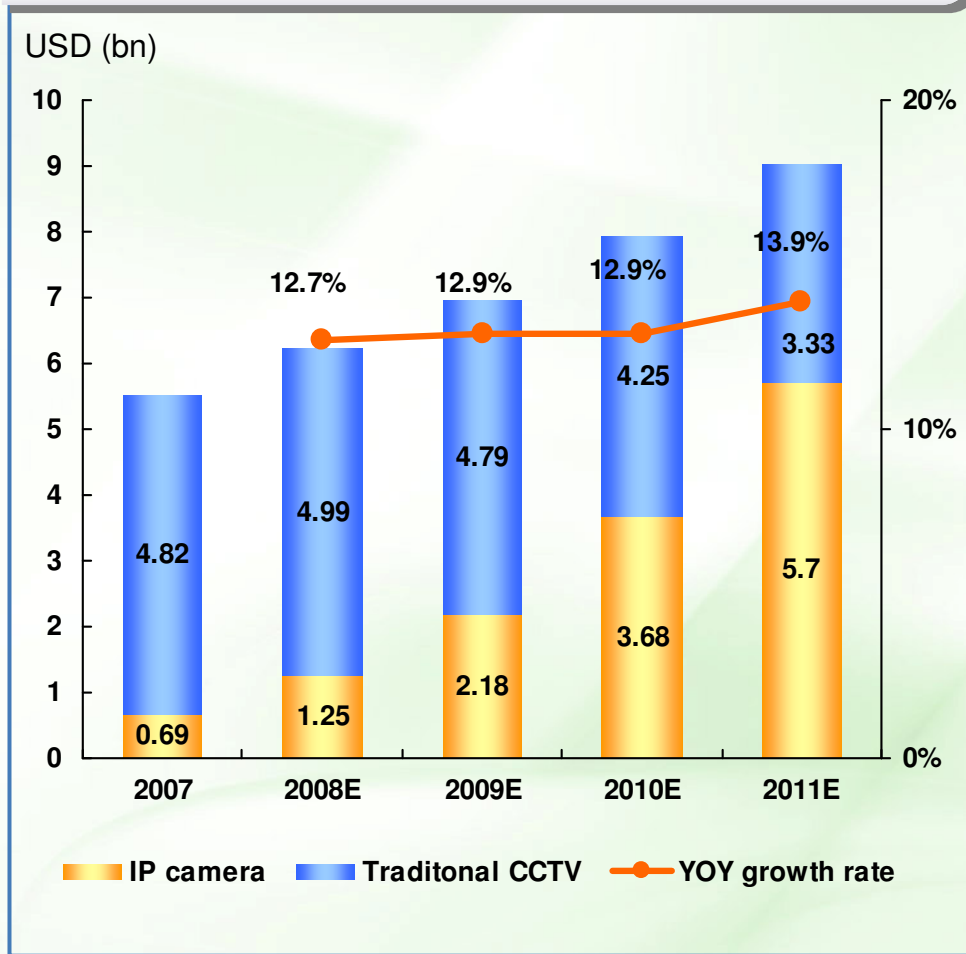
Source: Mercury Research



# Global Demand for CCTV and DSC Grow Stably

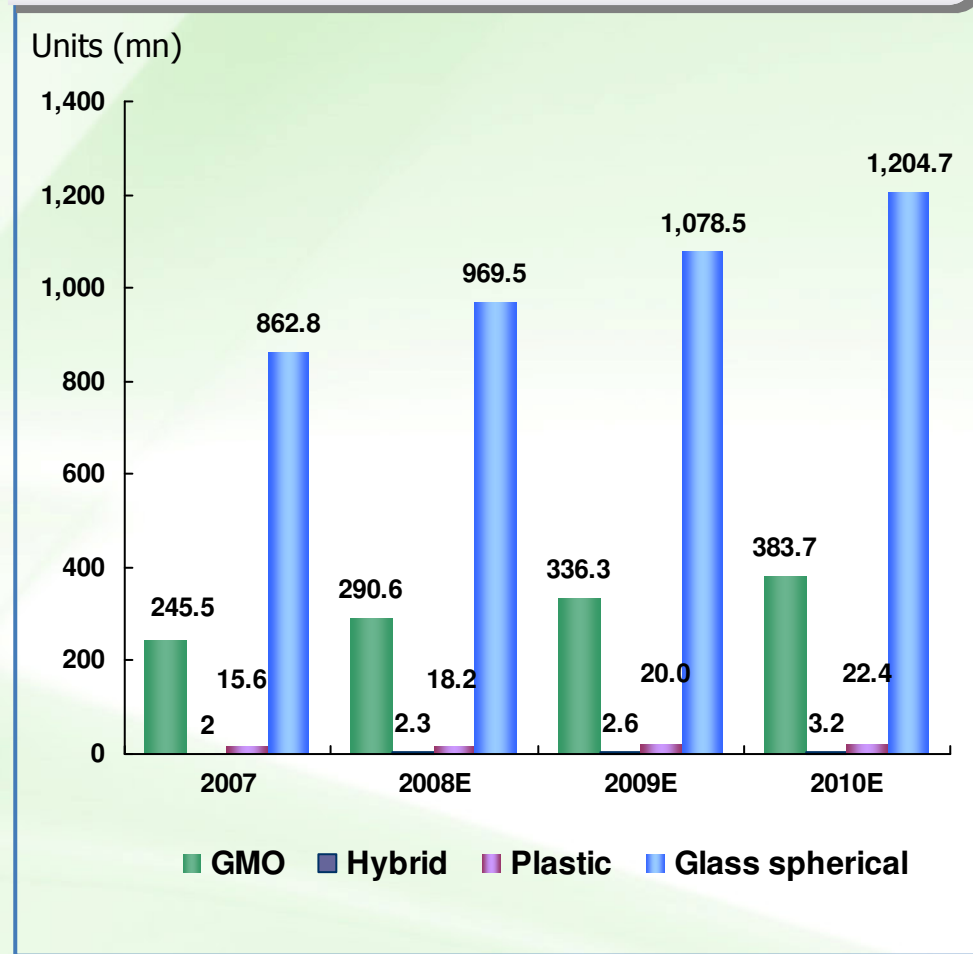


## Global Sales of CCTV



Source: RNCOS Research

## Global Demand of DSC Lens

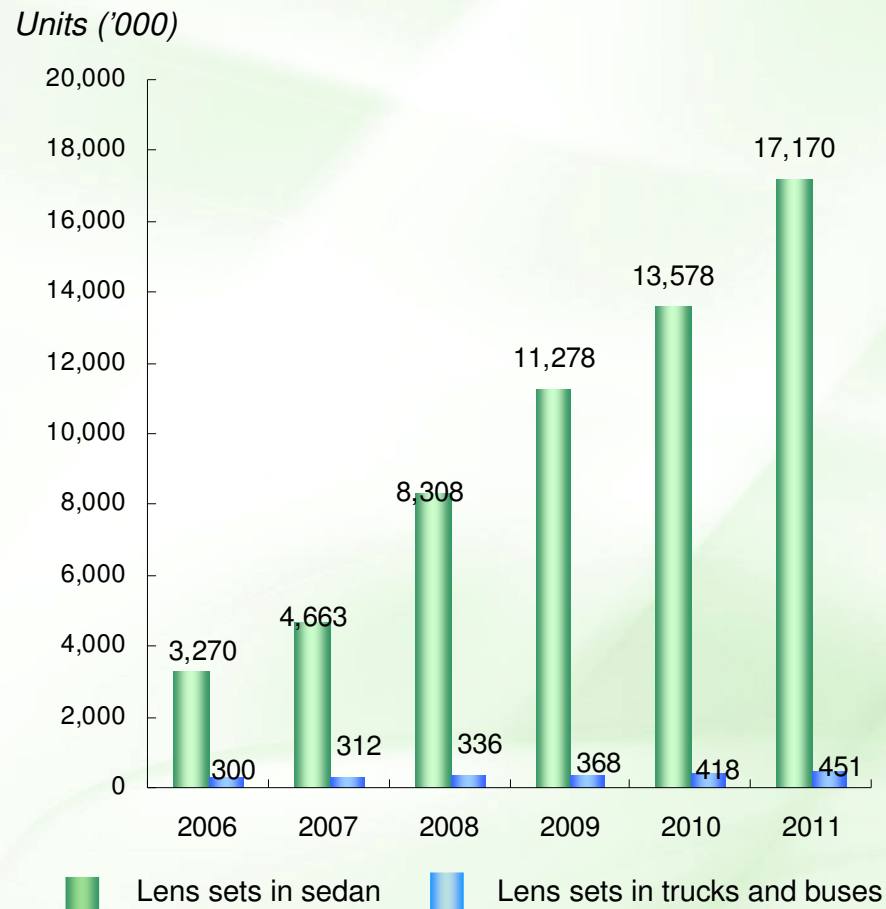


Source : Brain Child September, 2007

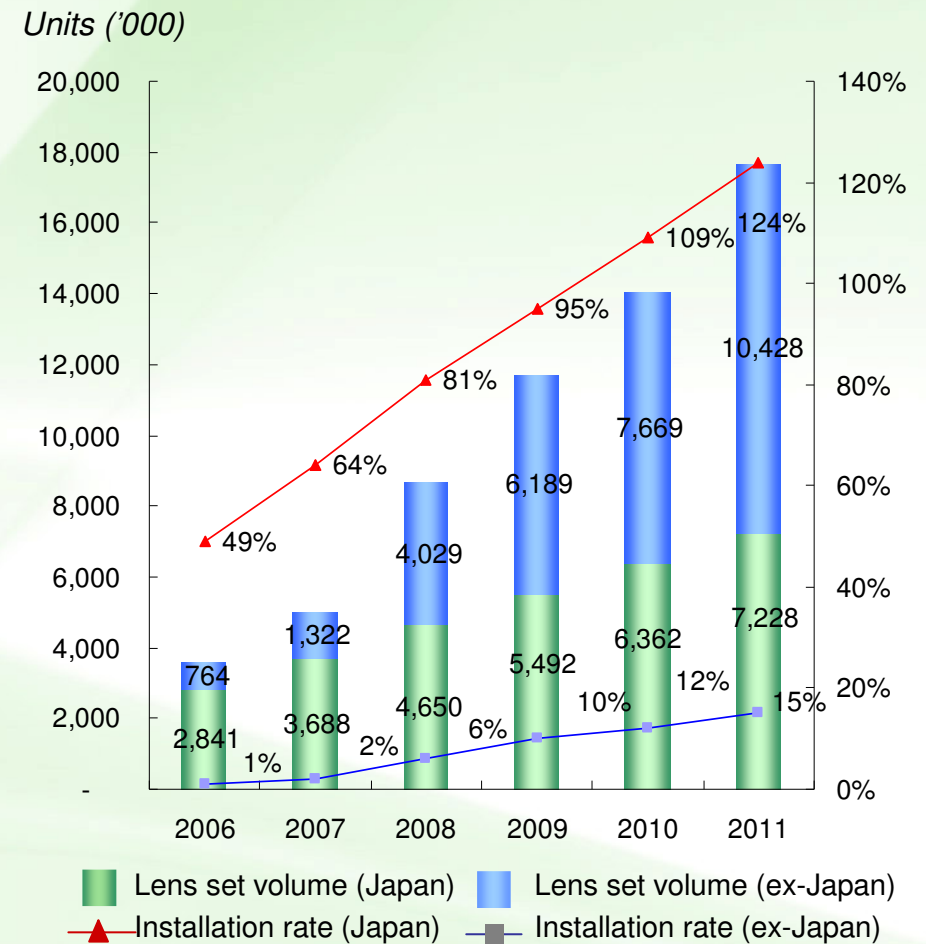
# Global Demand for Automobile Optical Lens Set



## Global Automobile Lens Sets Shipment



## Global Automobile Lens Sets Installation



Source : Brain Child September,2007

# Explore New Applications to Expand Customer Base



Enhance product applications to develop diversified customer base

## Optical lens and lens sets

- DSLR lenses
- DVD prisms
- Handset lens set with high resolution
- ZOOM lens set for handsets



## Optical Instruments

- Microscopic interferometers
- 3D optical vision measuring machines
- Gas chromatographs
- Mid- to high-end microscopes



## Automobile lens sets system

- Front view lens set
- Rear view lens set
- Parking lens set
- Blind spot lens set



## Security monitoring system

- CCTV lens sets
- CCTV modules
- Video door phone system



## Medical- and industrial-used optoelectronic products

- Industrial endoscope
- Medical endoscope



## Compact camera modules

- Handset camera modules with high resolutions/zoom function
- Laptop camera modules
- IP camera modules



# Enhance Supply Chain Management



## Core Target

**Standardize and streamline work flow to reduce costs**





# Enhance Productivity and Production Efficiency



## Potential cost pressure

- ☉ Price reduction pressure from clients
- ☉ RMB appreciation
- ☉ Rising of labour cost
- ☉ Rising cost of raw material

## Group's strategies

- ☉ Enhance efficiency
- ☉ Strict quality control
- ☉ Low level of inventory
- ☉ Cost control

## Goals

- ☉ Lower cost
- ☉ Better quality
- ☉ Shorten production cycle

# Marketing Strategy



## Current

### Market Expansion

- Major Market coverage including China, Japan, Korea and Singapore

### Product Application

- Mobile phone-related business accounted about 60% for the Group's total revenue
- Most products applied on consumer electronic products

### Technology Level

- Above industry level

## Future

- Strengthen existing sales channel and maintain customer relations
- Further expand Europe and U.S. market

- Wider product applications
  - Develop optical inspection instruments for professional and industrial use
  - Develop optical image system used in automobile industry
  - Develop analytical instruments used for chemical and environmental and medial purpose

- Reinforce R&D capability
- Get International qualification
- Strictly control product quality

Implement  
"Mingpeijiao"  
Strategy



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# Thank You!

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