



SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED

舜宇光學科技（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2382.HK)

2023 Interim Results Corporate Presentation

August 2023

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Agenda

- 1 Financial Overview**
- 2 Operation Review**
- 3 Strategy and Outlook**
- 4 ESG Performance Review**
- 5 Appendix**



Financial Overview



Results Performance in Line with Overall Industry Situation

	1H22	1H23	Change
<i>For the six months ended 30 June (RMB mn)</i>			
Revenue	16,971.8	14,278.6	-15.9%
Gross Profit	3,522.4	2,130.6	-39.5%
Profit Before Tax	1,683.8	591.9	-64.8%
Income Tax Expense	(304.9)	(132.5)	-56.6%
Effective Tax Rate (%)	18.1	22.4	+4.3ppt
Profit for the Period Attributable to Owners of the Company	1,357.9	436.7	-67.8%
Earnings per Share – Basic <i>(RMB cents)</i>	124.1	40.0	-67.8%

Strengthened Management of R&D Performance

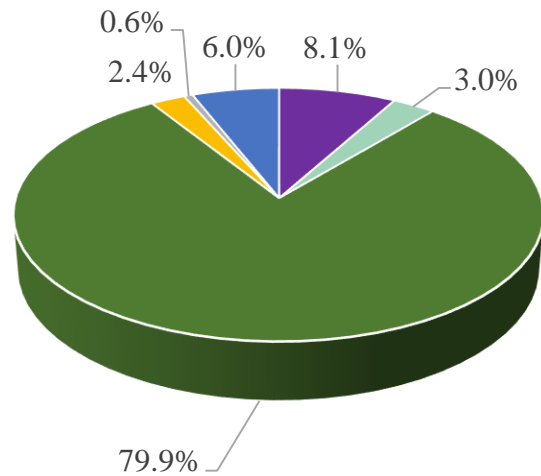
	1H21		1H22		1H23	
<i>For the six months ended 30 June (RMB mn)</i>		<i>(as % of revenue)</i>		<i>(as % of revenue)</i>		<i>(as % of revenue)</i>
Revenue	19,833.4	100.0%	16,971.8	100.0%	14,278.6	100.0%
Total Operating Expenses	1,853.5	9.4%	2,069.6	12.3%	1,902.8	13.3%
• Selling and Distribution Expenses	155.5	0.8%	163.4	1.0%	240.1	1.7%
• R&D Expenditure	1,320.8	6.7%	1,468.2	8.7%	1,204.8	8.4%
• Administrative Expenses	377.2	1.9%	438.0	2.6%	457.9	3.2%

Solid Financial Position

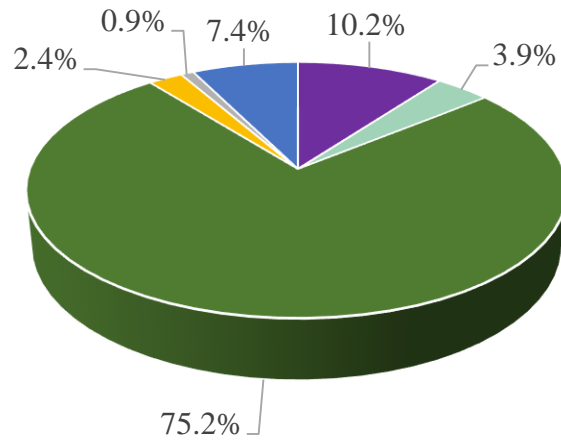
	1H21	1H22	1H23
Current Ratio (Times)	2.1	1.8	1.8
Operating Cash Inflow (RMB mn)	2,395.9	1,571.1	1,053.6
Cash and Cash Equivalents (RMB mn)	11,872.9	14,419.2	20,724.2
• Pledged Bank Deposits (RMB mn)	4.7	7.1	142.4
• Financial Assets at Fair Value through Profit or Loss (RMB mn)	8,420.2	8,279.4	8,142.6
• Time Deposits, Short Term Fixed Deposits, Cash and Cash Equivalents (RMB mn)	3,448.0	6,132.7	12,439.2
Net Cash per Share (RMB cents)	534.5	747.0	1,374.2
Gearing Ratio (%)	16.4	16.3	12.2
ROE (%)	14.6	6.5	2.1
Capital Expenditure (RMB mn)	1,061.3	1,364.3	1,050.3

More Balanced Business Portfolio

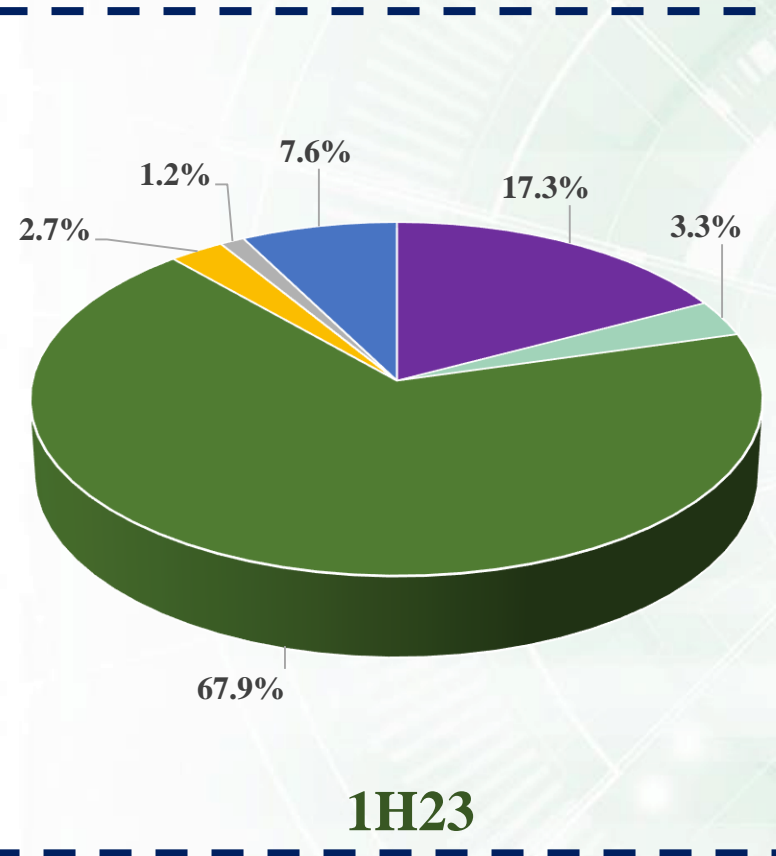
Revenue Breakdown by Product Applications



1H21



1H22



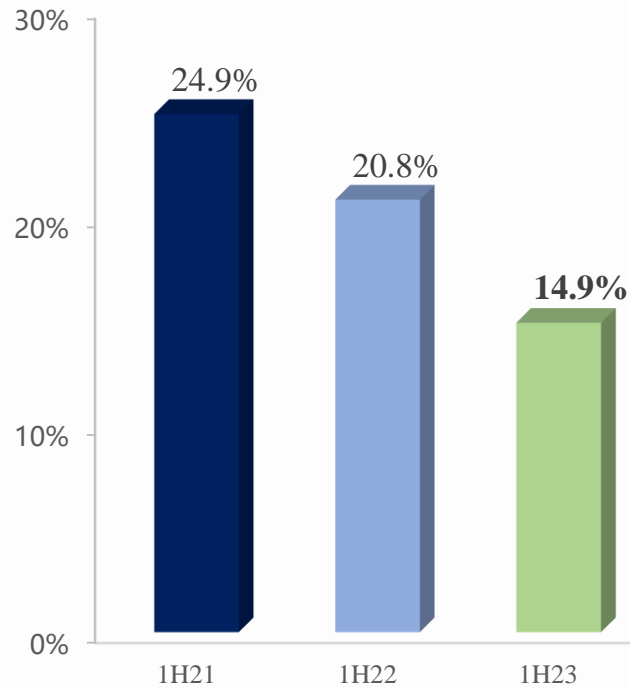
1H23

- Vehicle Related Products
- AR/VR Related Products
- Handset Related Products
- Digital Camera Related Products
- Optical Instruments
- Other Products

For the six months ended 30 June

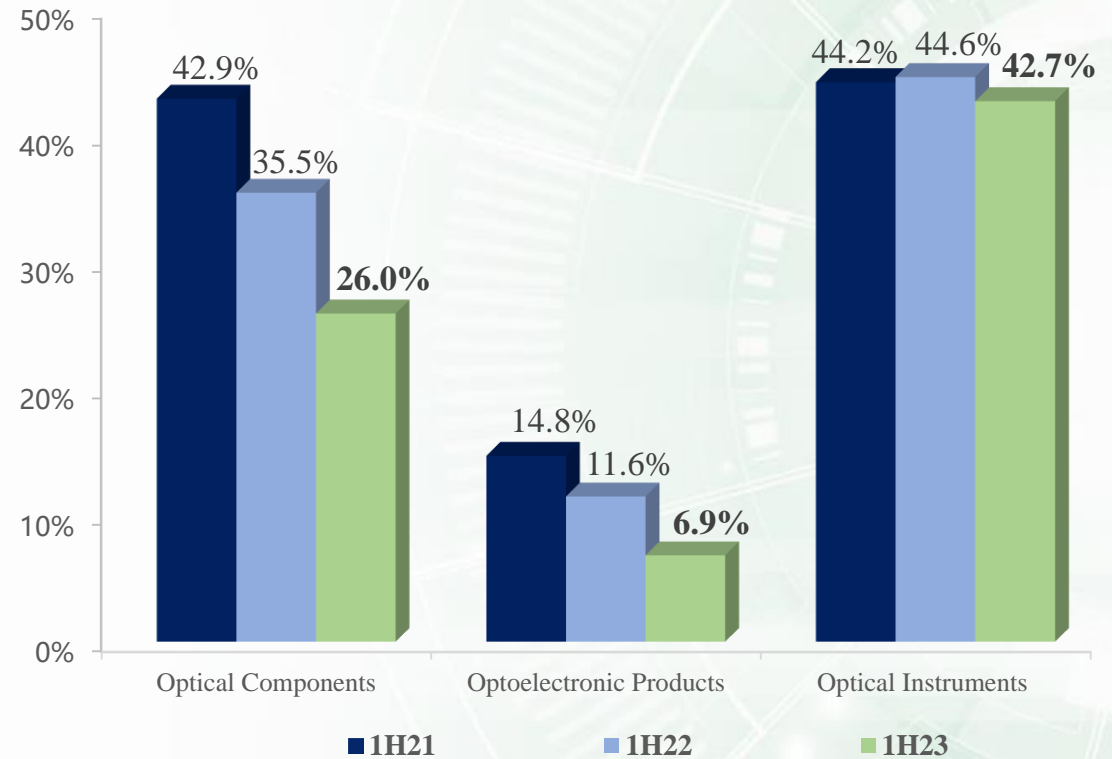
Gross Profit Margin under Pressure

Consolidated Gross Profit Margin



For the six months ended 30 June

Gross Profit Margins by Business Segments



For the six months ended 30 June



Operation Review



Continued to Make Breakthroughs in Technology Seized Industry Opportunities

Vehicle Related

R&D Completed

- **Full set of 17MP front-view and surround-view vehicle lens sets**
used in Level 4 autonomous driving and has been evaluated and recognized by a well-known fully autonomous driving manufacturer
- **3MP, 8MP ultra-miniaturized side-view vehicle lens sets**
- **5MP ultra-miniaturized OMS vehicle lens sets**
- **LiDAR related products:**
Scanning modules combined with polygons and electrical motors
3D Flash transceiver modules
- **HUD display modules with LBS solution**
lighter weight, smaller size, and higher resolution
- **Ground projection units applicable to various scenarios**
with functions of safety warning, vehicle window projection, and chair back projection

Mass Production Achieved

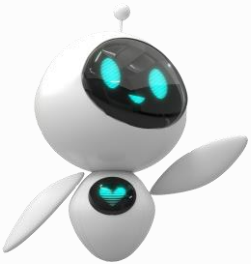
- **Various 8MP, 3MP and 1.7MP sensing vehicle modules**
including 8MP vehicle modules using COB packaging technology
- **3MP E-mirror sensing + viewing vehicle modules**
- **8MP, 5MP, and 2MP in-cabin monitoring vehicle modules**



XR & Robotic Vision Related

R&D Completed

- **A new generation of high-pixel VR see through camera modules**
Better heat dissipation performance and better imaging consistency and stability
- **RGBD robotic vision modules based on self-developed algorithm**



Mass Production Achieved

- **VR Pancake display modules**
- **Intelligent door lock recognition modules based on self-developed algorithm**



Focused on Business Breakthroughs to Consolidate Industry-leading Position

Smartphone Related

R&D Completed

- **New long-focus handset lens sets with folded light route**
first in the industry
- **Various hybrid handset lens sets with large image size and variable apertures**
- **Variable aperture handset camera modules with large image size and OIS**
- **200MP periscope handset camera modules**

Mass Production Achieved

- **Handset lens sets with ultra-low reflection coating for each lens**
- **Various ultra-thin handset lens sets with ultra-miniaturized head**
for foldable phones
- **Various 1-inch hybrid handset lens sets**
- **OIS handset camera modules with self-developed actuator**
achieved the design of module-actuator-lens sets integration



Continued to Invest in R&D to Diversify Product Portfolio

Optical Instruments Related

Intelligent Equipment

R&D Completed

- **VR optical component inspection equipment**

adopted high-precision optical systems and self-developed algorithms to achieve accurate identification of appearance defects, with the industry-leading position in overall efficiency of equipment and the accuracy of defect identification

Mass Production Achieved

- **Vehicle lens sets dust detection equipment**

used for internal defect detection of vehicle lens sets, with comprehensive efficiency and missed detection performance at the forefront of the industry



Microscope

R&D Completed

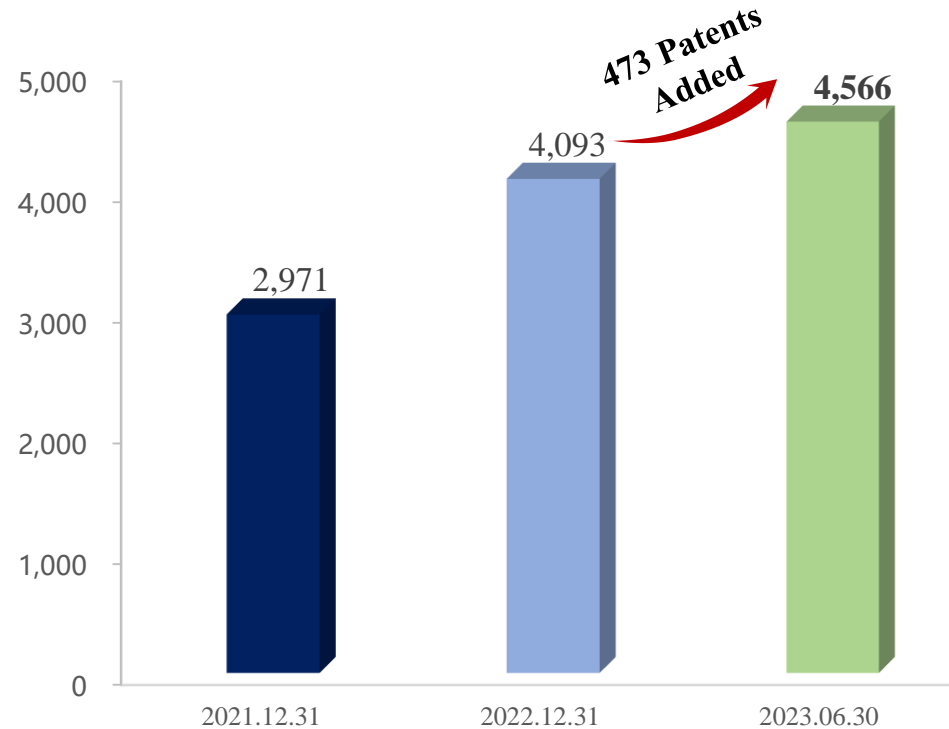
- **Prototype of a circulating tumor cell analysis system**

can conduct quantitative analysis on slide samples of circulating tumor cells to provide diagnostic basis for early screening of tumors, intra-operative monitoring, medication guidance and prognosis recurrence of tumor patients, thus bridging our gap in the liquid biopsy of tumor



Focused on Patent Layout to Build Patent Barrier

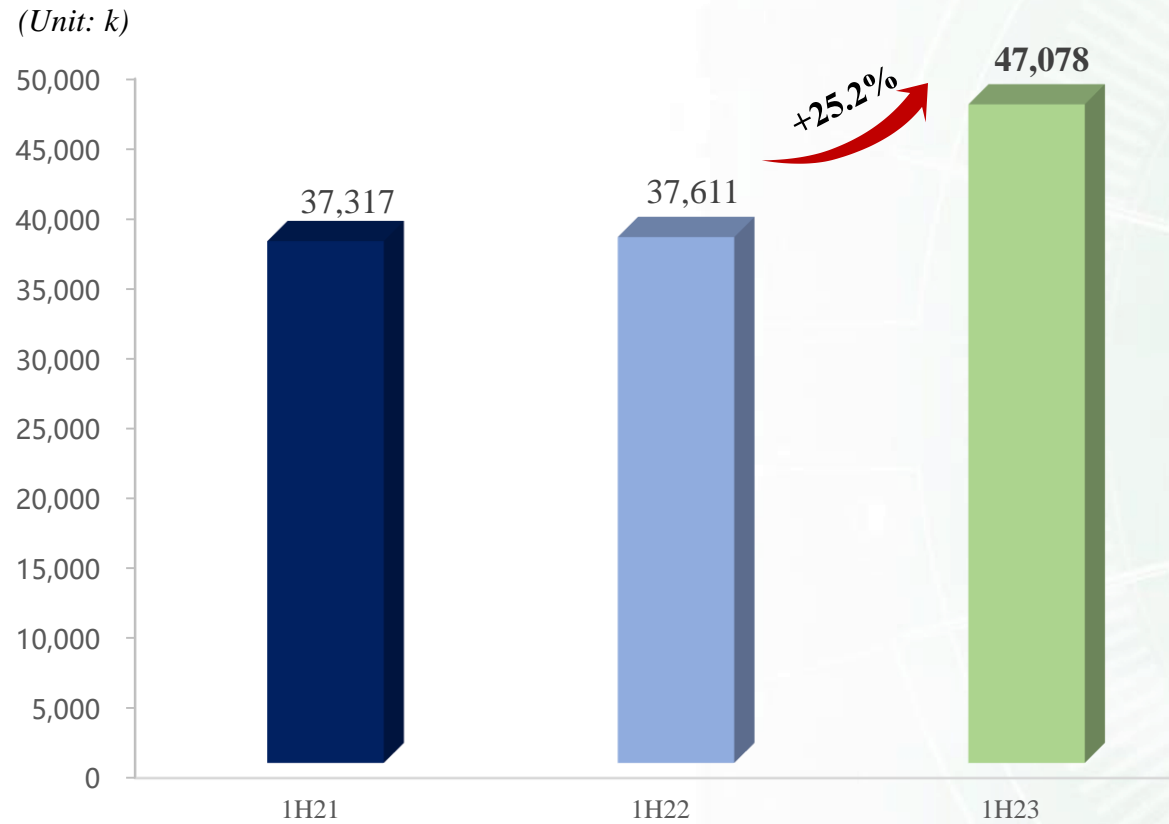
Number of Authorized Patents



- ◆ In the first half of 2023, 473 new authorized patents were obtained, including 278 invention patents
- ◆ As at 30 June 2023, 4,048 patents are pending for approval

Continued to Increase Global Market Share Solidified the Leading Position in the Industry

Shipment Volume of the Company's Vehicle Lens Sets



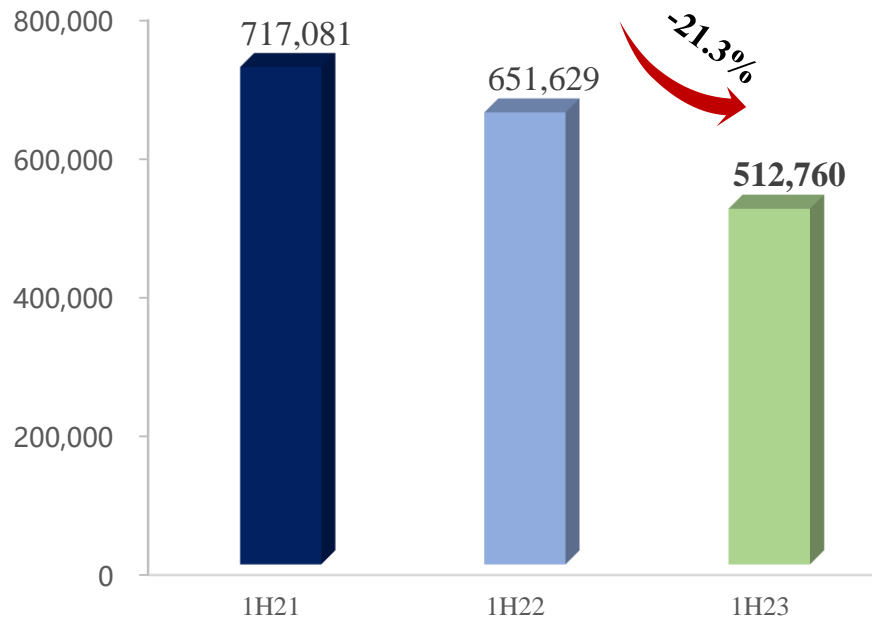
For the six months ended 30 June

Ensured High-quality Delivery Capability

Consolidated Global No.1 Position in Market Share

Shipment Volume of the Company's Handset Lens Sets

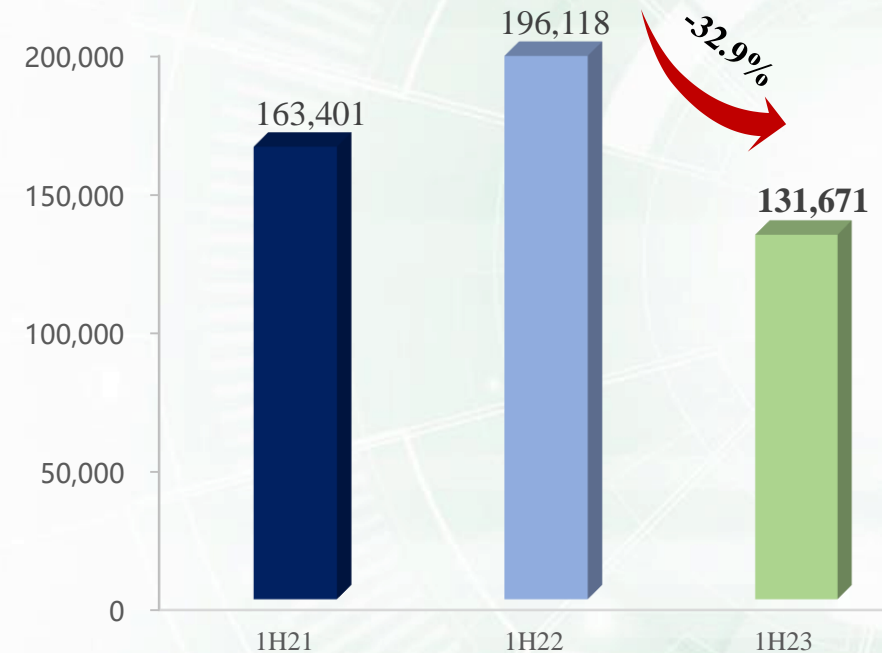
(Unit: k)



For the six months ended 30 June

Shipment Volume of the Company's 6P and above Handset Lens Sets

(Unit: k)

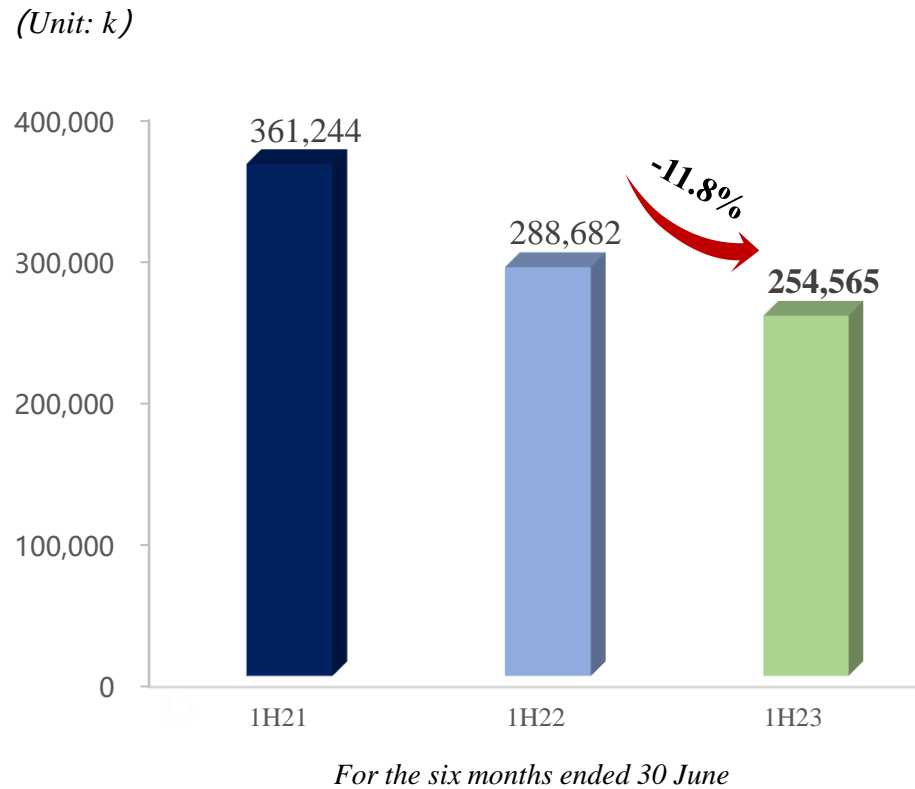


For the six months ended 30 June

Maintained Leading Position in the Industry

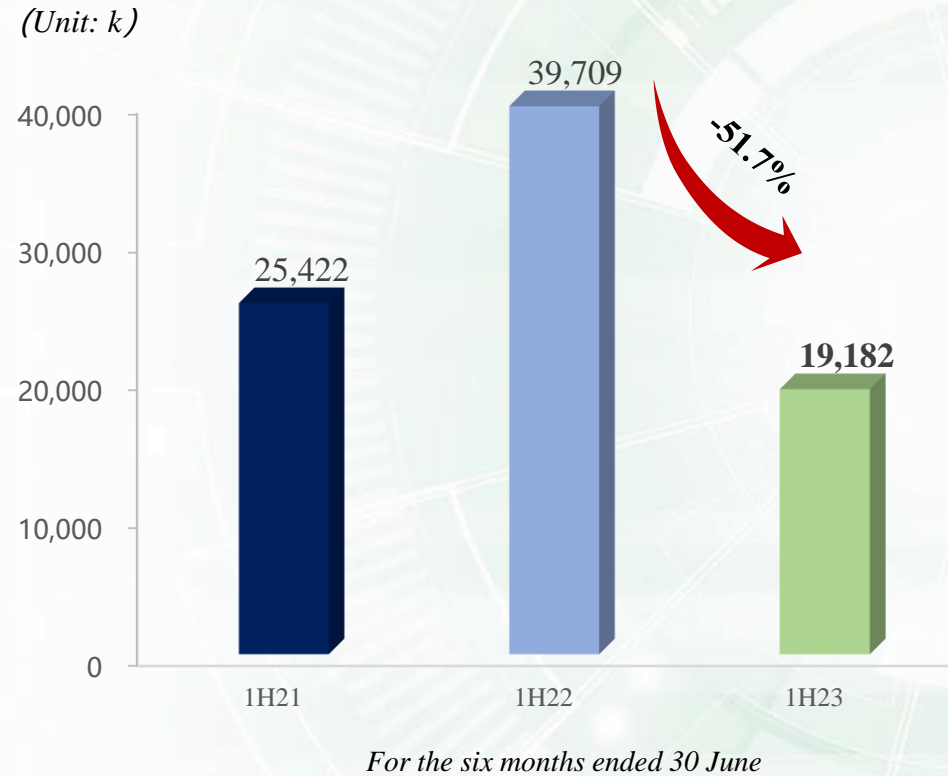
Increased Customer Stickiness

Shipment Volume of the Company's Handset Camera Modules



Total Shipment Volume of the Company's Periscope Modules and Large Image Size Modules

* Large image size modules refer to modules with 1/1.7" and above image size



Expanded Global Layout

Enhanced Large-scale and High-end Manufacturing Capabilities



Production Base



R&D Center



Yuyao Chengxi Production Base



Yuyao Yangming Production Base



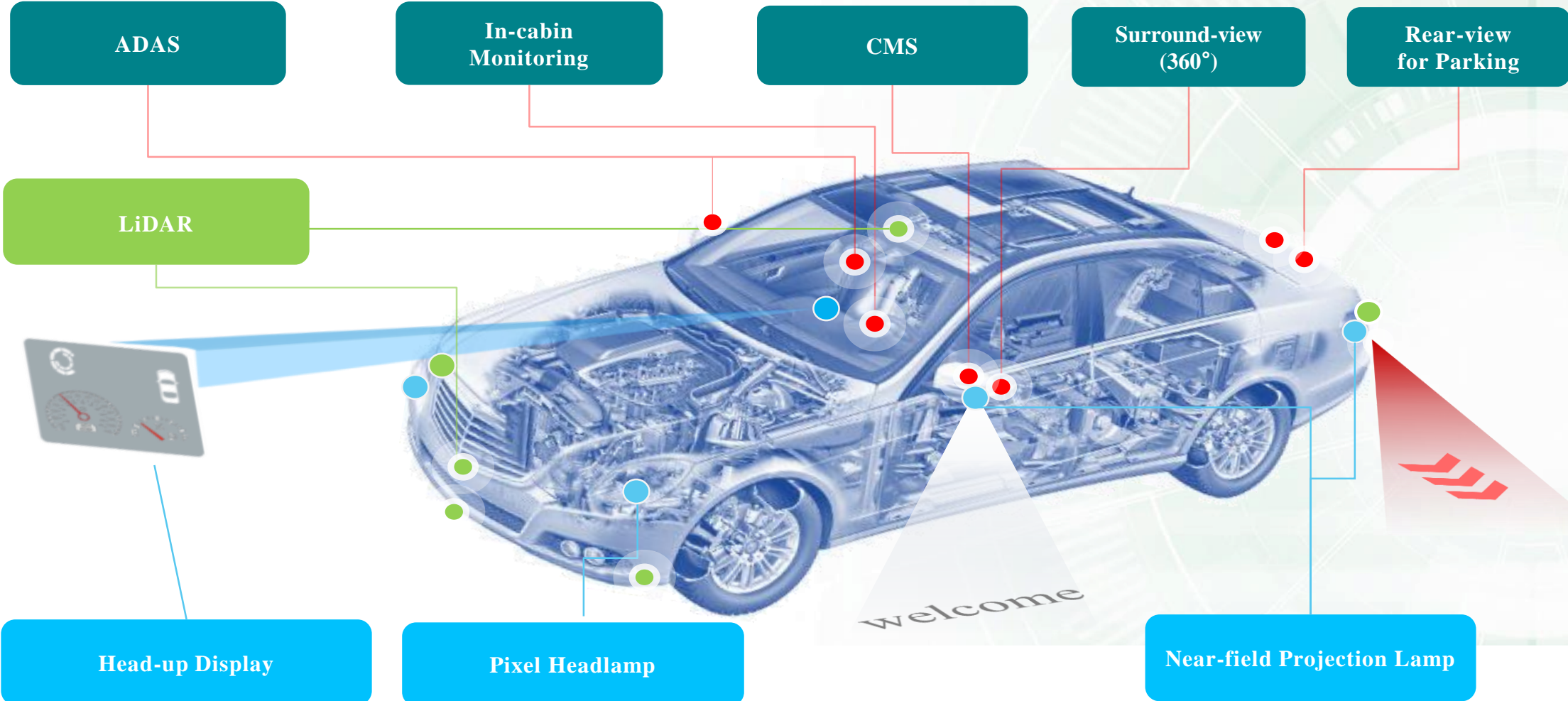
Yuyao Lanjiang Production Base





3 Strategy and Outlook

Rapid Progress in Autonomous Driving Huge Potential in Optical Applications



Specify Strategic Position for Vehicle Optical Related Products

Develop Driving Force of Sustainable Growth

Vehicle Camera Related Products

- With the increasing adoption rate of ADAS, the vehicle camera market will continue to expand in the next decade, and sensing market will become the main force for the growth.
- With the rapid iteration of intelligent driving and intelligent cabin, high-value-added sensing and imaging + sensing products have replaced pure imaging ones, with fast growing market.
- Specifications of high-end ADAS sensing products continue to be innovated. For example, the pixel migrates to 10MP, and the hybrid ADAS lens sets keep making breakthroughs.



Vehicle lens sets / modules



Strategic Position

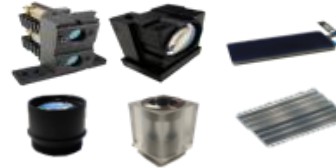
- Consolidate the global No.1 position in the shipment of vehicle lens sets among traditional brands and new EVs.
- Comprehensively cooperate with Tier 1, platform providers and vehicle terminal manufacturers to seize the opportunities and increase global market share.

LiDAR Related Products

- Intensified differentiation of LiDAR market has made market players ushered in a new round of reshuffling, thus the growth rate has slowed down in recent years. Despite that, the next decade is still promising.



Core optical components / assemblies



Strategic Position

- Focus on design and processing of core optical components and assemblies, including transceiver modules, lens sets, windows, and glass polygons.

Display Related Products

- With the rapidly increasing penetration rate of intelligent driving, more and more independent brands regard AR-HUD as one of the main selling points of intelligent cabin. The growth will be encouraging in the future.
- Headlamp is moving from simple lighting towards a new path of intelligence and pixelating, as the automotive intelligence develops. In addition to pixel headlamps, the rise of the ground projection unit market has become a new focus of the industry.



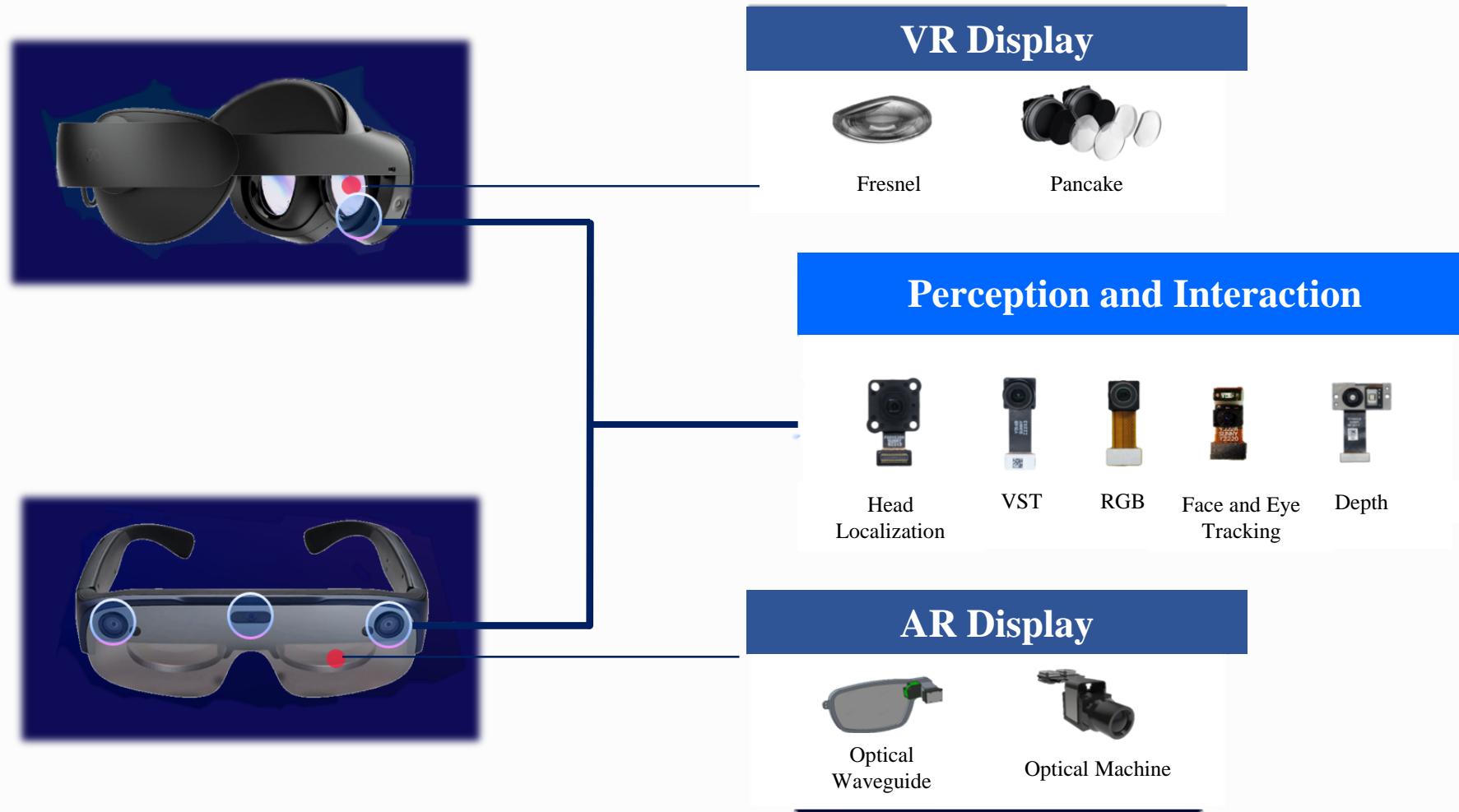
HUD / Smart headlamp related products



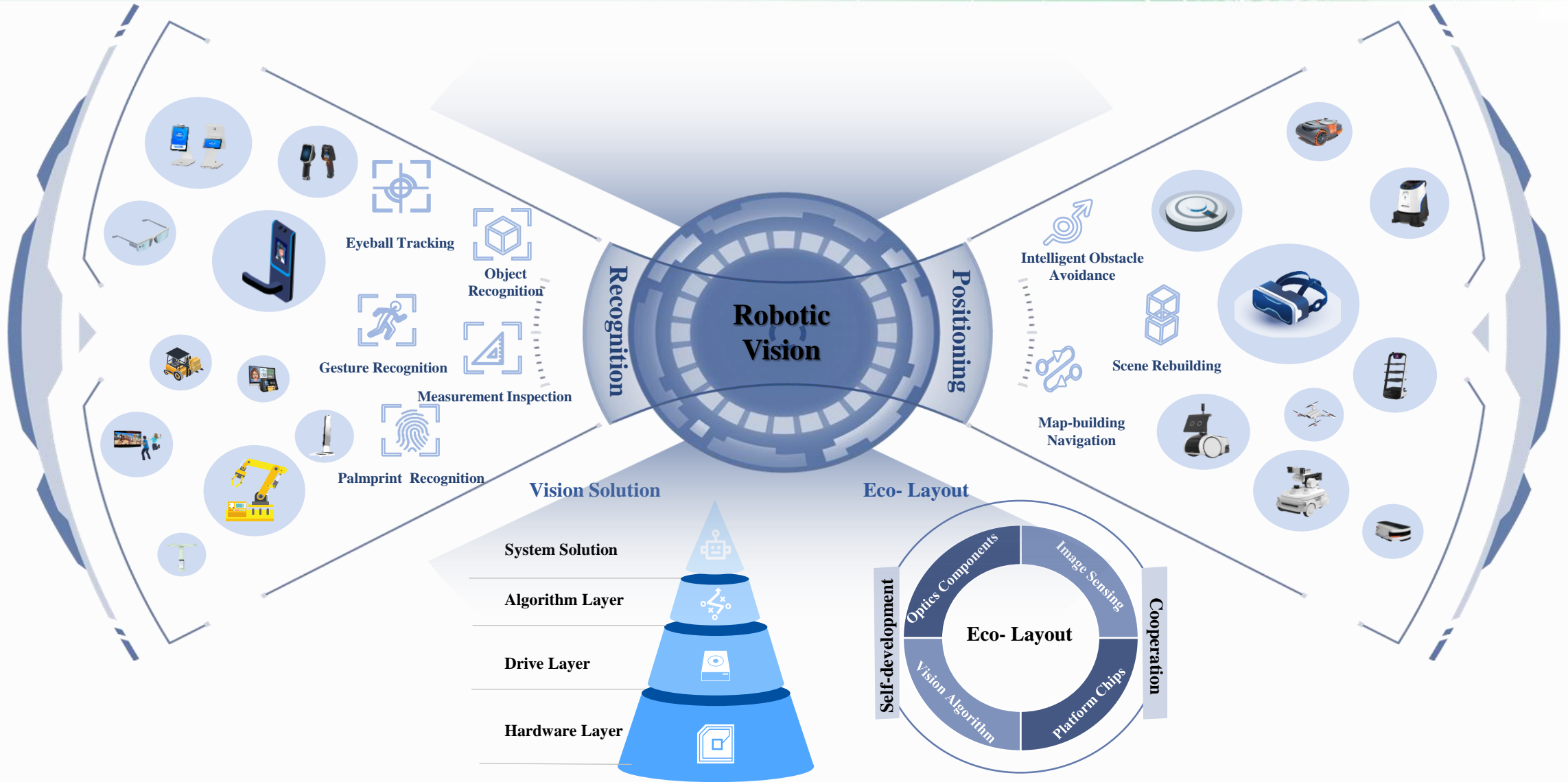
Strategic Position

- Focus on the core optical engine of HUD to realize the multiple-solution layout of TFT, DLP, LCOS, LBS.
- Focus on headlamp clients, break through the cutting-edge technology for mass production and iteration so as to seize the market opportunities.

Promising XR Market with Increasing Optical Proportion in End Devices



Grasp New Opportunities in Market to Lead the Future with Innovation



Trend of Specification Upgrade of Smartphone Camera Picking Up

Image performance is still one of the crucial selling points, and the technology of module-actuator-lens sets integration boosts the upgrade and innovation of smartphone cameras.



Front Camera

- Ultra-miniaturized head
- AF/ OIS
- Small wide angle (90°)
- **Ultra-thin**
- Large aperture

Main Camera

- Large image size + Large aperture/ **Ultra thin**
- **Hybrid (G+P)**
- **Variable aperture**
- OIS & sensor-shift stabilization

Ultra-wide Angle

- Small distortion
- Large aperture

Telephoto

- **Prism-centered/ Prism-post**
- **Low height telephoto**
- Internal focus between groups

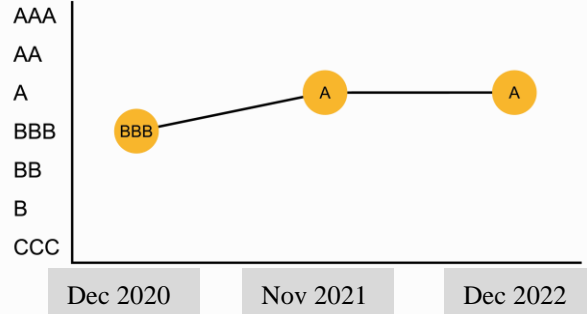


ESG Performance Review

Proactively Implement ESG Strategy to Improve External Recognition



MSCI Rating Improvement



ESG Selected Index

- FTSE4Good Index
- Hang Seng ESG 50 Index
- Hang Seng Corporate Sustainability Index
- HSI Low Carbon Index

Green Factory

Sunny Optical Intelligence (Yuyao) – **Green Low-Carbon Factory of Zhejiang Province**
Sunny Xinyang Optics - **Provincial Green Factory**

ESG Award

- 2023 International Green Zero Carbon Festival
- Green Sustainable Development Contribution Award
- The 4th InnoESG Prize Presentation
- ESG Prize
- 2022 Forbes China Top 50 Sustainable Industrial Companies

Implemented Green Development for Environmental Protection

Committed to reverse the rising trend of emission intensity, and set a carbon reduction target:

20% reduction of Scope 1 and 2 GHG emissions intensity in 2025 compared to that of 2021



Increase Energy Efficiency

- Build a group-wide intelligent energy management platform
- Introduce energy-saving equipment
- Transform heat recovery pumps
- Control chillers linked with water pumps



Increase Resource Use Efficiency

- Optimize cleaning process
- Optimize mold development craft
- Optimize the reclaimed water recovery scheme
- Optimize packaging materials and methods
- Recycle used packaging



Implement Energy Transformation

- Transit to renewable energy:
 - Invest in solar photovoltaic equipment
 - Increase purchase of green electricity

Develop Sustainable Finance

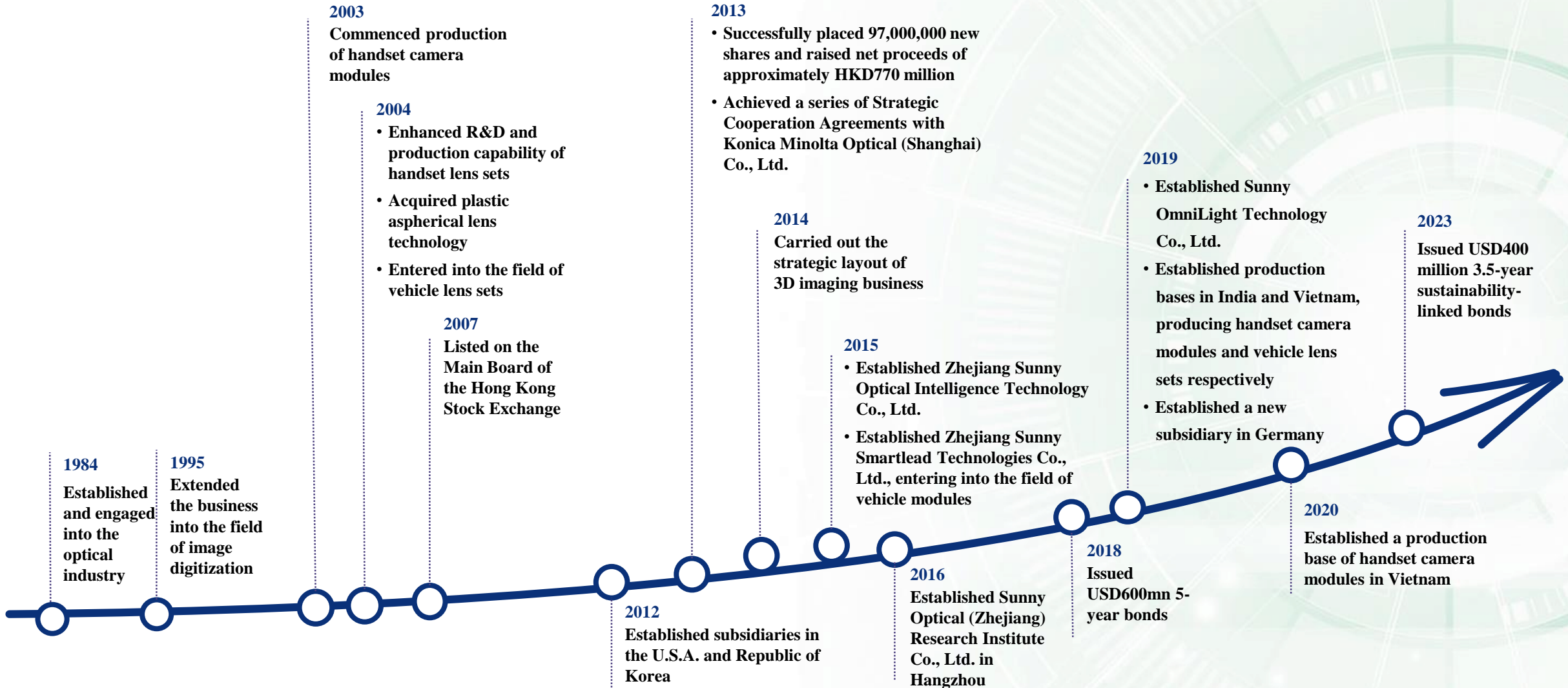
Issued 3.5-year sustainability-linked bond of USD400 million as the **first** for the technology manufacturing industry in Asia to enhance the ESG management level and set a market benchmark with the help of capital markets and financial tools.



Appendix

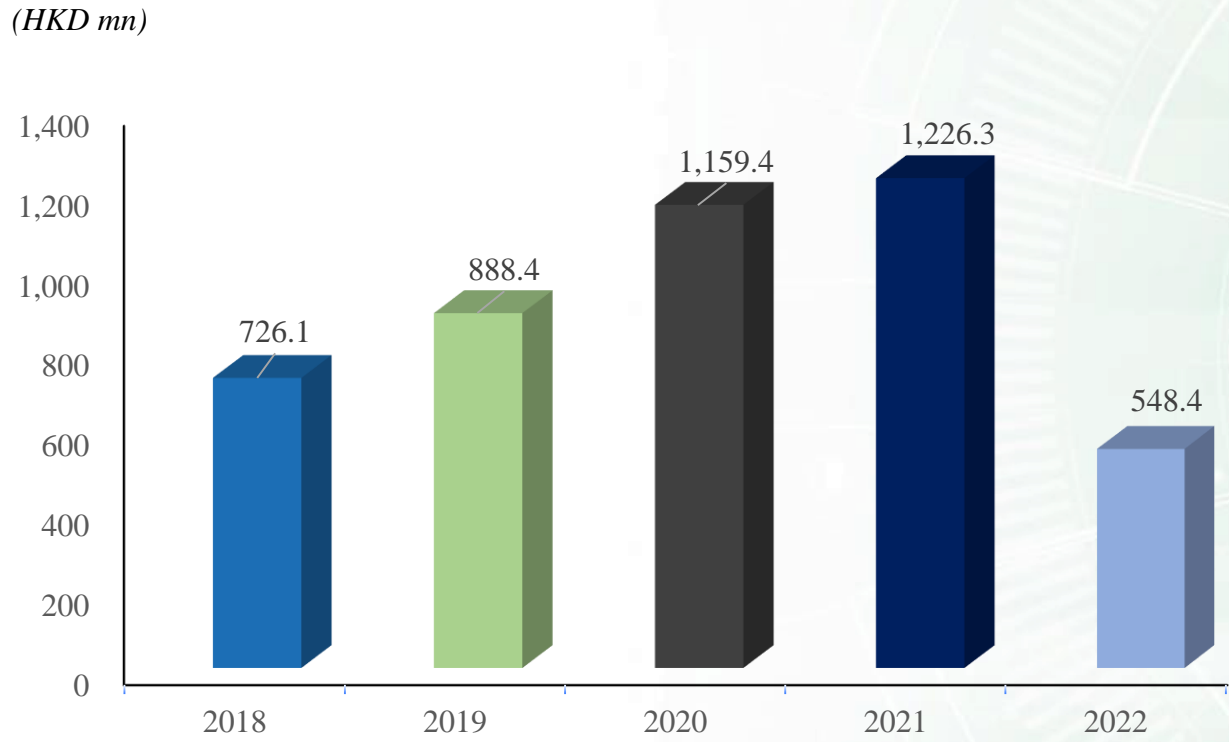


Milestones



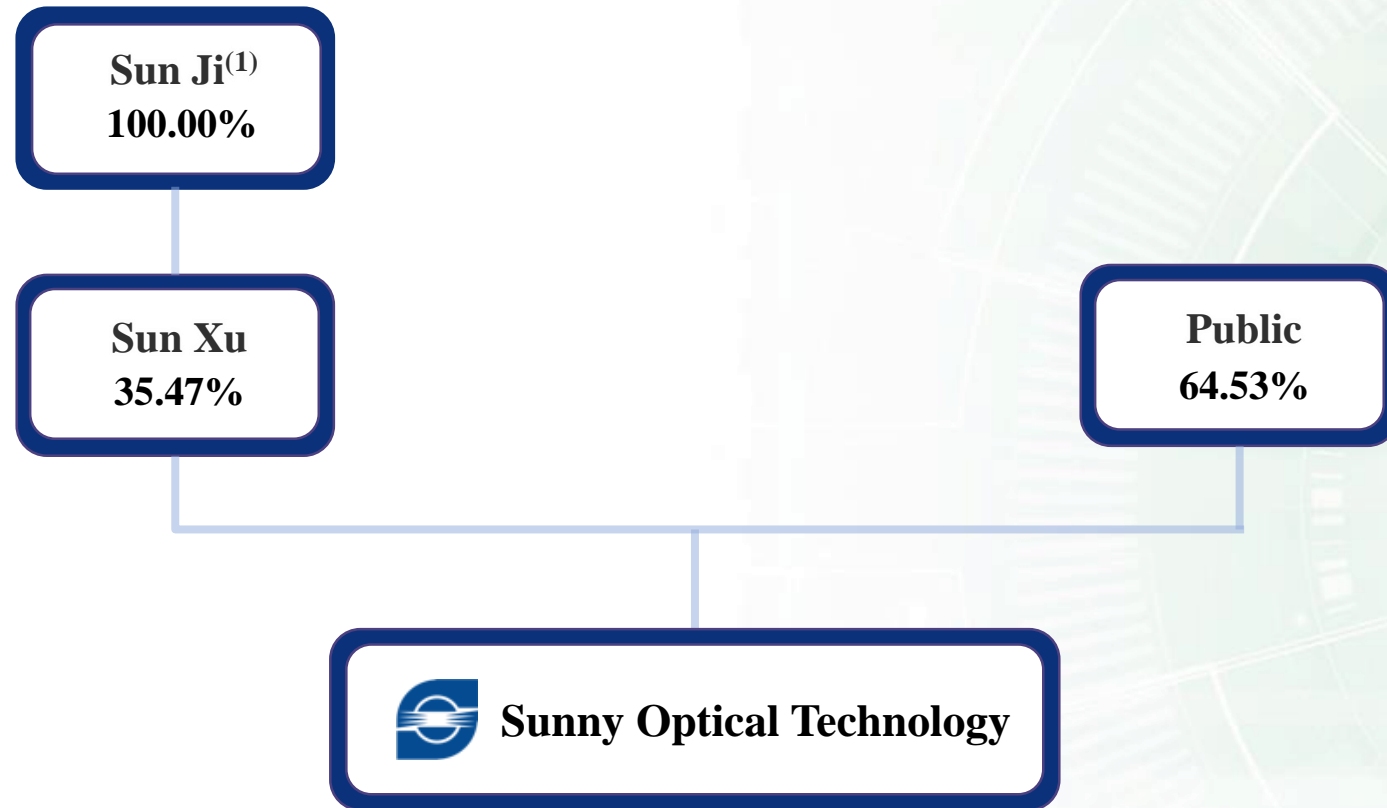
Dividend Payout

Dividends



For the year ended 31 December

Shareholding Structure



(1) 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 June 30, 2023

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