



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

Stock Code: 2382

# *Corporate Presentation*

*Oct 2011*



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# Investment Highlights



# Investment Highlights



- ❑ Becomes a Constituent Stock of MSCI Global Small Cap Indices
- ❑ All business segments sustain growth:
  - benefit from the rising demands of smartphones and 3G handsets
  - greater market share in digital camera divisions
  - favourable development of products with new optical application
- ❑ 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

# Peers Comparison



-Focus on optical application, diversification of products

Companies	Location	Key Technologies or Products					
		Glass lenses	Glass Aspherical lenses	AF handset lens sets	Zoom Handset lens sets	AF Handset Camera modules	Zoom Handset Camera modules
Sunny Optical	PRC	✓	✓	✓	✓	✓	✓
Phenix Optics	PRC	✓					
Largan Precision	Taiwan			✓			
Kinko	Taiwan	✓	✓				
Altus	Taiwan					✓	✓
Liteon	Taiwan					✓	✓



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# Company Overview



# Leading Integrated Optical and Optoelectronic Component Producer in China



- Over 27 years of professional experience
- Strong capabilities of R&D, technology and manufacturing.



Zhejiang Headquarters

→ Employees: about 6000



Production facility in Zhongshan

→ Employees: about 2324



Production facility in Shanghai

→ Employees: about 183



Production facility in Tianjin

→ Employees: about 524

## 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)

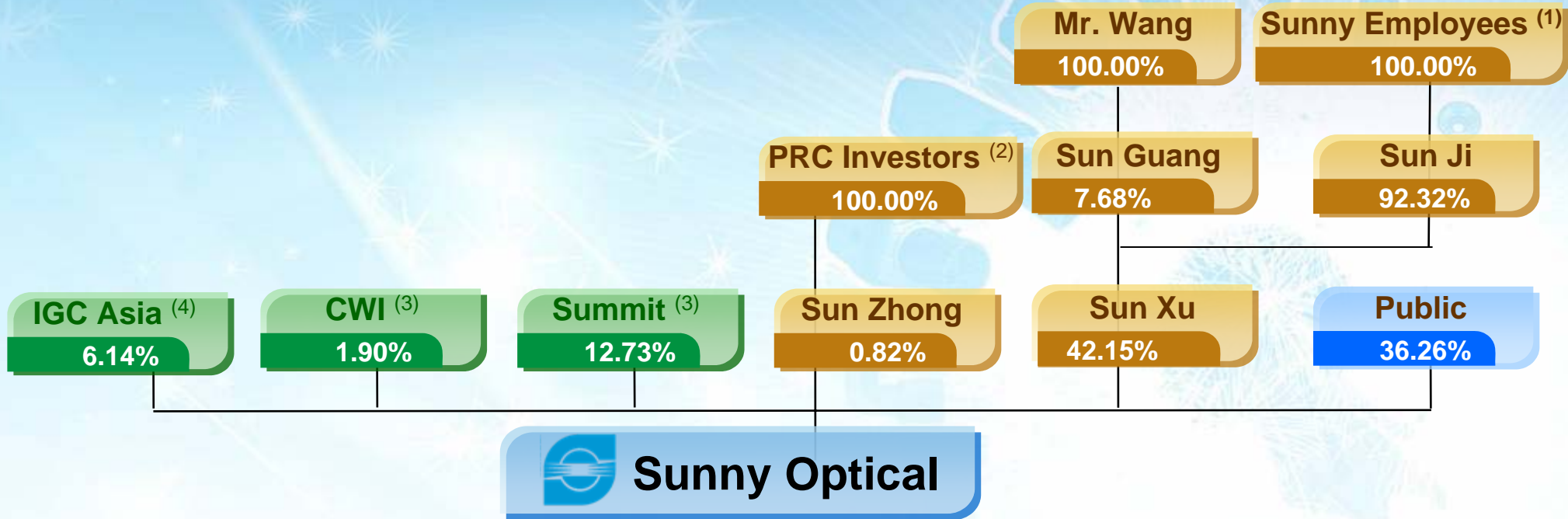
### Optical Instruments



(Microscopic, measuring and analytical instruments)



# Shareholding Structure



- 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 30 Sept 2011

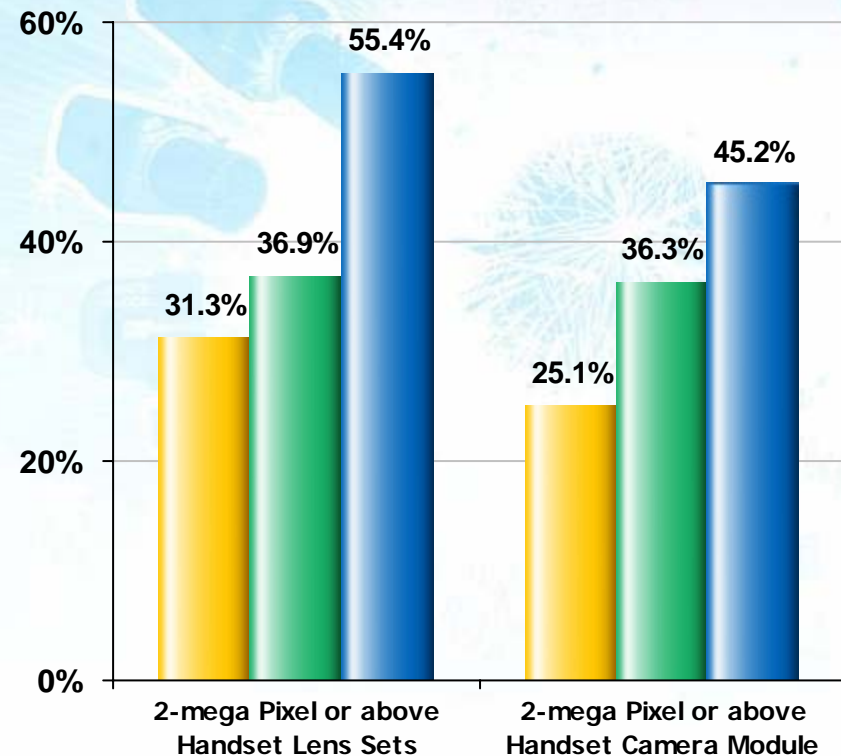
# Business Review



## *Grasped the Momentum of Economic Recovery Business Performance Improved in 2011 1H*

### 2-mega Pixel or above Handset Lens Sets and Handset Camera Module Shipment Volume Proportion of Total Shipment Volume

- Improved customer base and product mix
- Obtained MP qualifications from famous international manufacturers including Sharp and Nokia
- Entered into long term cooperative agreement with Samsung Electronics Corporation
- Started the construction of the new production base in Xinyang of Henan Province, for producing glass spherical lenses and plane products



For the 6 months ended 30 Jun

2009

2010

2011

# Fruitful Achievements in R&D - Hi-tech Barrier

Possessed 131 Patents



- **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 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 strengthened the leading position of domestic microscope industry

## Optical Components



## Optoelectronic Products



## Optical Instruments



# Strong Client Base



## Top Five Customers

Huawei

Samsung

Panasonic

Gionee

Nikon

## Renowned Customers

*DSC Lenses Business*

*Handset Lens Sets Business*

*Handset Camera Modules Business*

*Optical Instruments Business*

*Other Businesses*

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

Sharp (Nokia)  
Foxconn  
Truly

Sharp  
Huawei  
ZTE  
Coolpad  
Lenovo  
Oppo  
Tianyu  
Sangfei  
Foxconn  
Gionee  
TCL

Keyence  
Carl Zeiss  
Optika  
Amscope  
Olympus

Panasonic  
Sanyo  
Liteon  
Primax  
Magna  
Continental  
Delphi

Autoliv  
Steel-mate  
TTE  
Ricoh  
Sindoh  
Silitech  
Microtek

# Utilization Rate



## Utilization Rate

*For the 6 months ended 30 Jun*

	2009	2010	2011
Lenses	74.5%	88.1%	87.6%
Lens Sets	50.1%	65.3%	72.0%
Optoelectronic Products	32.0%	56.2%	84.3%
Optical Instruments	46.0%	90.3%	82.7%



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# Financial Highlights



# Financial Highlights



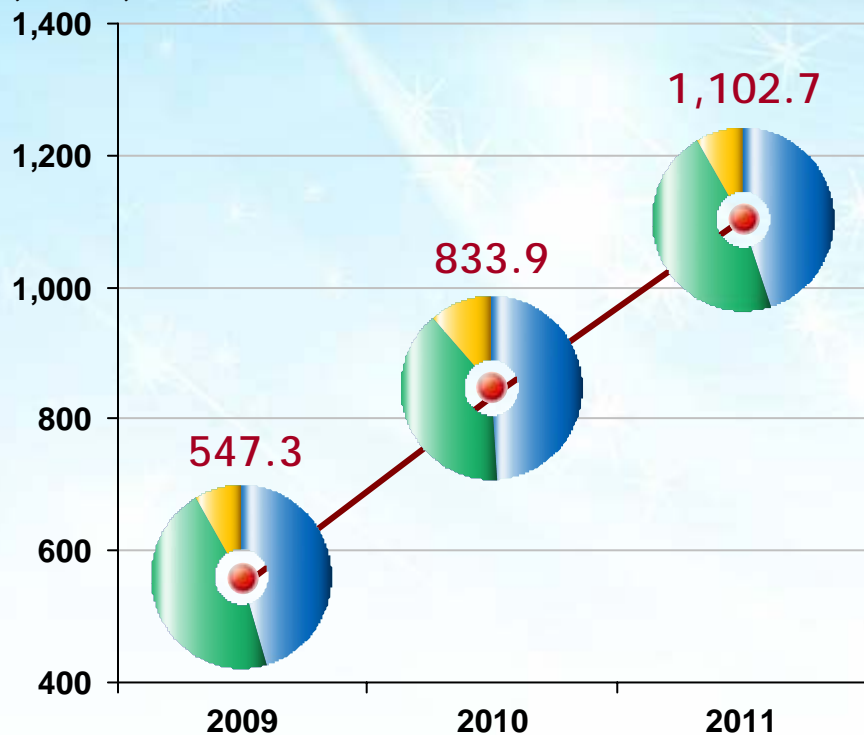
	2010	2011	Change
<i>(RMB mn)</i>	<i>For the 6 months ended 30 Jun</i>		
Revenue	833.9	1102.7	+ 32.2%
Gross Profit	177.7	235.6	+ 32.6%
Profit Before Tax	66.0	110.2	+ 67.0%
Income Tax Expense	(16.0)	(22.7)	+ 42.1%
Profit Attributable to Owners	54.8	91.5	+ 67.0%
Basic Earnings per Share <i>(RMB cents)</i>	5.54	9.48	+ 71.1%

# Revenue Breakdown



## Business Segment Sales as a Percentage of Total Revenue

(RMB mn)



For the 6 months ended 30 Jun

■ Optical Components    ■ Optoelectronic Products  
■ Optical Instruments    — Revenue

	2009	2010	2011	Change from 2010 to 2011
(RMB mn)	For the 6 months ended 30 Jun			
Optical Components	249.5	407.3	494.3	+ 21.3%
Optoelectronic Products	250.2	333.8	517.7	+ 55.1%
* Optical Instruments	47.6	92.8	90.7	- 2.3%
<b>Total Revenue</b>	547.3	833.9	1102.7	+ 32.2%

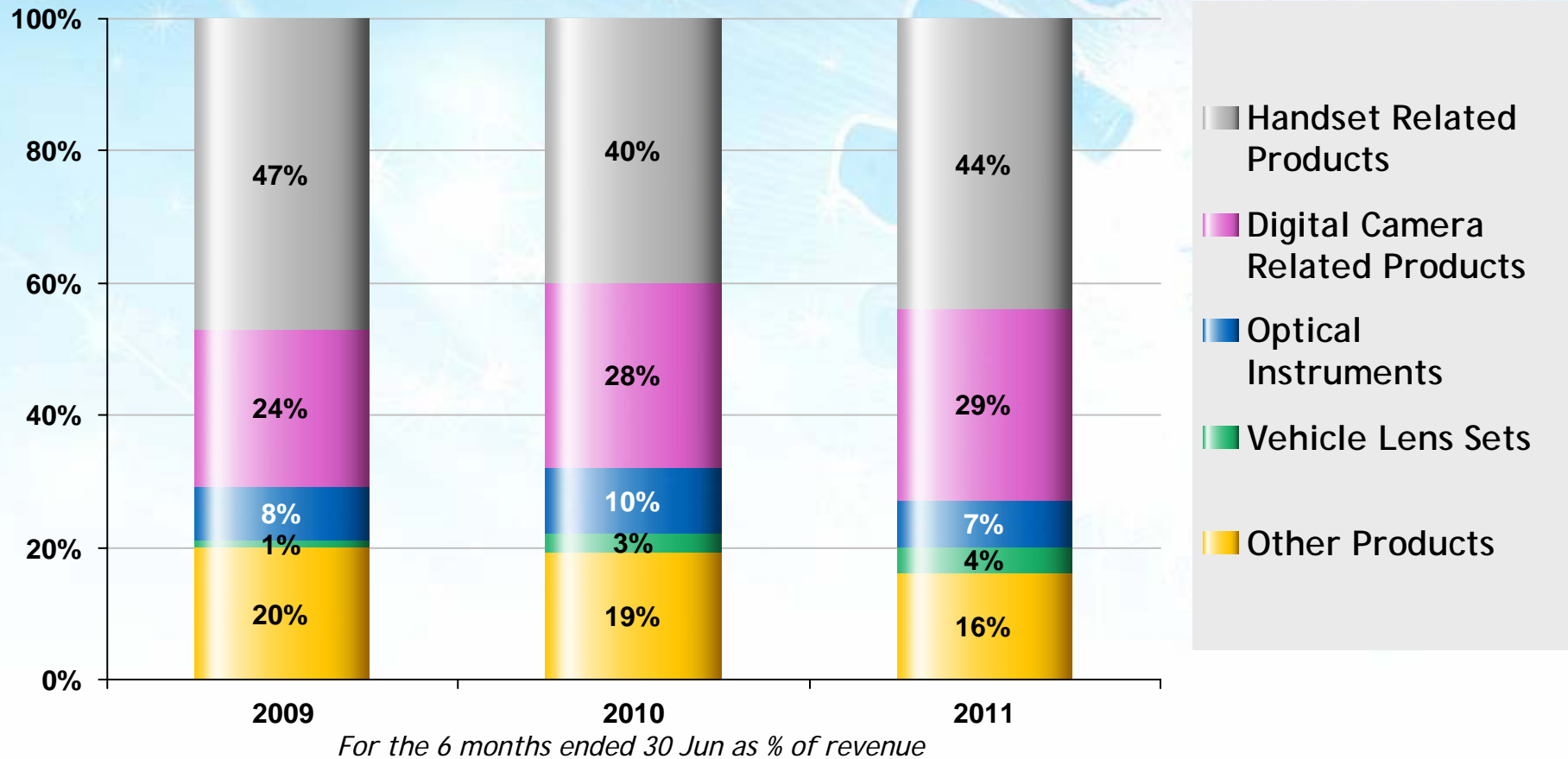
\* Note: Mainly due to a one-off Japanese bid-order of approximately RMB11.5 m obtained in the corresponding period of last year



# Widening Product Applications



## Sales Breakdown by Product Applications



# Margins Overview



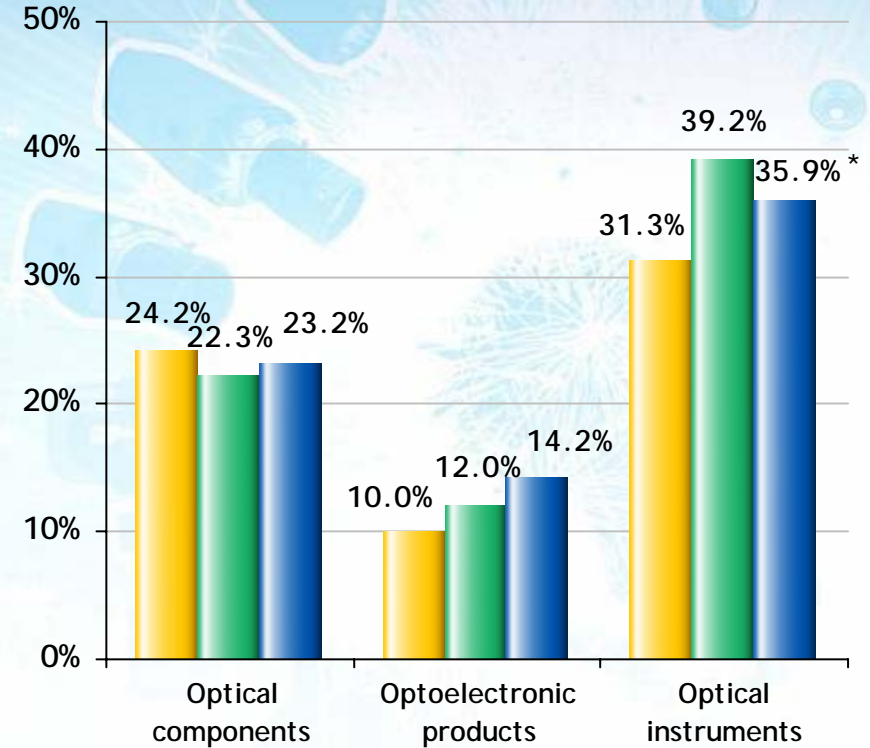
## Gross Profit Margin and Net Profit Margin



For the 6 months ended 30 Jun

2009 2010 2011

## Gross Profit Margin by Business Segments



For the 6 months ended 30 Jun

2009 2010 2011

\* Note: Mainly due to the decrease in utilization rate as compared with the corresponding period of last year

# Operating Expenses Analysis



(RMB mn)	2009		2010		2011	
	<i>For the 6 months ended 30 Jun</i>					
		<i>(As % of revenue)</i>		<i>(As % of revenue)</i>		<i>(As % of revenue)</i>
Revenue	547.3	100.0%	833.9	100.0%	1102.7	100.0%
Total Operating Expenses	91.1	16.6%	115.9	13.9%	140.7	12.8%
Selling and Distribution Expenses	13.6	2.5%	20.6	2.5%	25.9	2.4%
R&D Expenses	37.4	6.8%	45.5	5.5%	51.7	4.7%
Administrative Expenses	40.1	7.3%	49.8	5.9%	63.1	5.7%

\* Note: Effective control leads to decrease in ratios of various operating expenses to revenue

# Solid Financial Position



	2009	2010	2011
	<i>For the 6 months ended 30 Jun</i>		
<b>Current Ratio (times)</b>	5.0	3.2	<b>3.1</b>
<b>Operating Cashflow (RMB mn)</b>	46.6	49.1	<b>47.3</b>
<b>Cash and Cash Equivalent (RMB mn)</b>	706.4	763.8	<b>752.2</b>
<b>Gearing Ratio (%)</b>	3.2	6.9	<b>4.1</b>
<b>ROE (%)</b>	1.5	3.5	<b>5.6</b>
<b>Capital Expenditure (RMB mn)</b>	29.6	35.5	<b>94.7</b>



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# Outlook and Development Strategies



# Development Strategies



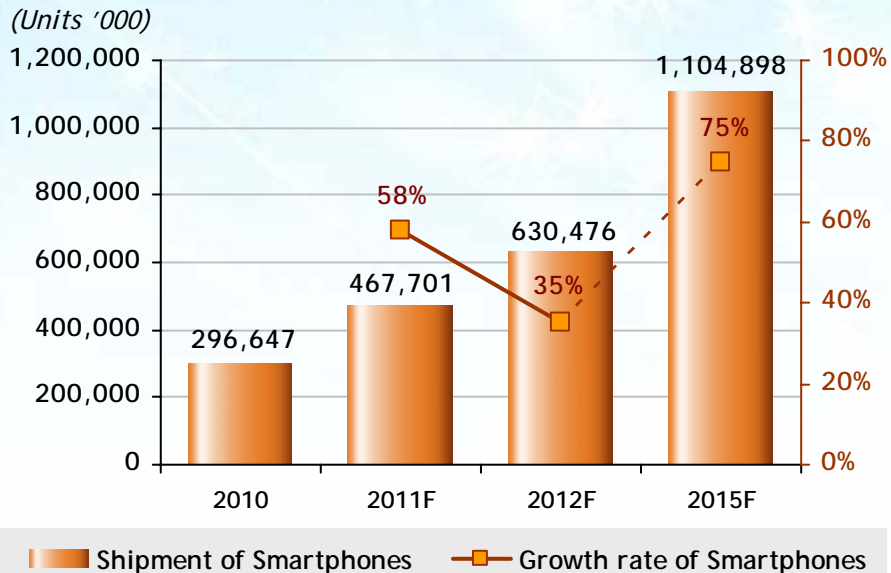
# Dedicated to and Focused on the Existing Industries



- Reinforce cooperation with existing customers
- Strive to be the most valuable supplier of existing clients
- Persist in exploring international clients

- Maintain leading position in the industry
- Enrich product mix and promote products to high-end market
- Commence construction of the production base in Henan

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



Source: Gartner

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



Source: MIC

# Accelerate the Development of New Business

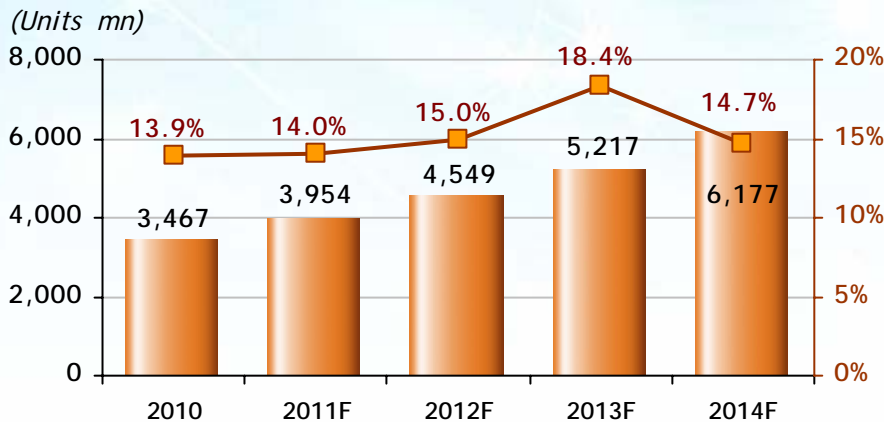


## Market Forecast of Domestic Video Security System



Source: IDC

## Market Forecast of Global Infrared Instruments



Revenue YoY Growth rate

Source: Maxtech International Inc.

- Reinforce the construction of the organization, manpower and system of new businesses, input resources to push for the company's strategic transformation
- Strengthen the vehicle imaging business distribution in major areas
- Promote the commercialization of security products
- Further develop new applications of infrared products in civilian area
- Enhance the R&D in high-end optical instruments

## Global Market Forecast of Vehicle Camera Lens Module



Revenue YoY Growth rate

Source: Techno Systems Research



# Carry out all-round Management Innovation



## Push Forward Delicacy Management



- Continue to push forward "Lean Production"
- Thorough implementation of the SAP system
- Upgrade operational efficiency and quality level

## Stabilize Core Workforce



- Continue the restricted share award scheme
- Implement the "Length of Service Allowance" system
- Improve the appraisal system, training system and remuneration system



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# Open Forum

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