



Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

Stock Code: 2382



Corporate Presentation

October 2012

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Agenda



- 1 Investment Highlights
- 2 Company Overview
- 3 Review of Operations
- 4 Financial Highlights
- 5 Outlook and Development Strategies
- 6 Open Forum



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Investment Highlights



Investment Highlights



- ❑ A track record of 28 years
- ❑ Well-established for a sustainable growth
 - Strong demands for lens sets and camera modules of smartphones
 - Rising contribution from vehicle lens sets (Gross Margin > 40%)
 - Infrared related products (Gross Margin > 50%) started to contribute the bottom line
 - High-end optical instruments business is in uptrend (Gross Margin > 50%)
- ❑ Solid financial position with net cash of approximately RMB500mn as at 30 June 2012 (Net cash per share 51.8 cents)
- ❑ Final dividend payout ratio remains 30-35% of the profit for the period attributable to owners
- ❑ A constituent stock of MSCI Global Small Cap Indices



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Company Overview



Leading Integrated Optical and Optoelectronic Component Producer in China



- Over 28 years of professional experience
- Strong R&D, technical and production capabilities



Zhejiang Headquarters



Production facility in Zhongshan



Production facility in Shanghai



Production facility in Tianjin

Remark: Xinyang production base is under construction

Business Segments

Optical Components



(Glass spherical/aspherical lenses, handset lens sets, vehicle lens sets, infrared lens sets, other lens sets)

Optoelectronic Products



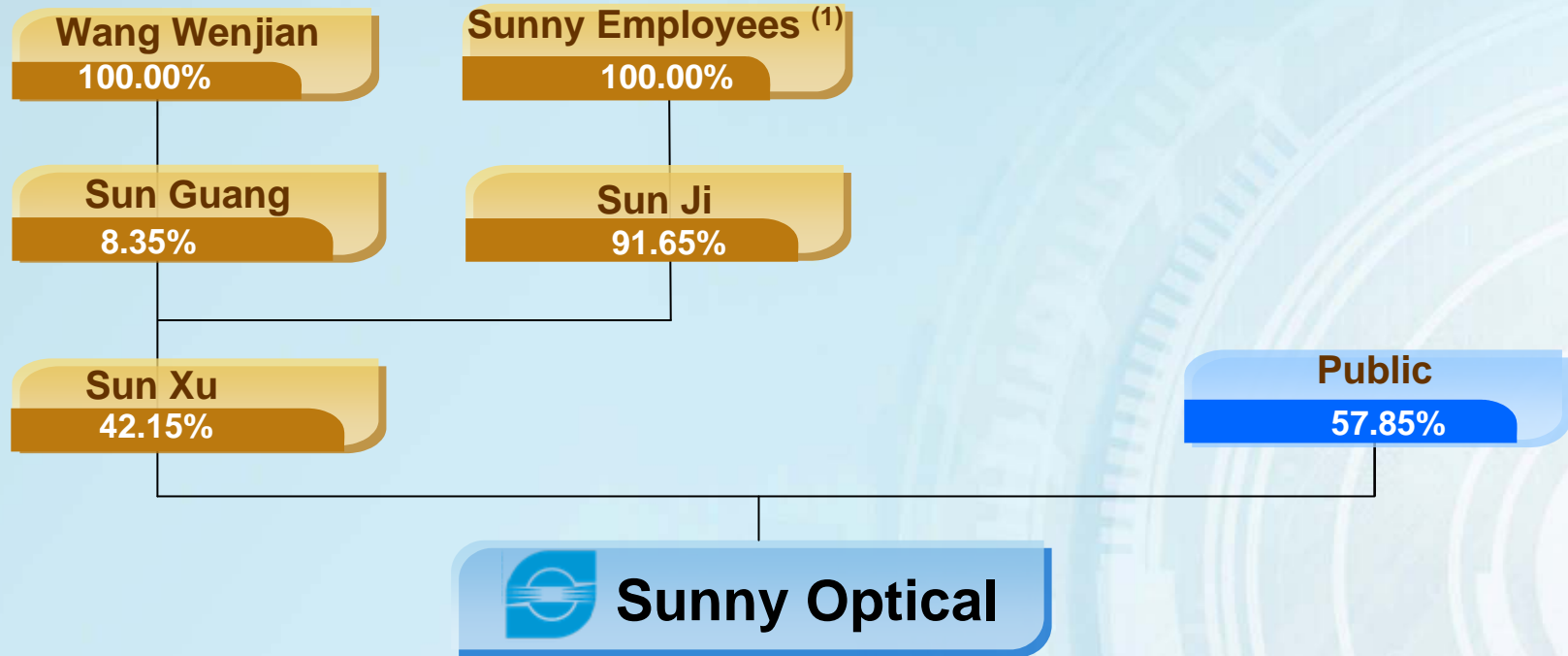
(Handset camera modules, Video modules of smart TV, security surveillance cameras, and other related products)

Optical Instruments



(Microscopic, measuring and analytical instruments)

Shareholding Structure



- 1) Mr. Wang Wenjian, Honorary Chairman and Non-executive Director of the Group, and Equity Trust (HK) Limited hold the entire issued share capital of Sun Ji in favor of all the Sunny Employees

**As at 30 Sep 2012*



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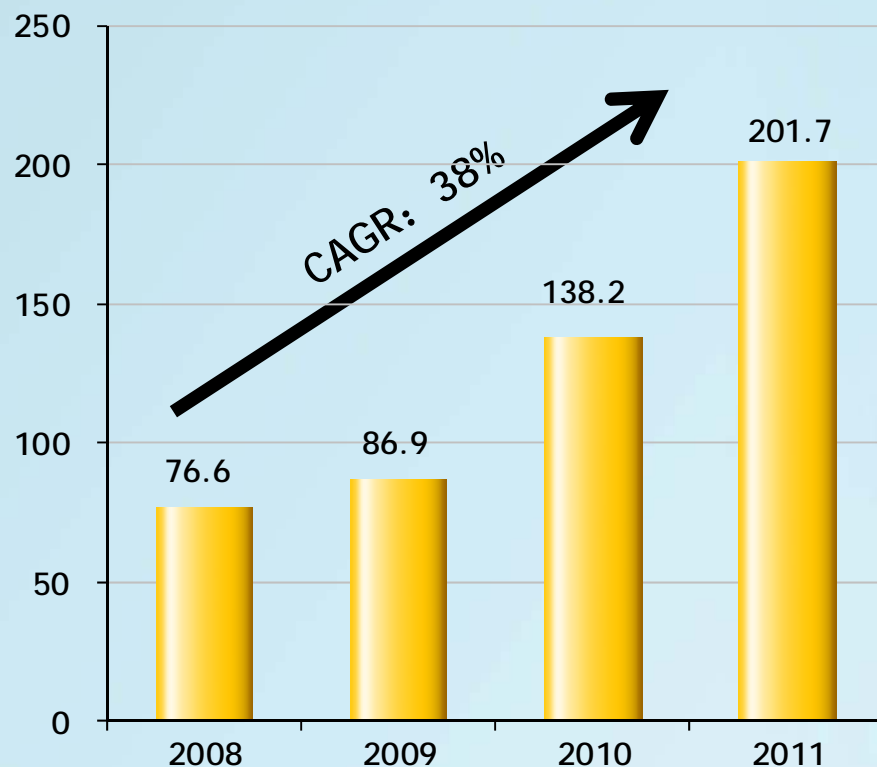
Review of Operations





Net Profit

(RMB mn)



For the year ended 31 December

Dividend

(RMB mn)



For the year ended 31 December

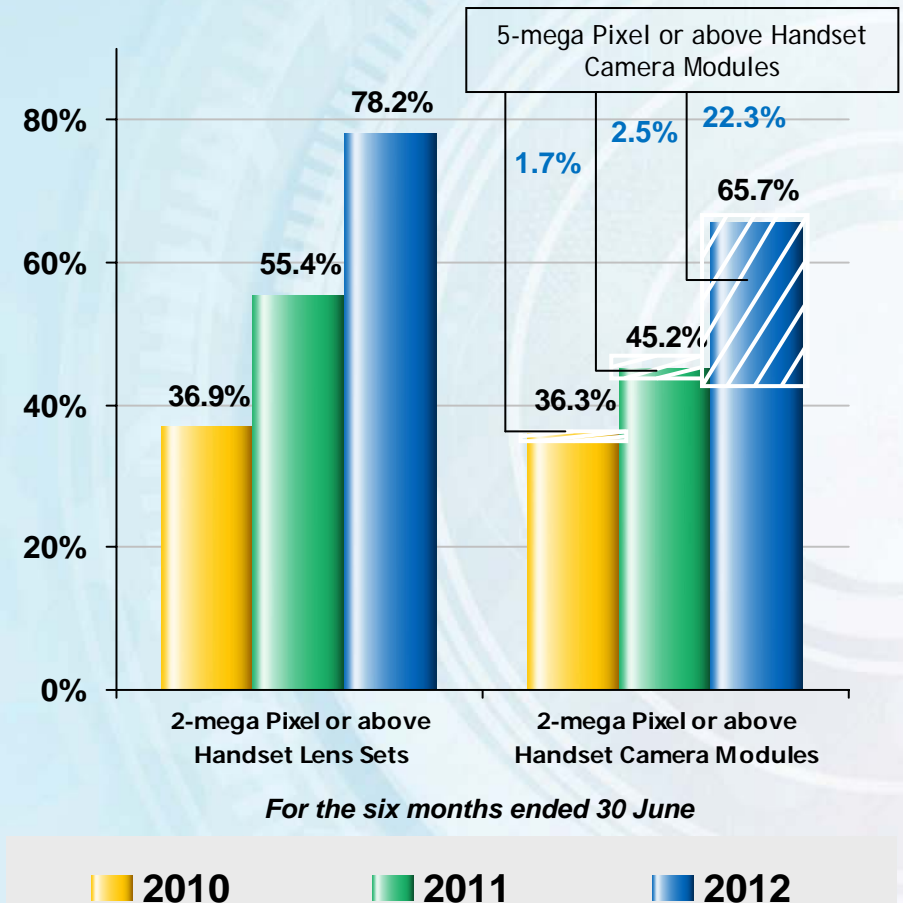
* Final dividend payout ratio was 33% of the profit for the period attributable to owners in 2011
Accumulated total dividend reached 176 million since listed in 2007.



Benefited from Rapid Growth in Smartphone Penetration Business Performance Improved in 2012 1H

- ❑ A very important supplier in the China's smartphone production chain
- ❑ Rapid improvement in product mix
- ❑ Further optimized product portfolio by rapid increase in sales of vehicle lens sets and infrared lens sets which have higher gross margins (Gross margin > 40%)
- ❑ Officially set up a subsidiary in Silicon Valley, California, the US, to provide technical support, marketing and customer base expansion in North America
- ❑ Some production lines for digital cameras related products were relocated to the new production base in Xinyang of Henan Province

2-mega Pixel or above Handset Lens Sets and Handset Camera Modules Shipment Volumes as Proportion of Total Shipment Volumes

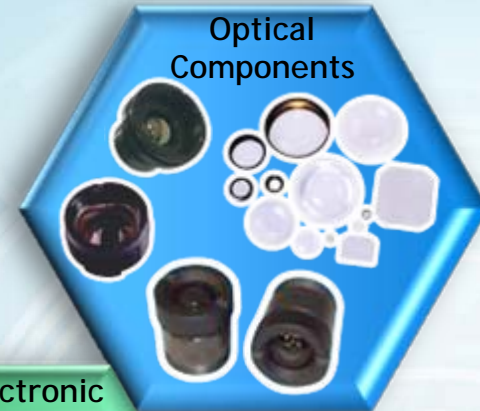


Fruitful Achievements in R&D - Hi-tech Barrier

Possessed 130 Patents



- **Unceasing Upgrade of Existing Products Needs Core Technology Competences**
 - Mass production for 5-mega and 8-mega pixel handset lens sets and handset camera modules has been successfully launched
 - Development of 13-mega pixel handset camera modules has been accomplished
- **Development of Products for Emerging Optical Applications Requires Innovation in R&D and Accumulation in Technology**
 - Mass production of various new vehicle lens sets has been launched and obtained an invention patent of “ultra wide-angle mega pixel vehicle lens sets”
 - Completed R&D of various infrared lens sets for vehicles and security surveillance
 - Commenced mass production for smart TV video modules
 - Accomplished R&D upgrade for a number of teaching interactively microscopic systems, analytical instruments oriented for spectrophotometers, gas chromatographs and mass spectrometers and high-end measuring machines
 - High-resolution wide-angle lens sets for webcams have obtained an invention patent
- **Product Technology Needs to be Upgraded Continuously**
 - Application of automatic production and inspection technology for lens sets already in full swing
 - Self-developed semi-automatic, automatic camera module tester started to be applied in mass production
 - Application of plastic injection molding technology with narrow runway already in full swing
 - Mass production for glass aspheric lenses with several cavities per mold has been launched
 - Self-developed automatic painting machines have been applied in mass production



Strong Client Base



Top Five Customers

Huawei

Lenovo

Coolpad

Oppo

Samsung

Renowned Customers

DSC Lenses Business

Handset Lens Sets Business

Handsets Camera Modules Business

Optical Instruments Business

Other Businesses

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

Sharp (Nokia)
Truly
Kerr
Global Optics

Huawei
Lenovo
Coolpad
Oppo
Gionee
Hisense
ZTE
Xiaomi
Tianyu
Sangfei
TCL
Pantech

Carl Zeiss
Optika
Amscope
Olympus

Panasonic
Sanyo
Liteon
Primax
Magna
Continental
Delphi
Keyence

Autoliv
Steel-mate
TTE
Ricoh
Sindoh
Silitech
Microtek

Awards and Recognitions



“2011 Special Contribution Award” by Sony



2012 Lenovo Global Supplier Conference “Win-win Cooperation Supplier”



Top 10 Most Influential Domestic Manufacturers 2011



Ningbo City Quality Exporter Award

GC1100P gas chromatography was granted “The Most Outstanding New Scientific Instrument of the Year 2011”

2011 Ningbo Top 100 Enterprises in Foreign Trade

2011 Ningbo City Advance Technology Award

Top 100 Leading Enterprises in the Industry

“2011 Grade A Suppliers” and the award of “Second Prize in 2011 EHS Excellent Suppliers” by Samsung Electronics



Financial Highlights



Financial Highlights



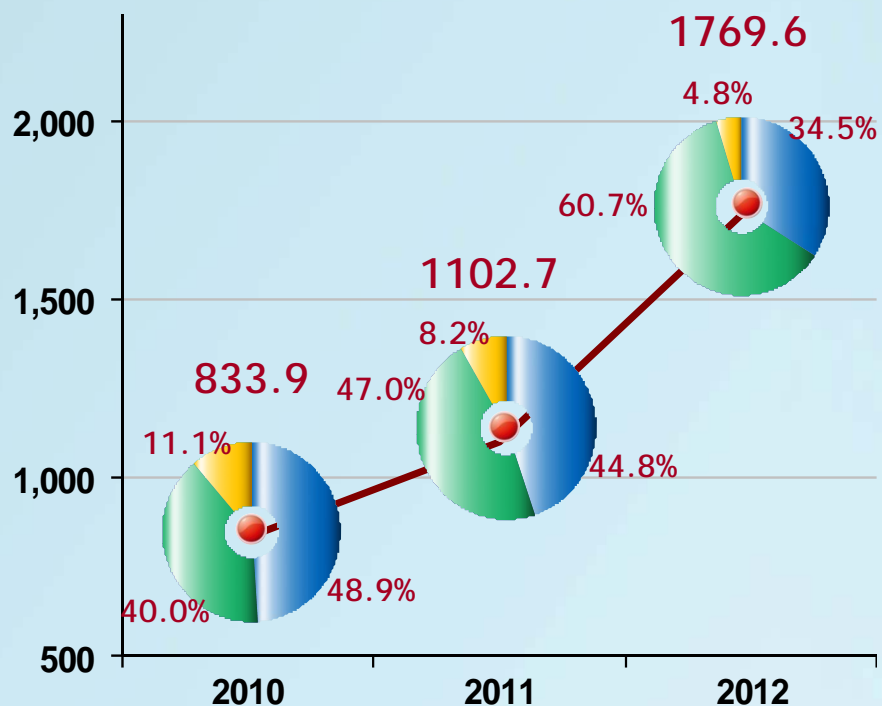
	2011	2012	Change
<i>(RMB mn)</i>	<i>For six months ended 30 June</i>		
Revenue	1102.7	1769.6	+ 60.5%
Gross Profit	235.6	340.0	+ 44.3%
Profit Before Tax	110.2	187.5	+ 70.1%
Income Tax Expense	(22.7)	(32.4)	+ 42.7%
Effective Tax Rate	20.6%	17.3%	- 3.3 ppt
Profit for the Period Attributable to Owners	91.5	156.5	+ 71.0%
Basic Earnings per Share <i>(RMB cents)</i>	9.48	16.23	+ 71.2%

Revenue Breakdown



Business Segments Sales as % of Total Revenue

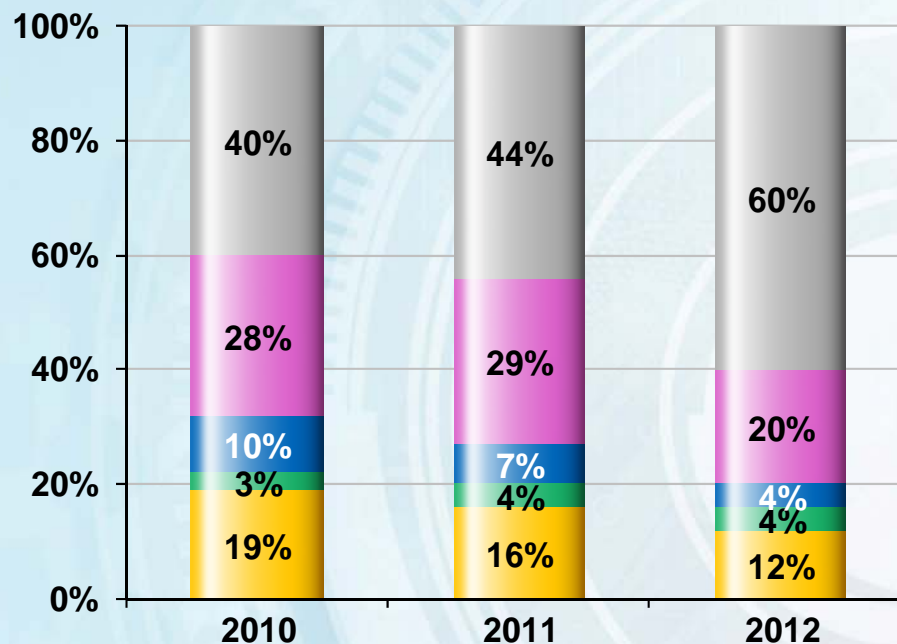
(RMB mn)



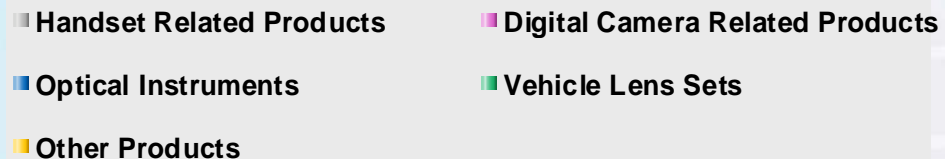
For the six months ended 30 June



Sales Breakdown by Product Applications



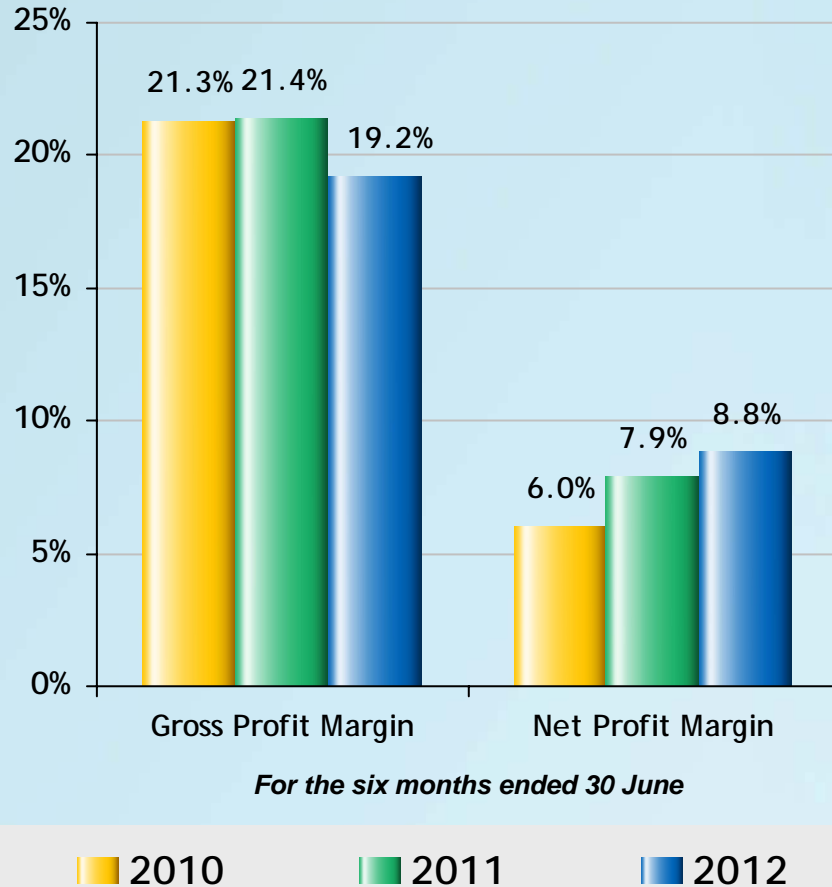
For the six months ended 30 June as % of Revenue for different products



Margins Overview



Gross Profit Margins and Net Profit Margins

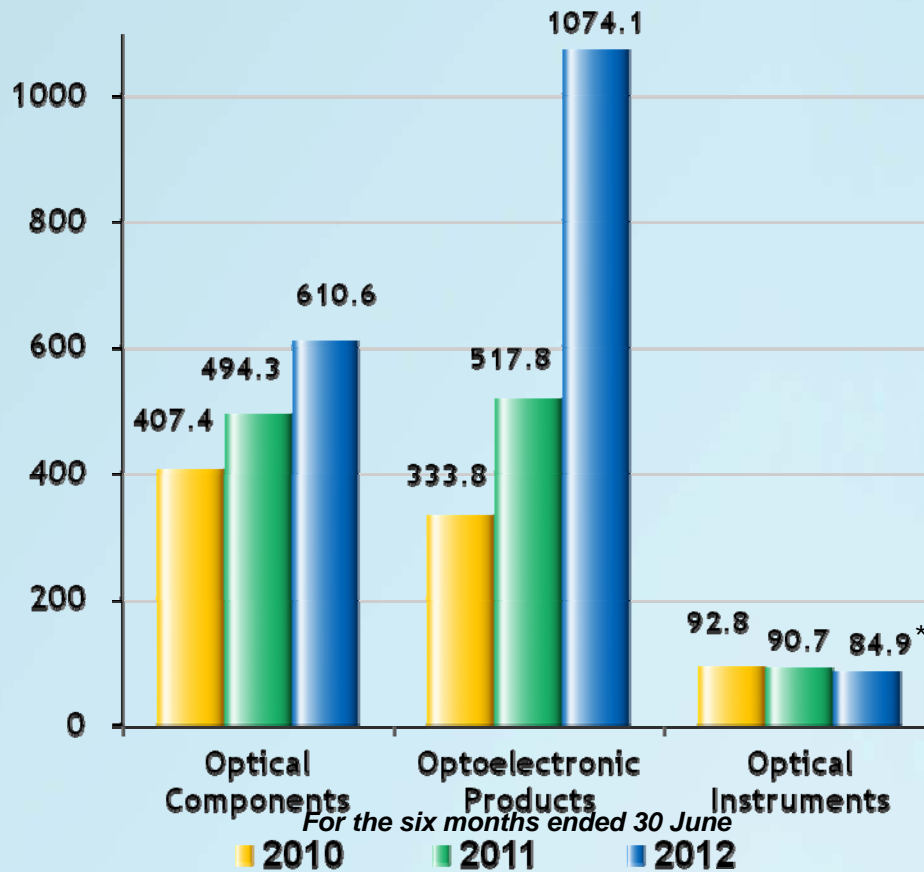


- ▣ The decrease in gross profit margin was mainly attributable to the rapid growth in sales of optoelectronic business products. The gross profit margin of this segment was lower than the overall gross margin of the Group, it had a slight dilutive effect.
- ▣ Due to the effective control over the operating expenses in the period under review, the net profit margin increased to 8.8%.

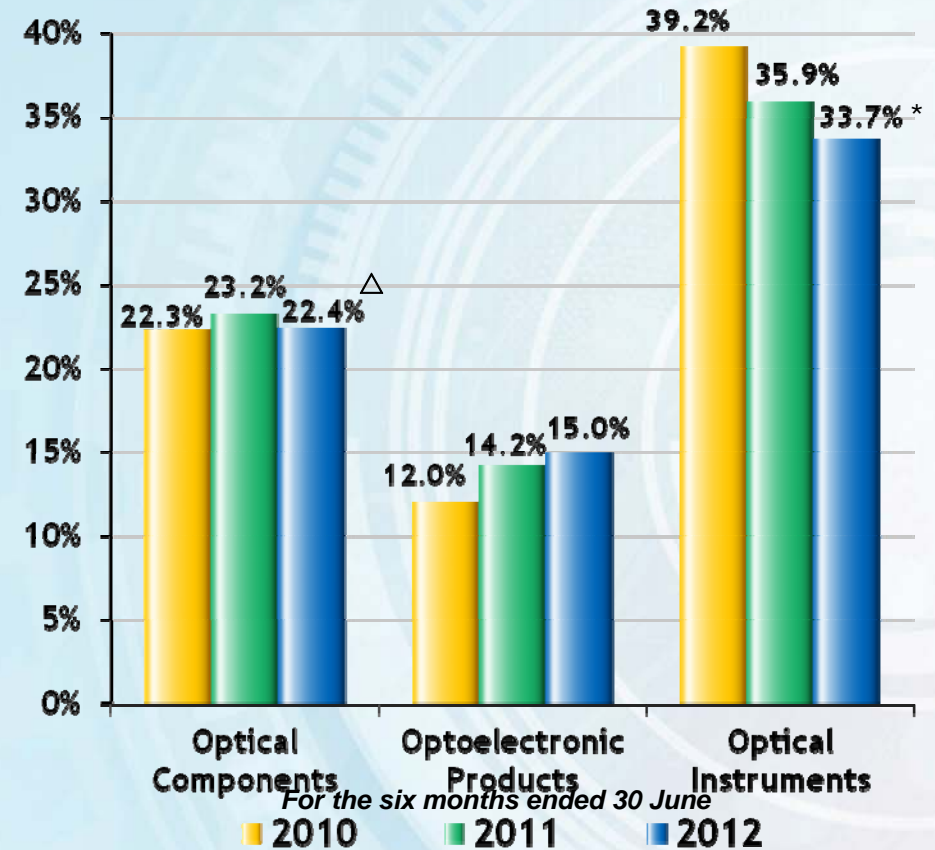
Sales and Gross Margins by Business Segments



Sales by Business Segments



Gross Margins by Business Segments



* Mainly due to the sluggish global economy and the weak demand in the industrial market.

△ Mainly affected by the Henan new plant relocation, but the gross margin is still higher than the second half of last year, and remained more or less the same as the last year.

Operating Expenses Analysis



(RMB mn)	2010		2011		2012	
	<i>For the six months ended 30 June</i>					
		<i>(As % of revenue)</i>		<i>(As % of revenue)</i>		<i>(As % of revenue)</i>
Revenue	833.9	100.0%	1102.7	100.0%	1769.6	100%
Total Operating Expenses	115.9	13.9%	139.2	12.6%	174.8	9.9%
Selling and Distribution Expenses	20.6	2.5%	25.9	2.4%	31.6	1.8%
R&D Expenses	45.5	5.5%	51.7	4.7%	67.9	3.8%
Administrative Expenses	49.8	5.9%	61.6	5.5%	75.3	4.3%

Solid Financial Position



	2010	2011	2012
	<i>For the six months ended 30 June</i>		
Current Ratio (<i>times</i>)	3.2	3.1	2.3
Operating Cash Flow (<i>RMB mn</i>)	49.1	47.3	110.5
Cash and Cash Equivalents (<i>RMB mn</i>)	763.8	752.2	650.3
Pledged Bank Deposits (<i>RMB mn</i>)	97.3	48.0	131.2
Financial Assets Designated as at Fair Value through Profit and Loss (<i>RMB mn</i>)	0	51.0	80.0
Bank Guaranteed Entrusted Loan Receivables (<i>RMB mn</i>)	0	355.0	113.0
Bank Balances and Cash (<i>RMB mn</i>)	666.5	298.2	326.1
Net Cash per Share (<i>RMB cents</i>)	64.0	69.0	51.8
Gearing Ratio (%)	6.9	4.1	5.8
ROE (%)	3.5	5.6	8.8
Capital Expenditure (<i>RMB mn</i>)	35.5	94.7	179.5



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Outlook and Development Strategies



Dedicated to and Focused on the Existing Industries Build Solid Foundation for Business Upgrade



- It is expected that global shipment of smartphones will grow rapidly with YoY growth rate of more than 20% in the next three years, while China's market will grow at a higher rate than the global average level. We will continue to increase the proportions of revenue and market share of high-end handset lens sets and handset camera modules
- DSLR will continue to have double-digit growth, thus we will strengthen the global competitiveness of the relative business leveraging on current advantages

Global Shipments and Growth Rates of DSLR (2010 - 2012 Forecast)



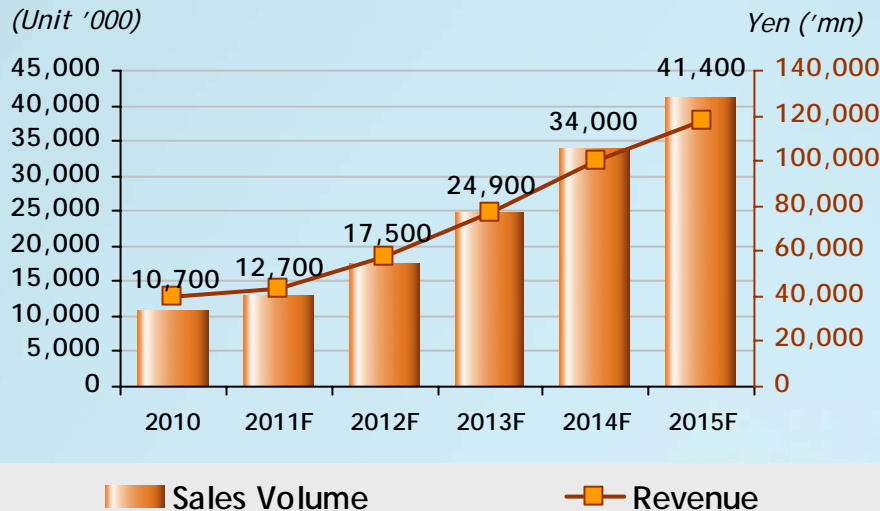
Global Shipment of Handsets and Smartphones (2008 - 2017 Forecast)



Strongly Promote the New Products Businesses with High Gross Margins

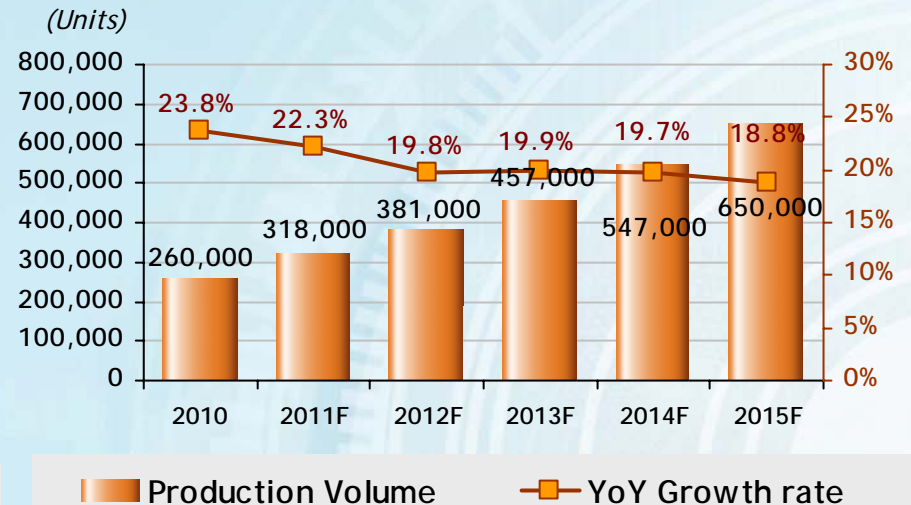


Global Market Forecast of Vehicle Camera Lens Modules



Source: Fuji Chimera Research Institute, Inc. & Mercury Research

Market Forecast of Global Infrared Thermal Imaging Instruments



Source: Fuji Chimera Research Institute, Inc. & Mercury Research

- ❑ Expand sales channels of new products and new businesses
- ❑ Optimize market operating mode
- ❑ Increase sales from vehicle lens sets (Gross Margin > 40%), infrared related products (Gross Margin > 50%), and high-end optical instruments (Gross Margin > 50%)
- ❑ Continue to explore new optical applications, foster new businesses

Innovate in Management and Implement Cultural Management



Strengthen Management Function of the Group



- Strengthen brand building
- Thorough implementation of the SAP system
- Promote revolution of automation

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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