



Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

Stock Code: 2382.HK

2013 Annual Results Announcement Corporate Presentation

March 2014



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Financial Highlights



Financial Highlights



	2012	» 2013	Change
<i>(RMB mn)</i>	<i>For the year ended 31 December</i>		
Revenue	3,984.3	5,812.8	+45.9%
Gross Profit	741.2	967.1	+30.5%
Profit Before Tax	397.2	504.5	+27.0%
Income Tax Expense	(58.3)	(63.6)	+9.1%
Effective Tax Rate	14.7%	12.6%	- 2.1ppt
Profit for the Year Attributable to Owners of the Company	346.3	440.5	+27.2%
Basic Earnings per Share (RMB cents)	36.0	44.3	+23.2%

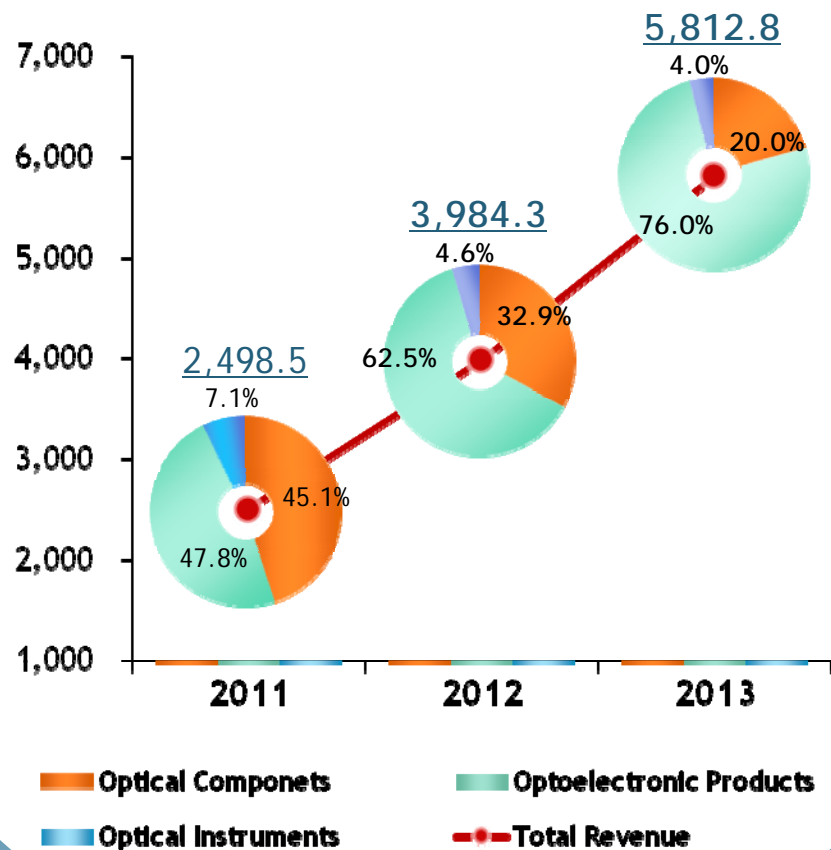
Revenue Breakdown



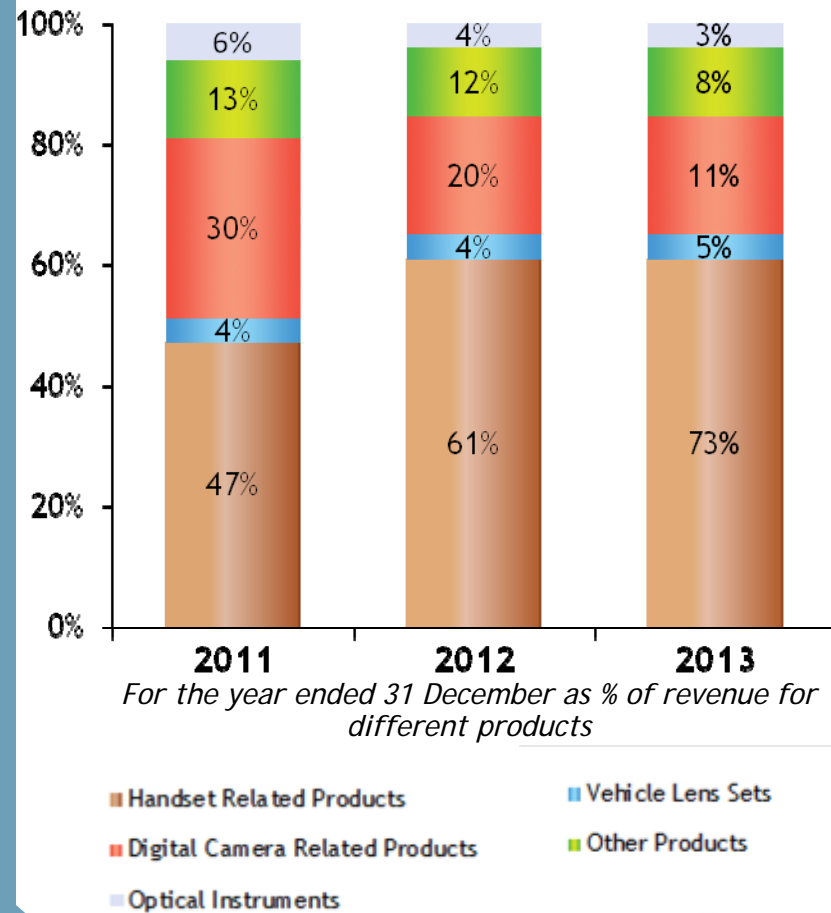
Revenue Breakdown by Business Segments

(RMB mn)

For the year ended 31 December



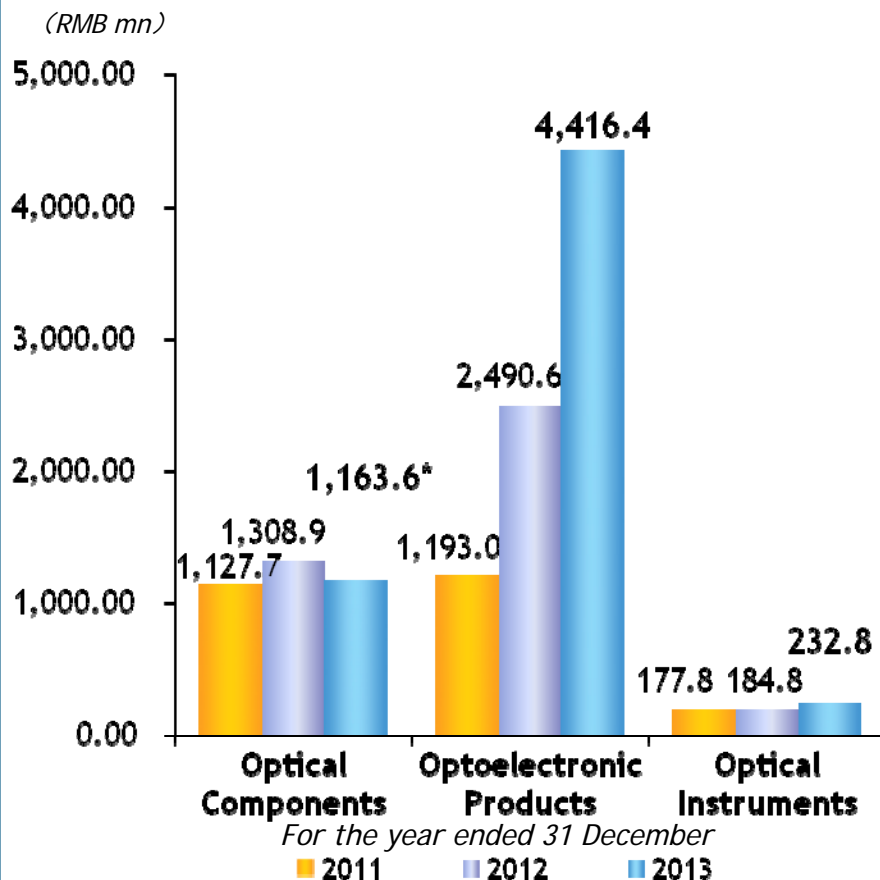
Revenue Breakdown by Product Applications



Sales and Gross Profit Margins by Business Segments

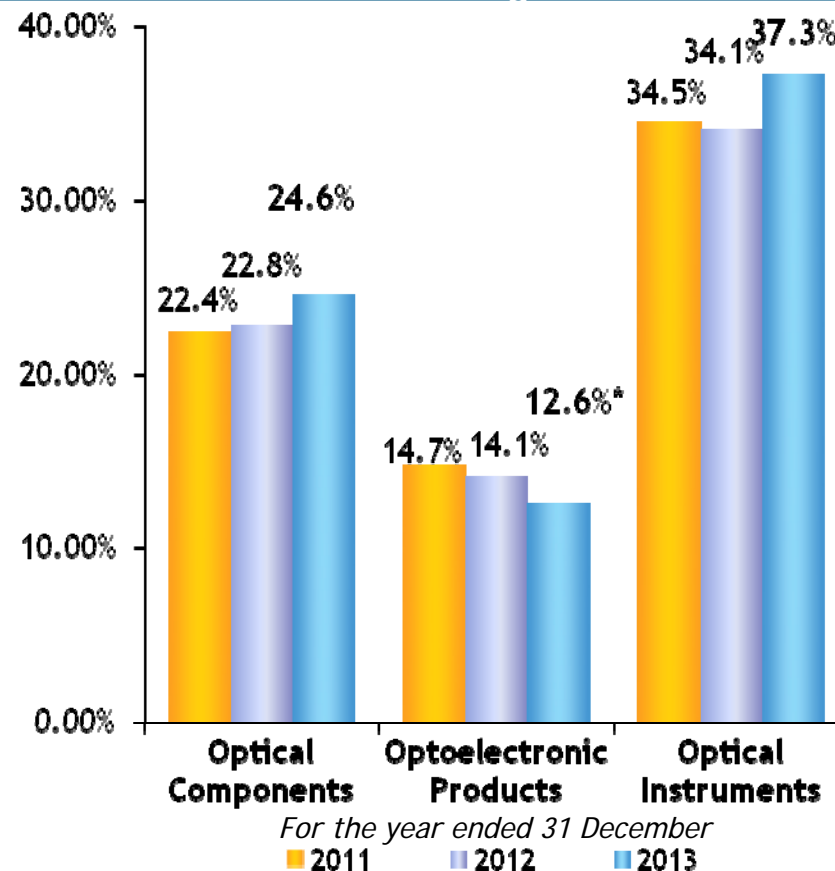


» Sales by Business Segments



*Due to the decrease in digital camera lens business

» Gross Profit Margins by Business Segments



*Due to the decrease in the price of 5MP handset camera module in 1H 2013

Operating Expenses Analysis



	2011		2012		» 2013	
(RMB mn)	For the year ended 31 December					
	(as % of revenue)		(as % of revenue)		(as % of revenue)	
Revenue	2,498.5	100.0%	3,984.3	100%	5,812.8	100%
Total Operating Expenses	312.8	12.5%	377.9	9.5%	505.2	8.7%
Selling and Distribution Expenses	58.8	2.4%	64.4	1.6%	87.9	1.5%
R&D Expenditure	131.1	5.2%	163.4	4.1%	251.0	4.3%
Administrative Expenses	122.9	4.9%	150.1	3.8%	166.3	2.9%

Solid Financial Position



2011

2012



2013

For the year ended 31 December

Current Ratio (<i>Times</i>)	2.7	2.2	2.1
Operating Cash Flow (<i>RMB mn</i>)	72.4	256.8	667.8
Cash and Cash Equivalents (<i>RMB mn</i>)	680.8	614.4	1,825.8
<i>Pledged Bank Deposits (RMB mn)</i>	50.0	0.2	113.8
<i>Financial Assets Designated as at Fair Value through Profit and Loss (RMB mn)</i>	84.1	280.8	983.0
<i>Bank Guaranteed Entrusted Loan Receivables (RMB mn)</i>	295.0	90.0	20.0
<i>Bank Balances and Cash (RMB mn)</i>	251.7	243.4	709.0
Net Cash per Share (<i>RMB cents</i>)	62.3	53.2	134.5
Gearing Ratio (%)	3.4	3.4	10.5
ROE (%)	12.0	17.5	15.4
Capital Expenditure (<i>RMB mn</i>)	203.2	308.3	318.5





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Review of Operations



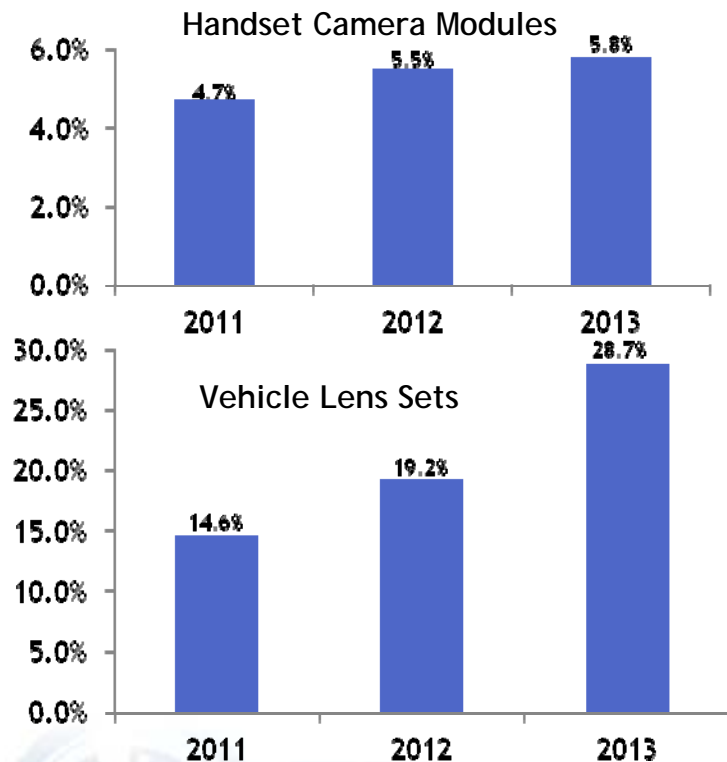


Benefited from the rapid growth of smartphone industry, business performance improved in 2013



Handset Camera Modules' and Vehicle Lens Sets' Global Market Shares

For the year ended 31 December



- » Handset camera modules and vehicle lens sets businesses recorded favorable results and became the main drivers of the Group's growth
- » Global position and in-depth expansion of the international market
 - The Group's subsidiary in California, USA has shown sound progress in operation and has launched mass production of 3D interaction motion controllers
 - We also conducted mass production of handset lens sets for a famous Korean client
- » Consistently enhanced R&D capabilities, increased investment in R&D, and conducted R&D upgrade of existing products for the Group's three major business segments
- » The Group has continuously improved its processing technology standards and propelled self-developed techniques and equipments on automation process
- » The production lines of digital camera related products have been basically shifted to the new production base located in Xinyang, Henan Province
- » The Group conducted capital operation to accelerate the growth of related businesses
 - The Group signed a series of Strategic Cooperation Agreements with Konica Minolta Optical Products (Shanghai) Co., Ltd. to accelerate improving the ability of handset lens sets production and gain more patent protection
 - Meanwhile, the Group invested in MantisVision, an Israeli 3D vision technology company to make the strategic layout of 3D imaging business

Significant Achievements in R&D Results Hi-Tech Barrier

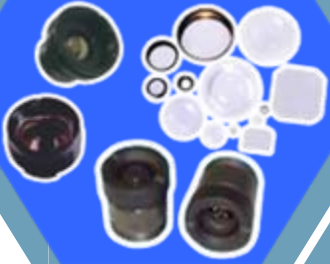


Obtained 164 Patents

Unceasing upgrade of existing products needs core technology competences

- » 8-mega pixel handset lens sets have commenced mass production
- » 8-mega and 13-mega pixel handset camera modules have commenced mass production and 16-mega pixel handset camera modules have commenced production
- » The R&D of Ultra-thin 8-mega and 13-mega pixel handset lens sets have been successfully completed

Optical Components



Optoelectronic Products



Optical Instruments



Development of new 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.
- » The project of “Development and Application of Trans-scale Three-dimensional Optoelectronic Vibrating Measuring Instruments” was supported by the dedicated funds for development of major National scientific instruments and equipments from the Ministry of Science and Technology
- » The “Three-Dimensional Laser Motion Measurement System and Method” has obtained an national invention patent

Hi-tech production and processing technology continuously upgraded

- » The “new kind of Chip On Board (COB) automatic film pasting machine ” obtained an utility model patent;
- » Self-developed semi-automatic and automatic module detection machines have been widely applied
- » Self-developed automated image testing techniques have been applied to the production lines

Strong Client Base

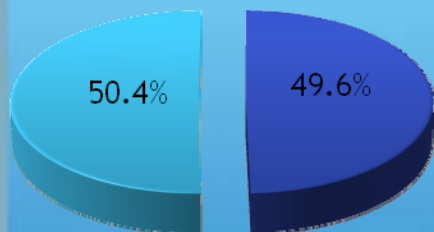


Top Five Customers of the Group

Huawei
Lenovo
Oppo
Gionee
BBK

■ Top Five Customers of the Group

■ Other Customers of the Group



Renowned Customers

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

Award and Recognitions



"2013 Best Under A Billion" by Forbes

The SHP8400PMS-I explosion-proof process mass spectrometer was awarded the "15th Beijing Analysis test Academic Report and Exhibition" BECIA 2013 Gold Award

The project of "Research and Industrialization of Key Technologies for High-reliable Chip On Film Handset Camera Modules" has won the second class prize of Ningbo City Technology Advancement Award

"Excellent Supplier" by Samsung Electronics



"Excellent Supplier" by Lenovo Mobile



"Strategic Supplier" by MAGNA, a global top 500 enterprise



2012 Shanghai Innovative Enterprise

2013 Ningbo Top 100 Brands

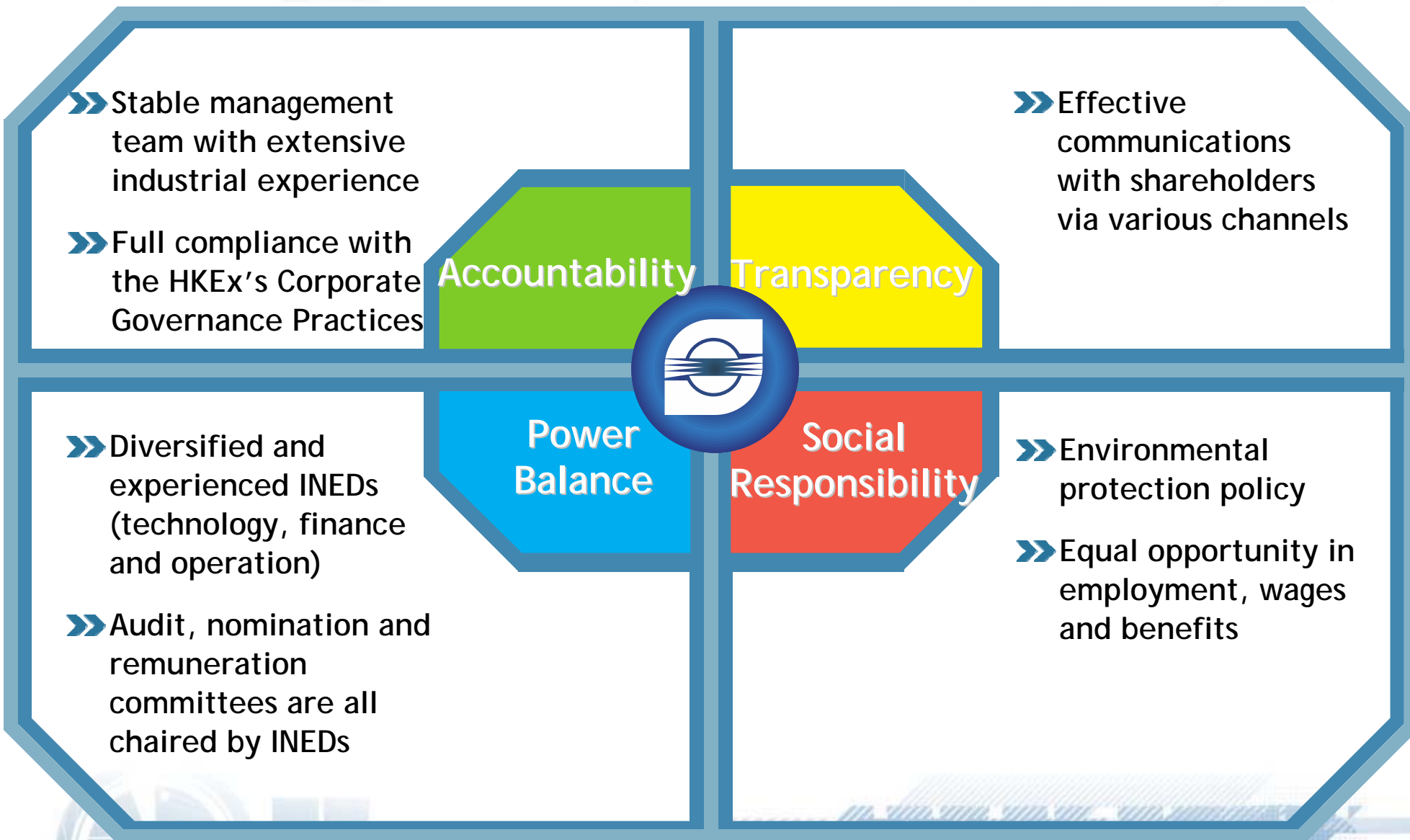
Named as "2013 Ningbo Hundred Enterprises List, and ranked No.14 of the "Ningbo Competitiveness"

2012 Ningbo Mayor Quality Award

China Quality Credit Enterprise of 2013

2012 Ningbo Innovative Pilot Enterprise

Corporate Governance





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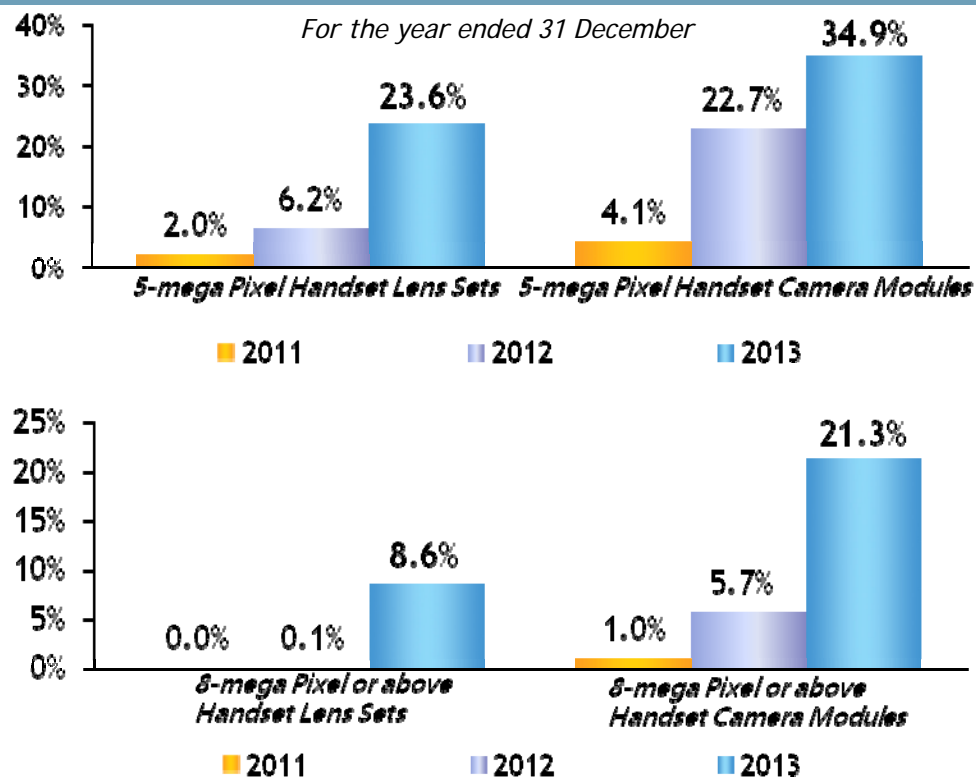
Outlook and Development Strategies



Continue In-depth Exploration and dedicated to and Focused on Existing Business Strengths



5 MP and 8 MP or above Handset Lens Sets and Handset Camera Modules Shipment Volume as % of Total Shipment Volume



- Further increase the shipment proportion of high-end handset camera modules, enhance R&D and commence mass production of OIS handset camera modules, Array handset camera modules and other new products.
- Continue to allocate resources to accelerate the development of handset lens sets business, and to increase the shipment proportion of high-end handset lens sets.
- Exert all the advantageous capabilities and further improve the market share of vehicle lens sets
- Enhance the exploration competence of international market through our subsidiary in the U.S.
- Further boost the process automation and "Lean Production" in order to maintain a stable increase in gross profit margin.
- Ensure stable production at the new production base in Xinyang.

Achieve Breakthrough in Emerging Businesses and Realize Balanced Development



- »» Maintain the first position in infrared business in the PRC and further explore the international market
- »» Achieve import substitution strategy under the support of national special funds in high-end optical analytical instruments and optical measuring instruments
- »» Continue to explore new optical applications, especially new development in innovative optical applications on mobile devices and 3D imaging/control fields, identify key emerging businesses to realize the sustainable medium- to long-term development of the Group



Continue to Enhance Management Performance and Facilitate Management Innovation



STRENGTHEN MANAGEMENT FUNCTION OF THE GROUP



- » Enhance financial management capability
- » Further promote technological innovation by focusing on automation

STABILIZE CORE WORKFORCE



- » Innovate corporate culture and management model
- » Improve performance evaluation system

Investment Highlights



- ▶ 30-year track record, currently the largest camera module producer for smartphones in China and the largest supplier for vehicle lens sets in global market
- ▶ Well-established for sustainable development
 - » Strong demand for lens sets and high-end camera modules of smartphones
 - » Strong demand for vehicle lens sets and the contribution to the Group's sales is increasing, and the gross profit margin is over 40%
 - » Infrared related business (gross profit margin > 50%) started to contribute to the bottom line
 - » High-end optical instruments business (gross profit margin > 50%) saw stunning improvement and has good momentum
- ▶ The Group carried on the capital operation and effectively integrated the resources to accelerate the development of related businesses and to lay the foundation for its medium- to long-term development (Entered into a series of Strategic Cooperation Agreements with Konica Minolta Optical Products (Shanghai) Co., Ltd. and invested in MantisVision, an Israeli 3D vision technology company)
- ▶ Abundant opportunities for new optical applications, especially the innovative optical applications on mobile devices, including 3D control and imaging fields, etc.
- ▶ Solid financial position with cash and cash equivalents of RMB1.83 billion for the year ended 31 December 2013 (Net cash per share RMB134.5 cents)
- ▶ A constituent stock of MSCI Global Small Cap Indices, Hang Seng Composite Index - Industrial Sub-Index, Hang Seng Composite SmallCap Index and Hang Seng Global Composite Index

Investment Highlights

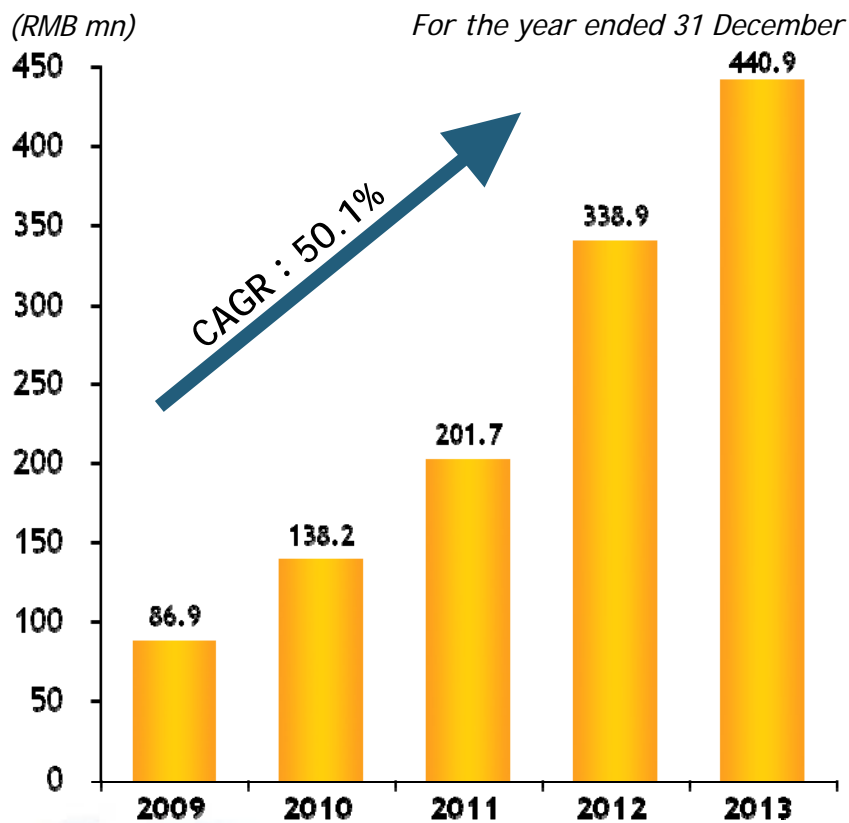


CONTINUED GROWTH IN NET PROFIT

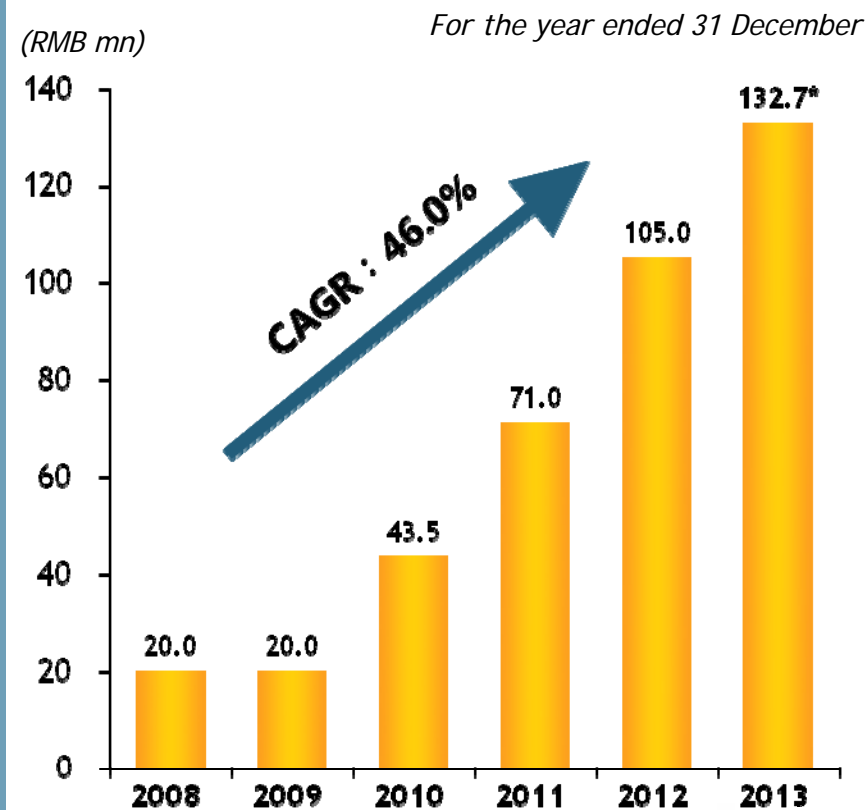
FINAL DIVIDENDS PAYOUT RATIO WAS 20%-30% OF THE PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY, THE ACCUMULATED TOTAL DIVIDENDS ARE EXPECTED TO REACH RMB 413 MILLION SINCE LISTED TO THE END OF 2013



Net Profit



Dividends



* The Board has proposed a final dividend



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Open Forum



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Appendix



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. In September 2013, the Company had successfully placed 97,000,000 new 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, USA, etc.



Zhongshan
Production Base



Xinyang
Production Base



Zhejiang
Headquarters



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, 3D interaction motion controllers, security surveillance cameras and other optoelectronic modules

Optical Instruments

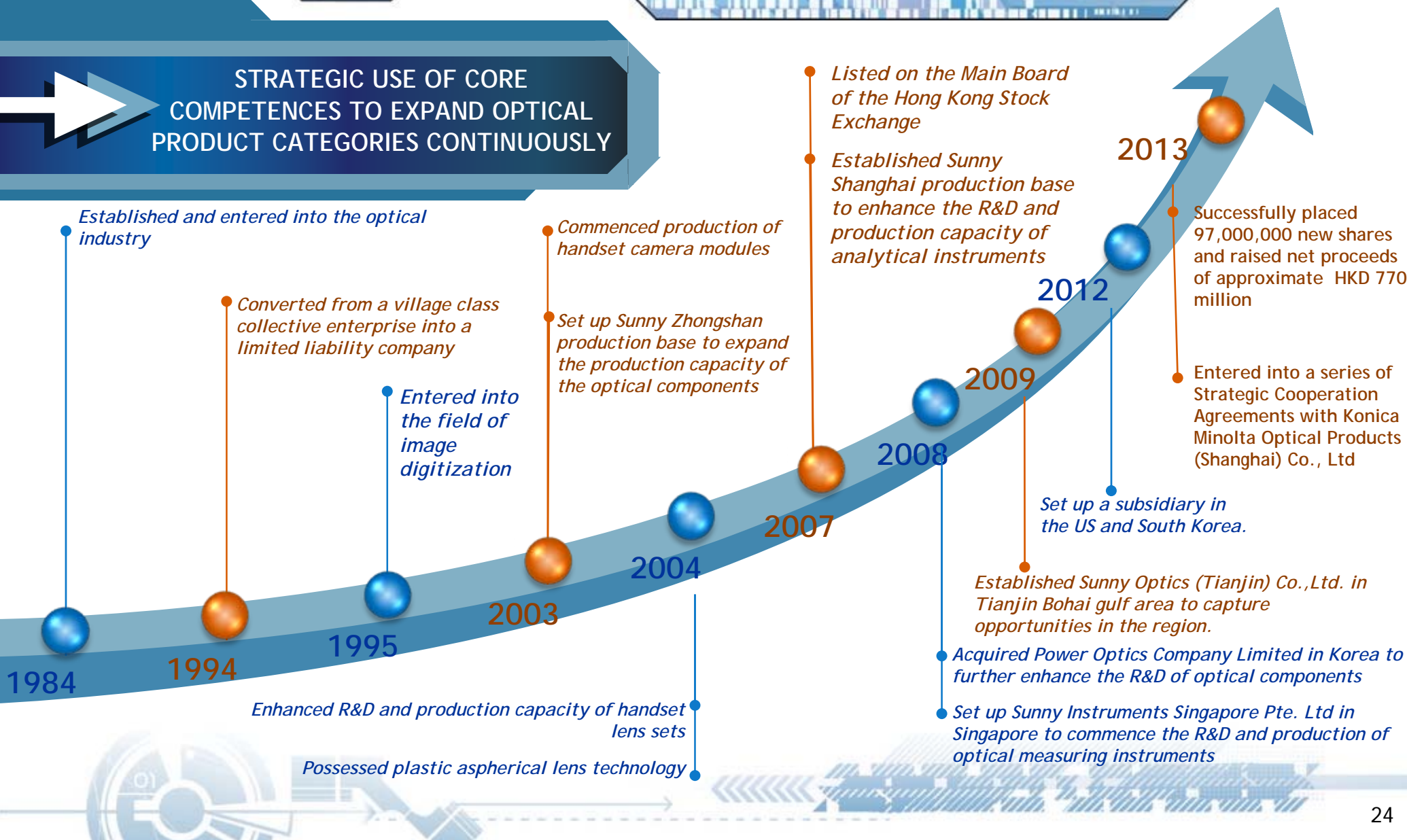


Microscopes, optical measuring and various optical analytical instruments

Milestones



STRATEGIC USE OF CORE
COMPETENCES TO EXPAND OPTICAL
PRODUCT CATEGORIES CONTINUOUSLY



Diversified Application Fields



**QUICK RESPONSE TO MARKET
CONDITIONS
LEADING POSITION IN OPTICAL
AND OPTOELECTRONIC
INDUSTRIES
EXPAND TERMINAL
APPLICATIONS
PROVIDE ONE-STOP SOLUTION**



Sport DV lens sets

Other optoelectronic
modules of smart mobile
devices



Infrared and security
surveillance lens sets



Vehicle lens sets



DSC camera lenses and
lens assemblies



High-end optical analytical
instruments and microscopes



Smartphone lens sets and
camera modules

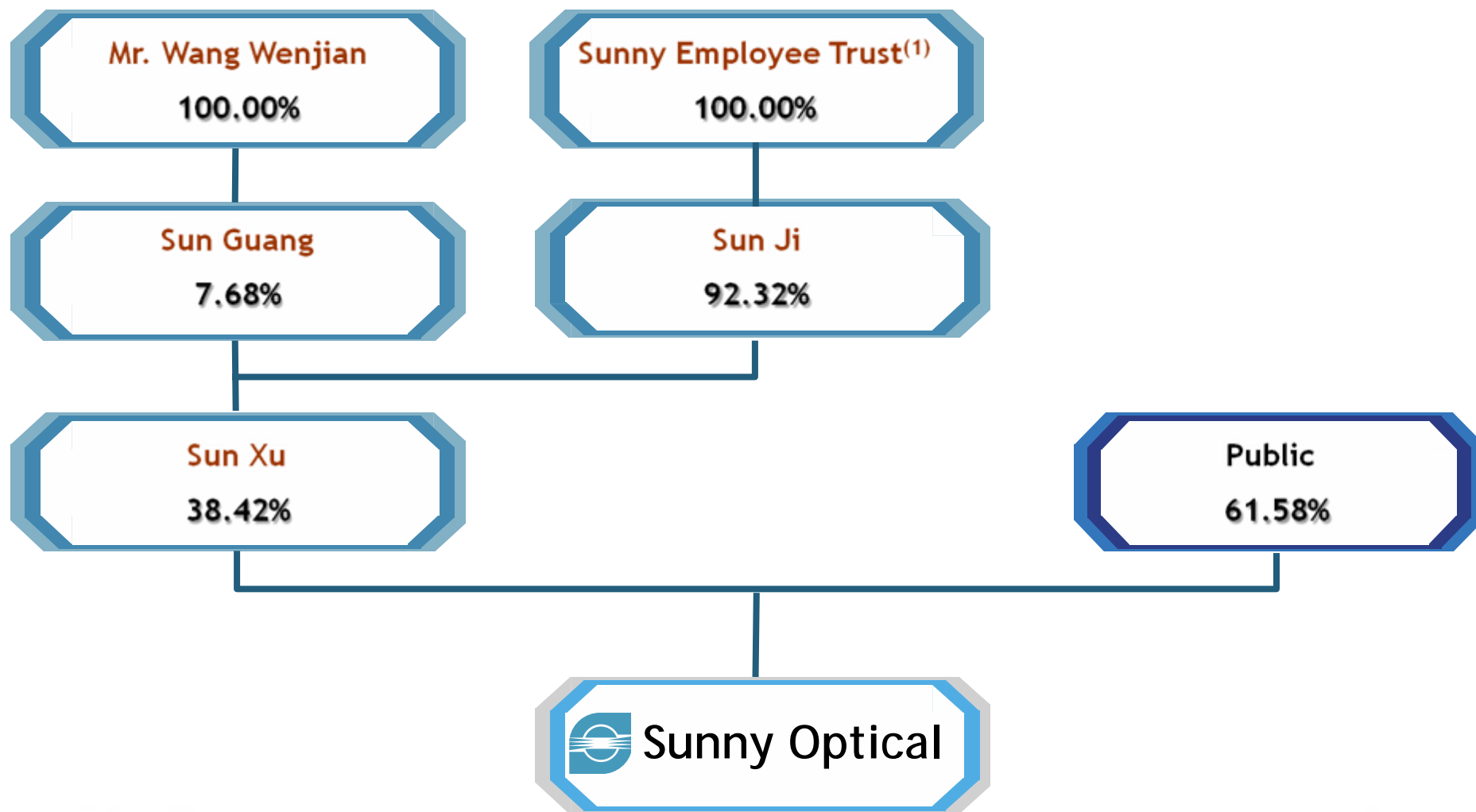


Smart television
video modules



Microscopes and High-end
optical measuring instruments

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 Group Employee Offshore Trust.

* As at 31 December 2013