2018 Annual Results
Announcement
Corporate Presentation

March 2019
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1. Financial Highlights
2. Operations Review
3. Future Outlook
4. Q&A Session
5. Appendix
Financial Highlights
## Financial Highlights

For the year ended 31 December  
(RMB mn)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>22,366.3</td>
<td>25,931.9</td>
<td>+15.9%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>4,802.8</td>
<td>4,913.1</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>3,318.3</td>
<td>2,851.3</td>
<td>-14.1%</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>(404.2)</td>
<td>(338.6)</td>
<td>-16.2%</td>
</tr>
<tr>
<td>Effective Tax Rate (%)</td>
<td>12.2</td>
<td>11.9</td>
<td>-0.3ppt</td>
</tr>
<tr>
<td>Profit for the Year Attributable to Owners of the Company</td>
<td>2,901.6</td>
<td>2,490.9</td>
<td>-14.2%</td>
</tr>
<tr>
<td>Earnings per Share - Basic (RMB cents)</td>
<td>266.8</td>
<td>227.9</td>
<td>-14.6%</td>
</tr>
</tbody>
</table>
## Operating Expenses Analysis

### For the year ended 31 December

**(RMB mn)**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>14,611.8</td>
<td>22,366.3</td>
<td>25,931.9</td>
</tr>
<tr>
<td><strong>(as % of revenue)</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
<tr>
<td>Total Operating</td>
<td>1,179.5</td>
<td>1,762.2</td>
<td>2,006.1</td>
</tr>
<tr>
<td>Expenses</td>
<td><strong>8.2 %</strong></td>
<td><strong>7.8 %</strong></td>
<td><strong>7.8 %</strong></td>
</tr>
<tr>
<td>Selling and</td>
<td>153.9</td>
<td>205.1</td>
<td>209.9</td>
</tr>
<tr>
<td>Distribution Expenses</td>
<td><strong>1.1 %</strong></td>
<td><strong>0.9 %</strong></td>
<td><strong>0.8 %</strong></td>
</tr>
<tr>
<td>R&amp;D Expenditure</td>
<td>694.4</td>
<td>1,168.2</td>
<td>1,362.3</td>
</tr>
<tr>
<td><strong>(as % of revenue)</strong></td>
<td><strong>4.8 %</strong></td>
<td><strong>5.2 %</strong></td>
<td><strong>5.3 %</strong></td>
</tr>
<tr>
<td>Administration</td>
<td>331.2</td>
<td>388.9</td>
<td>433.9</td>
</tr>
<tr>
<td>Expenses</td>
<td><strong>2.3 %</strong></td>
<td><strong>1.7 %</strong></td>
<td><strong>1.7 %</strong></td>
</tr>
</tbody>
</table>
## Solid Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 31 December/ for the year ended 31 December</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Ratio (Times)</strong></td>
<td>1.4</td>
<td>1.5</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Operating Cash Inflow (RMB mn)</strong></td>
<td>1,615.5</td>
<td>2,436.3</td>
<td>3,567.9</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents (RMB mn)</strong></td>
<td>2,754.7</td>
<td>3,339.5</td>
<td>7,248.6</td>
</tr>
<tr>
<td><strong>Pledged Bank Deposits (RMB mn)</strong></td>
<td>101.0</td>
<td>140.3</td>
<td>214.7</td>
</tr>
<tr>
<td><strong>Financial Assets at Fair Value through Profit or Loss (RMB mn)</strong></td>
<td>2,027.5</td>
<td>1,952.3</td>
<td>4,759.6</td>
</tr>
<tr>
<td><strong>Bank Balances and Cash (RMB mn)</strong></td>
<td>626.2</td>
<td>1,246.9</td>
<td>2,274.3</td>
</tr>
<tr>
<td><strong>Net Cash per Share (RMB cents)</strong></td>
<td>171.2</td>
<td>183.1</td>
<td>154.3</td>
</tr>
<tr>
<td><strong>Gearing Ratio (%)</strong></td>
<td>7.8</td>
<td>8.6</td>
<td>24.3</td>
</tr>
<tr>
<td><strong>ROE (%)</strong></td>
<td>25.9</td>
<td>38.8</td>
<td>27.1</td>
</tr>
<tr>
<td><strong>Capital Expenditure (RMB mn)</strong></td>
<td>972.7</td>
<td>1,765.5</td>
<td>2,617.4</td>
</tr>
</tbody>
</table>
Revenue and Gross Profit Margins By Business Segments

For the year ended 31 December

Revenue by Business Segments

Gross Profit Margins by Business Segments

Optical Components
Optoelectronic Products
Optical Instruments

For the year ended 31 December

Revenue and Gross Profit Margins By Business Segments

For the year ended 31 December
Revenue Breakdown by Product Applications

For the year ended 31 December
Operations Review
Focus on Patents Layout
Strengthen Competitive Advantage

*As at 31 December*

**2016**
- 411 patents

**2017**
- 634 patents
- 7P wide-angle lens sets
- Stray light automatic detecting equipment and automatic detecting method
- Device and method for detecting camera modules
- Camera Module and Array Camera Module with Circuit Board Unit and Photosensitive Unit and Manufacturing Method Thereof ...
- Ultra wide-angle lens sets
- Array lens sets and array camera modules
- Automatic testing equipment and testing method for camera modules’ open circuit or short circuit
- Array Imaging Module and Molded Photosensitive Assembly and Manufacturing Method Thereof for Electronic Device ...
- One new long-wave infrared athermal lens sets
- 3D interactive projection lens sets
- A new type of automatic testing equipment for handset cameras
- Focus-free autofocus modules ...

**2018**
- 958 patents
- One new long-wave infrared athermal lens sets
- 3D interactive projection lens sets
- A new type of automatic testing equipment for handset cameras
- Focus-free autofocus modules
Significant Achievements in R&D
Build Hi-tech Barriers

2017

• A variety of high-end large aperture handset lens sets with 6P have achieved mass production
• The R&D on handset lens sets with 7P has been completed
• Hybrid handset lens sets have achieved mass production
• A variety of 20-mega pixel tiny handset lens sets have achieved mass production
• 16-mega pixel with FNo.1.65 handset lens sets have achieved mass production
• VR fresnel lenses have achieved mass production

• The R&D on periscope-style tiny optical zoom modules and periscope-style dual camera modules with high magnification optical zoom function has been completed
• 16-mega pixel with FNo.1.65 handset camera modules have achieved mass production
• 3D structured-light products have been completed R&D and achieved batch production
• The qualification of automotive camera modules has been obtained from a globally renowned Tier 1 client

• The LED invert fluorescence microscopes with automatic fluorescence switch first applied in China in life science field have achieved mass production
• The automatic production line solution of automotive camera modules has achieved mass production
• The equipment of infrared cut-off filter (IRCF) defect inspection and IRCF module defect inspection based on AI have achieved mass production

2018

• The R&D on ultra-large aperture (FNo.1.4) handset lens sets with 7P has been completed
• 48-mega pixel handset lens sets have achieved mass production
• 32-mega pixel miniaturized head handset lens sets have achieved mass production
• Variable aperture (7P) handset lens sets have achieved mass production
• Collimating lens sets for 3D have achieved mass production
• The R&D on 8-mega pixel vehicle lens sets has been completed

• The periscope-style tiny modules with high magnification optical zoom function have achieved mass production
• TOF modules for handsets have achieved mass production
• The R&D on linear TOF products has been completed
• The R&D on high accuracy TOF products with wide angle has been completed
• The R&D on various kinds of surround view, front view and interior automotive camera modules has been completed, some of which have achieved mass production

• Fully automated research and inverted microscopes have achieved production in small batches
• Scanning detection equipment for anisotropic conductive film (ACF) have achieved mass production
• The Mycobacterium tuberculosis microscopy scanning systems have achieved mass production
Awards and Recognitions

Panasonic
“Excellent Supplier Award”

Vivo
“Six Anniversary Commemoration of Cooperation”, “Innovation Award”, “Quality Award”

Panasonic (Vietnam)
“Best Collaboration Award”

LG
“Excellent Supplier Award”

Company T
“Top Partner Award”

Huawei
“Excellent Quality Award”
“Global Gold Supplier Award”

Xiaomi
“Best Strategy Partner Award”

“All-Asia Technology/Hardware”

“Most Honored Company”
“Best Investor Relations Program”
“Best Corporate Governance”
“Best ESG SRI Metrics”

MSCI upgrades the Company's latest ESG rating from “B” to “BB”
Continue to Gain Global Market Share
Strive for Domestic No. 1 and Global No. 2

Shipment Volume of the Company’s Handset Lens Sets

(Unit: k)

For the year ended 31 December

Shipment Volume Proportion of the Company’s Handset Lens Sets by Pixels

For the year ended 31 December
Maintain No. 1 Position in Global Market
Further Expand the Market Share

Shipment Volume of the Company’s Vehicle Lens Sets

For the year ended 31 December

(Unit: k)
Solidify Leading Position in Domestic Market
Further Capture Overseas Clients

**Shipment Volume of the Company’s Handset Camera Modules**

<table>
<thead>
<tr>
<th>Year</th>
<th>Shipment Volume (Unit: k)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>269,861</td>
</tr>
<tr>
<td>2017</td>
<td>324,831</td>
</tr>
<tr>
<td>2018</td>
<td>423,331</td>
</tr>
</tbody>
</table>

**Shipment Volume Proportion of the Company’s Handset Camera Modules by Pixels**

- **8-mega pixel handset camera modules**
- **10-mega pixel above handset camera modules**

<table>
<thead>
<tr>
<th>Year</th>
<th>8-mega pixel</th>
<th>10-mega pixel</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>22.4%</td>
<td>77.6%</td>
</tr>
<tr>
<td>2017</td>
<td>20.5%</td>
<td>79.5%</td>
</tr>
<tr>
<td>2018</td>
<td>15.6%</td>
<td>84.4%</td>
</tr>
</tbody>
</table>

*For the year ended 31 December*
Future Outlook
Distinctly Upgrade in Handset Lens Sets
Broad Application Prospects

- **Large image area and large aperture**
  - Improve the transmittance of light, making the photosensitive elements receive sufficient light
  - 1/3~1/1.7...

- **Optical zoom**
  - 3X, 5X...

- **Ultra-wide angle and macro shooting**
  - 120° close to the human eye perspective
  - 25mm macro shooting

- **TOF/structured light lens sets**
  - 3D modeling
  - Facial recognition
  - AR interaction

- **Triple cameras and multiple cameras**

- **Front cameras with ultra miniaturized head**

- **Under-glass optical fingerprint lens sets**
  - Higher screen-to-body ratio
Rapid Progress of Autonomous Driving
Huge Potential in Optical Application

- Front sensing
- Head-up display
- Electronic rear view
- Rear view for parking
- Driver monitoring
- Attention monitoring
- 360° surround view
- Smart headlights
- LIDAR
- Surrounding cameras
- Blind spot detection

Huge Potential in Optical Application

**Features**

- **Front sensing**
- **Head-up display**
- **Electronic rear view**
- **Rear view for parking**
- **Driver monitoring**
- **Attention monitoring**
- **360° surround view**
- **Smart headlights**
- **LIDAR**
- **Surrounding cameras**
- **Blind spot detection**
Potentials in the Different Fields

Smart Eye

Medical

Industrial

AR/ VR

Unmanned Aerial Vehicle

Smart Retail

Robotic
Q & A Session

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Appendix
CREATE A WORLD-RENOVISED OPTOELECTRONIC COMPANY

- Established and entered into the optical industry
- Entered into the field of image digitization
- Commenced production of handset camera modules
- Possessed plastic aspherical lens technology
- Entered into the field of vehicle lens sets
- Commenced production of handset lens sets
- Listed on the Main Board of the Hong Kong Stock Exchange
- Successfully placed 97,000,000 new shares and raised net proceeds of approximately HKD 770 million
- Entered into a series of Strategic Cooperation Agreements with Konica Minolta Optical Products (Shanghai) Co., Ltd.
- Set up subsidiaries in the US and South Korea
- Set up Sunny Instruments Singapore PTE. Ltd. in Singapore to commence the R&D and production of optical measuring instruments
- Set up Zhejiang Sunny Optical Intelligence Technology Co., Ltd. in Hangzhou, responsible for the R&D, marketing and sales of intelligent optics products
- Invested in MantisVision Ltd. to make the strategic layout of 3D imaging business
- Issued US$600mn five-year bonds
- Set up Sunny Optical (Zhejiang) Research Institute Co., Ltd. in Hangzhou
- Set up Sunny Instruments Zhejiang Optical Intelligence Technology Co., Ltd. in Hangzhou

1995 - 2018

1984

1995

2003

2004

2007

2008

2012

2013

2014

2015

2016

2018
The Sunny Group Employee Offshore Trust is a trust which holds the entire issued share capital of Sun Ji Limited. Mr. Wang Wenjian, together with TMF Trust (HK) Limited, is one of the two trustees and one of the beneficiaries of the Sunny Group Employee Offshore Trust.

* As at 31 December 2018
Investment Highlights

OUTSTANDING PERFORMANCE IN NET PROFIT

Net Profit

(RMB: mn)

For the year ended 31 December

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>561.3</td>
<td>763.5</td>
<td>1,271.6</td>
<td>2,914.1</td>
<td>2,512.7</td>
</tr>
</tbody>
</table>

Dividends

(RMB: mn)

For the year ended 31 December

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends Proposed</td>
<td>170.0</td>
<td>228.2</td>
<td>318.1</td>
<td>725.1</td>
<td>623.0</td>
</tr>
</tbody>
</table>

FINAL DIVIDENDS PAYOUT RATIO AT 20%-30% OF THE PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

OUTSTANDING PERFORMANCE IN NET PROFIT

For the year ended 31 December