Sunny Optical Technology (Group) Company Limited
舜宇光學科技（集團）有限公司
Stock Code: 2382

Corporate Presentation

June 2013
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Agenda

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

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 touchless motion controllers, security surveillance cameras, etc.

Optical Instruments
- Microscopic, optical measuring and various optical analytical instruments
Growth Story

Established and entered into the optical industry

Converted from a village class collective enterprise into a limited liability company

Entered into the field of image digitization

Commenced production of handset camera modules

Set up Sunny Zhongshan production base to expand the production capacity of the optical components

Enhanced R & D and production capacity of handset lens sets

Possessed plastic aspherical lens technology

Listed on the Main Board of the Hong Kong Stock Exchange

Established Sunny Shanghai production base to enhance the R & D and production capacity of analytical instruments

Set up a subsidiary in the US and deployed additional sales personnel and technicians in Korea

Established Sunny Optics (Tianjin) Co., Ltd. to capture opportunities in the area

Acquired Power Optics Company Limited in Korea to further enhance the R & D of optical components

Set up Sunny Instruments Singapore Pte. Ltd. in Singapore to commence the R & D and production of optical measuring instruments
Diversified Application Fields

- **Infrared and security surveillance lens sets**
- **Vehicle lens sets**
- **DSC camera lenses and lens assemblies**
- **Smartphone handset lens sets and camera modules**
- **Smart television video modules**
- **High-end analytical instruments and microscopes**
- **High-end measuring instruments and microscopes**

**Quick Response to Market Conditions**

**Leading Position in Optical and Optoelectronic Industries**

**Expand Terminal Applications**

**Provide One-Stop Solution**
# Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>2,498.5</td>
<td>3,984.3</td>
<td>+ 59.5%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>522.8</td>
<td>741.2</td>
<td>+ 41.8%</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>239.6</td>
<td>397.2</td>
<td>+ 65.8%</td>
</tr>
<tr>
<td><strong>Income Tax Expense</strong></td>
<td>(37.8)</td>
<td>(58.3)</td>
<td>+ 54.1%</td>
</tr>
<tr>
<td><strong>Effective Tax Rate</strong></td>
<td>15.8%</td>
<td>14.7%</td>
<td>- 1.1 ppt</td>
</tr>
<tr>
<td><strong>Profit for the Year Attributable to Owners of the Company</strong></td>
<td>215.3</td>
<td>346.3</td>
<td>+ 60.8%</td>
</tr>
<tr>
<td><strong>Basic Earnings per Share (RMB cents)</strong></td>
<td>22.3</td>
<td>36.0</td>
<td>+ 61.3%</td>
</tr>
</tbody>
</table>

*For the years ended 31 December*
Revenue Breakdown

Business Segments Sales as % of Total Revenue

For the years ended 31 December

Sales Breakdown by Product Applications

For the years ended 31 December as % of revenue for different products

- 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

For the years ended 31 December

<table>
<thead>
<tr>
<th>(RMB mn)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(As % of revenue)</td>
<td>(As % of revenue)</td>
<td>(As % of revenue)</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>1,818.1 100.0%</td>
<td>2,498.5 100.0%</td>
<td>3,984.3 100%</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>250.2 13.8%</td>
<td>312.8 12.5%</td>
<td>377.9 9.5%</td>
</tr>
<tr>
<td><strong>Selling and Distribution Expenses</strong></td>
<td>43.9 2.4%</td>
<td>58.8 2.4%</td>
<td>64.4 1.6%</td>
</tr>
<tr>
<td><strong>R&amp;D Expenditure</strong></td>
<td>99.6 5.5%</td>
<td>131.1 5.2%</td>
<td>163.4 4.1%</td>
</tr>
<tr>
<td><strong>Administrative Expenses</strong></td>
<td>106.7 5.9%</td>
<td>122.9 4.9%</td>
<td>150.1 3.8%</td>
</tr>
</tbody>
</table>
## Solid Financial Position

*For the years ended 31 December*

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Ratio (Times)</strong></td>
<td>3.1</td>
<td>2.7</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Operating Cashflow (RMB mn)</strong></td>
<td>185.1</td>
<td>72.4</td>
<td>256.8</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents (RMB mn)</strong></td>
<td>849.5</td>
<td>680.8</td>
<td>614.4</td>
</tr>
<tr>
<td><strong>Pledged Bank Deposits (RMB mn)</strong></td>
<td>76.2</td>
<td>50.0</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Financial Assets Designated as at Fair Value through Profit and Loss (RMB mn)</strong></td>
<td>-</td>
<td>84.1</td>
<td>280.8</td>
</tr>
<tr>
<td><strong>Bank Guaranteed Entrusted Loan Receivables (RMB mn)</strong></td>
<td>585.0</td>
<td>295.0</td>
<td>90.0</td>
</tr>
<tr>
<td><strong>Bank Balances and Cash (RMB mn)</strong></td>
<td>188.3</td>
<td>251.7</td>
<td>243.4</td>
</tr>
<tr>
<td><strong>Net cash per share (RMB cents)</strong></td>
<td>75.3</td>
<td>62.3</td>
<td>53.2</td>
</tr>
<tr>
<td><strong>Gearing Ratio (%)</strong></td>
<td>5.5</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>ROE (%)</strong></td>
<td>9.0</td>
<td>12.0</td>
<td>17.5</td>
</tr>
<tr>
<td><strong>Capital Expenditure (RMB mn)</strong></td>
<td>66.7</td>
<td>203.2</td>
<td>308.3</td>
</tr>
</tbody>
</table>
Review of Operations
Benefited From the Rapid Growth of Smartphone Industry

Business Performance Improved in 2012

Smartphone related business recorded favorable results and became the main driver of the group’s growth.

Global position and in-depth expansion of the international markets (Established a subsidiary in Silicon Valley, the U.S. and input more resources in Korea).

Further optimized product portfolio by rapid increase in sales of new products with higher gross margins.

Further promote automation innovation to improve production efficiency.

Successfully transferred partial production lines for digital camera related products to the new production base in Xinyang, Henan Province.

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

For the years ended 31 December

- 5-mega Pixel or above Handset Lens Sets
  - 2010: 0.5%
  - 2011: 2.0%
  - 2012: 6.3%
  - 2013 1Q: 19.3%

- 5-mega Pixel or above Handset Camera Modules
  - 2010: 5.1%
  - 2011: 2.2%
  - 2012: 28.4%
  - 2013 1Q: 44.5%
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 5-mega and 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 has been launched
- Completed R&D of various infrared lens sets for vehicles and security surveillance
- Commenced mass production for 3D touchless motion controller
- Commenced mass production for smart television 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
- Key projects of optical analytical instruments received special supportive funding from the State
- High-resolution wide-angle lens sets for webcams have obtained an invention patent
- Ultra-wide angle lens sets and long-wave optical athermalization lens sets have obtained utility model patents

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 started to be applied in mass production
- Self-developed automatic video testing technology was applied in testing of the production lines
- Application of plastic injection molding technology with narrow runway has been 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

## Renowned Customers

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

## Top Five Customers

- **Huawei**
- **Lenovo**
- **Coolpad**
- **Samsung**
- **Sony**
Awards and Recognitions

- 2011 Ningbo Top 100 Enterprises in Foreign Trade
- “Most Influential Enterprise in electronic industry of Ningbo City”
- Huawei Gold Award for Core Supplier for 2012
- Yulong Coolpad Core Supplier Award
- 2011 Ningbo Top 100 Enterprises in Foreign Trade
- “2011 Grade A Suppliers” and the award of “2011 Second Prize of EHS Excellent Suppliers” by Samsung Electronics
- 2011 Ningbo Top 100 Leading Enterprises in the Industry

- “Win-win Cooperation award” at the Lenovo’s Global Supplier Conference in 2012
- “2011 Special Contribution Award” by Sony
- Ningbo City Quality Exporter Award
- “Excellent Supplier” at “2012 The First Hikvision’s Global Suppliers Conference” in Hangzhou
- Top 10 Most Influential Domestic Equipment Manufacturers 2011
- Base for Building Standard Evaluation System on Enterprise’s Skilled Workers in Zhejiang Province
- Ningbo City Quality Exporter Award
Corporate Governance

- Stable management team with extensive industrial experience
- Fully complies with the HKEx’s Corporate Governance Practices
- Effective communications with shareholders via various channels
- Diversified and experienced INEDs (technology, finance and operation)
- Audit, nomination and remuneration committees are all chaired by INEDs
- Power Balance
- Accountability
- Transparency
- Social Responsibility
- Environmental protection policy
- Provide equal opportunity in employment, wages and benefits
Outlook and Development Strategies
Make In-depth Exploration and Focus on Existing Businesses

- Invest effective resources, improve international market position, improve product mix and achieve significant breakthrough
- Continue to increase proportion of sales of high-end handset camera modules and handset lens sets and their market shares
- Improving capability of marketing and sales to international customers basing on our U.S. subsidiary
- Deepen “Lean Production” to improve production processes management
- Continue to boost the industrial transfer to ensure stable production of new production base in Xinyang

*Source: Mercury Research & IHS*
Breakthrough Emerging Businesses and Realise a Balanced Development

- Further expand and optimize sales channels of emerging businesses
- 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, especially creative optical applications on mobile devices

**Global Shipment of Vehicle Camera Lens Modules**

![Chart showing global shipment of vehicle camera lens modules from 2011 to 2017 forecast with CAGR: 32.5%](chart)

**Source:** Fuji Chimera Research Institute, Inc. & Mercury Research
Enhance Management Performance and Facilitate Management Innovation

STRENGTHEN MANAGEMENT FUNCTION OF THE GROUP

- Enhance financial management capabilities
- Further improve the implementation of the SAP system
- Promote processing technology innovation focusing on “automation”

STABILIZE CORE WORKFORCE

- Innovate in enterprise culture and management model
- Improve performance evaluation system
- Improve training system and remuneration system
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 instruments business is in uptrend (Gross Margin > 50%)

Abundant opportunities for new optical applications, creative optical applications on mobile devices in particular

Solid financial position with net cash of approximately RMB510mn as at 31 December 2012 (Net cash per share RMB53.2 cents)

A constituent stock of MSCI Global Small Cap Indices
CONTINUED GROWTH IN NET PROFIT

**Net Profits**

- For the year ended 31 December 2012
- **CAGR: 45.1%**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profits (RMB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>76.6</td>
</tr>
<tr>
<td>2009</td>
<td>86.9</td>
</tr>
<tr>
<td>2010</td>
<td>138.2</td>
</tr>
<tr>
<td>2011</td>
<td>201.7</td>
</tr>
<tr>
<td>2012</td>
<td>338.9</td>
</tr>
</tbody>
</table>

**Dividends**

- For the year ended 31 December 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends (RMB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>21.0</td>
</tr>
<tr>
<td>2008</td>
<td>20.0</td>
</tr>
<tr>
<td>2009</td>
<td>20.0</td>
</tr>
<tr>
<td>2010</td>
<td>43.5</td>
</tr>
<tr>
<td>2011</td>
<td>71.0</td>
</tr>
<tr>
<td>2012</td>
<td>105.0*</td>
</tr>
</tbody>
</table>

*The Board has proposed a final dividend*

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

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Tel: +852 3150 6788
Appendix
Sales and Gross Margins by Business Segments

**Sales by Business Segments**

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optical Components</td>
<td>903.3</td>
<td>1,308.9</td>
<td>1,127.7</td>
</tr>
<tr>
<td>Optoelectronic Products</td>
<td>1,127.7</td>
<td>1,193.0</td>
<td>1,194.7</td>
</tr>
<tr>
<td>Optical Instruments</td>
<td>1,127.7</td>
<td>1,193.0</td>
<td>1,194.7</td>
</tr>
</tbody>
</table>

**Gross Margins by Business Segments**

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optical Components</td>
<td>22.2%</td>
<td>22.4%</td>
<td>22.8%</td>
</tr>
<tr>
<td>Optoelectronic Products</td>
<td>13.3%</td>
<td>14.7%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Optical Instruments</td>
<td>37.4%</td>
<td>34.5%</td>
<td>34.1%</td>
</tr>
</tbody>
</table>
Margins Overview

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 8.5%.
Thanks!

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