

Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

Stock Code: 2382

***2008 Annual Results
Corporate Presentation***

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Agenda



1 Financial Highlights

2 Operation Review

3 Outlook and Development Strategies

4 Open Forum



Financial Highlights

Results Highlights

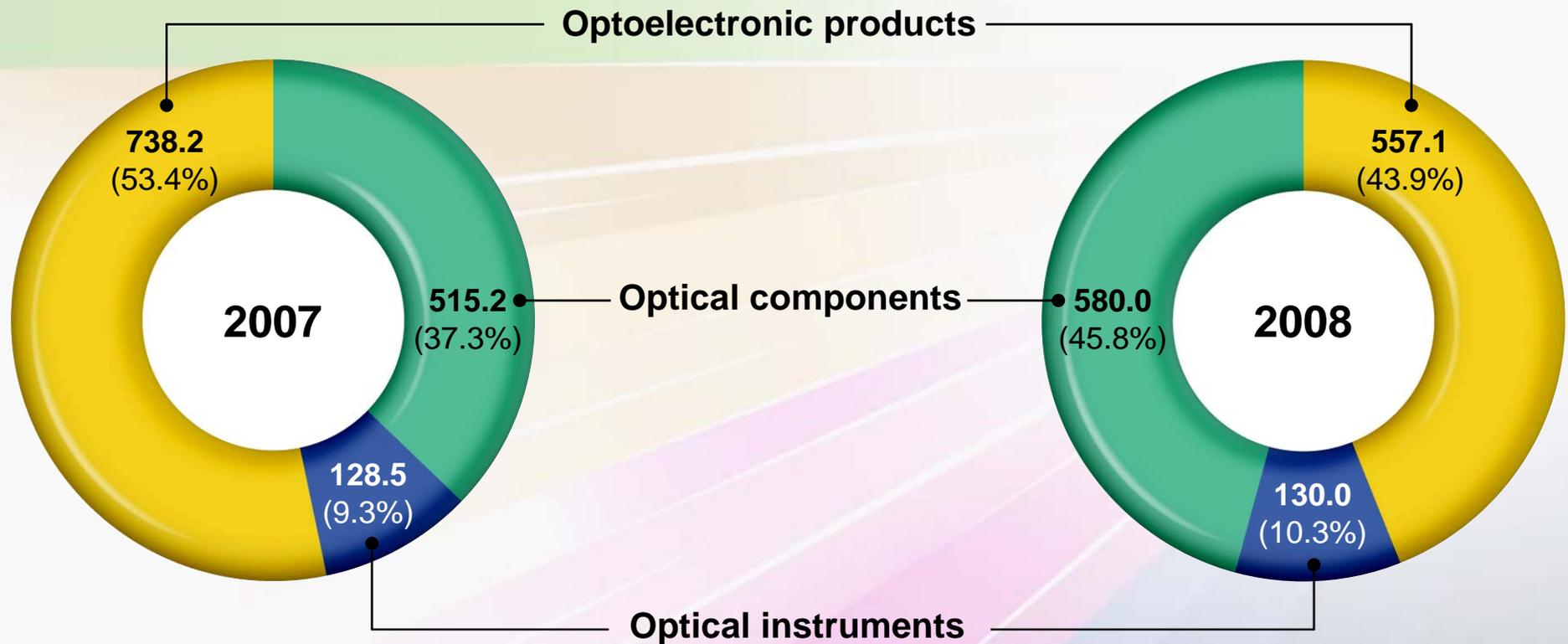


	2008	2007	Change
<i>(RMB mn)</i>	<i>For the year ended 31 December</i>		
Revenue	1,267.1	1,381.9	- 8.3%
Gross profit	250.8	376.6	- 33.4%
Impairment loss of goodwill	(8.0)	--	N/A
Profit before tax	88.7	236.3	- 62.5%
Taxation	(12.1)	(10.4)	+ 16.3%
Profit attributable to equity holders	78.4	225.4	- 65.2%
Basic earnings per share <i>(RMB cents)</i>	8.0	25.0	- 68.0%

Revenue Analysis



Revenue Analysis by Product Categories

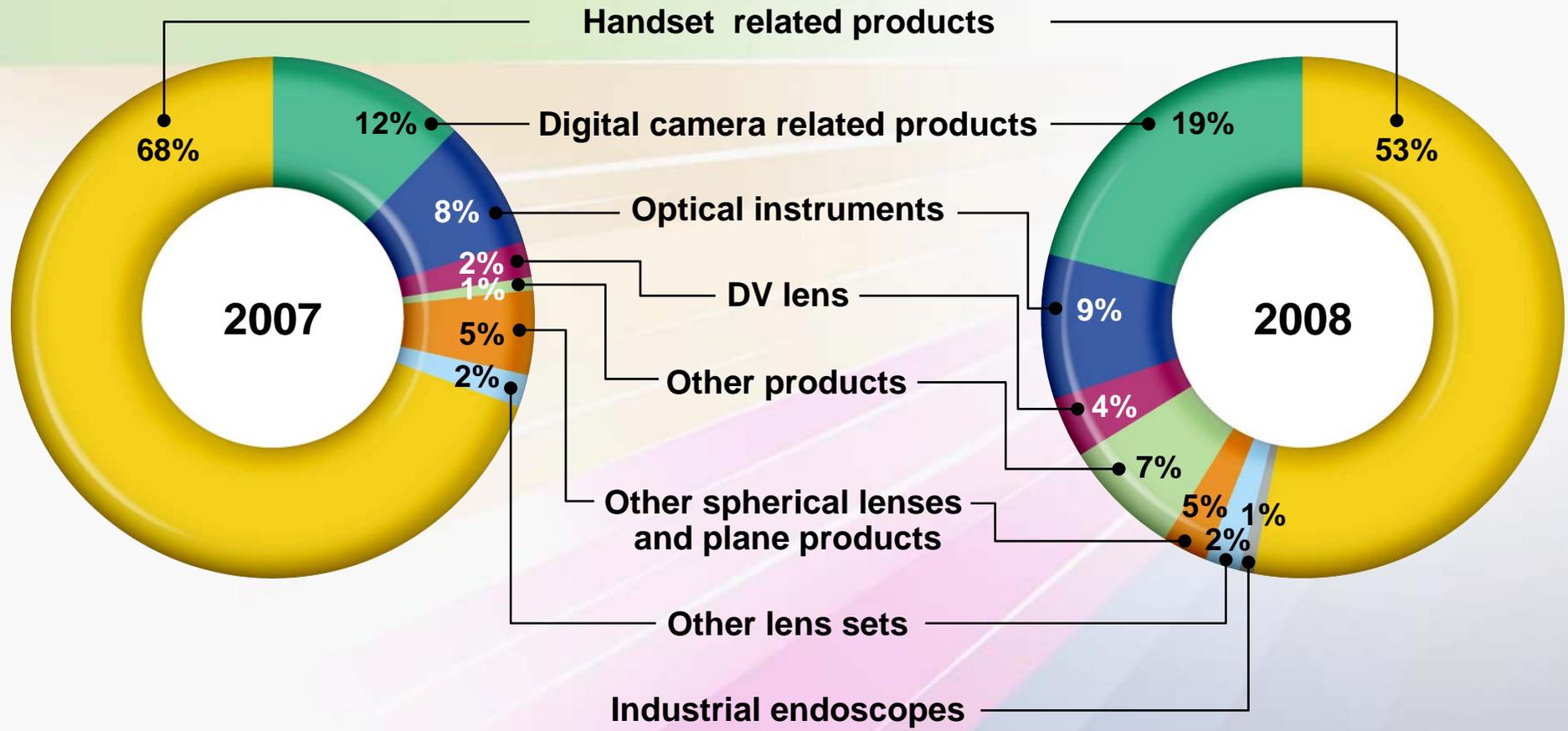


For the year ended 31 December

Rising Contribution from Non-handset Related Business



Diversified Revenue Streams



For the year ended 31 December

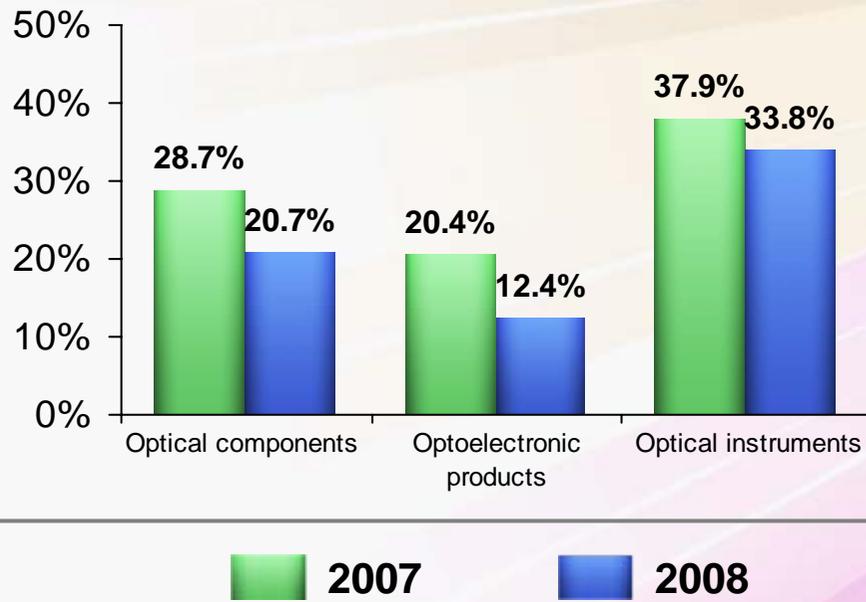
Margin Overview



Gross Profit Margin

Gross Profit Margin dropped due to:

- Decline of product ASP
- Inadequate capacity utilization
- Rising labour cost and appreciation of RMB



Margin Overview

Net Profit Margin dropped due to:

- Lower GP margin
- Increased R&D expenditure
- Increased effective tax rate
- Impairment loss on goodwill



For the year ended 31 December

Operating Expenses Analysis



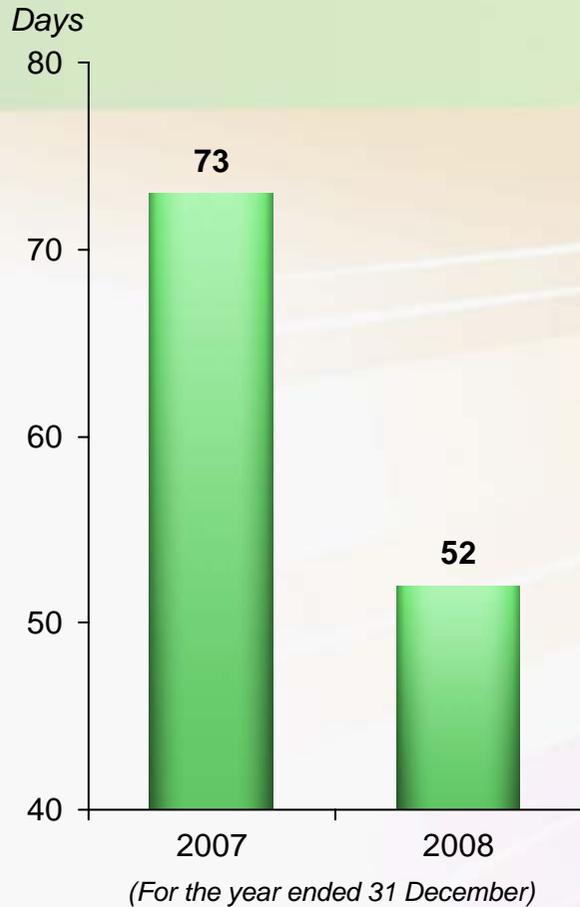
	2008		2007	
	(RMB mn)	(As % of revenue)	(RMB mn)	(As % of revenue)
<i>For the year ended 31 December</i>				
Revenue	1267.1	100%	1,381.9	100%
Selling and distribution expenses	31.0	2.4%	32.9	2.4%
R&D expenses	56.1	4.4%	28.5	2.1%
Administrative expenses*	108.0	8.5%	121.1	8.8%
Total operating expenses	195.1	15.3%	182.5	13.3%

Note: RMB8.0 million non-recurring cost was incurred during 2008 due to the impairment loss of goodwill.

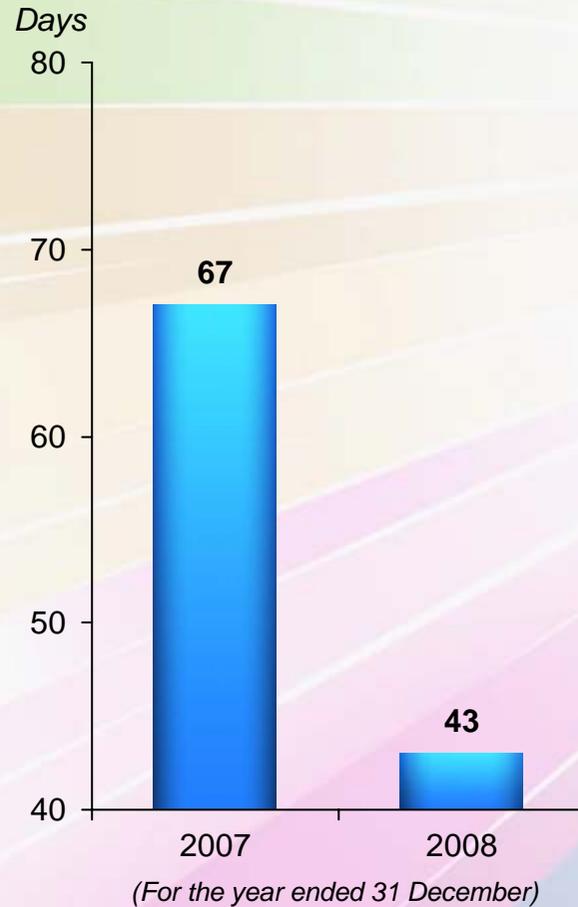
Working Capital Management



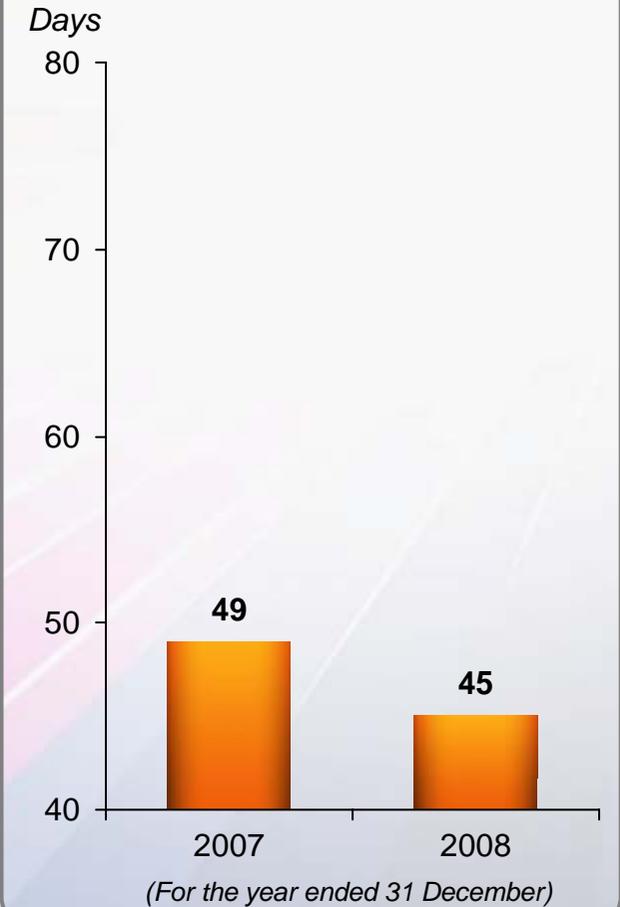
A/R Turnover



A/P Turnover



Inventory Turnover



Solid Financial Position



	2008	2007
	<i>For the year ended 31 December</i>	
Current ratio (<i>times</i>)	4.9	4.1
Operating cashflow (<i>RMB mn</i>)	202.7	160.1
Bank balances and cash (<i>RMB mn</i>)	387.5	543.7
Gearing ratio (%)	2.2	N/A
ROE (%)	5.6	17.4
Capital expenditure (<i>RMB mn</i>)	146.2	170.3

Note: Financial assets designated as at fair value through profit or loss amounted to RMB 291 million



Review of Operations



- Economy remained sluggish due to financial turmoil
- ASP of handset mobile declined, demand of smartphone grew rapidly
- Slow down for the demand growth of DC, rapid growth for DSLR among all
- Demand of industrial microscopes for traditional market fell
- The government increased the input in environmental protection, medical fields, etc, drove the demand of relevant optical instruments

Awards and Accolades



🕒 Awards and accolades received from clients and media in 2008:

Awards	Organizations
China Best Small & Medium-sized Enterprises 2008	Forbes
200 Best Under A Billion	Forbes Asia
Top 100 Enterprises in Ningbo 2008	Ningbo Enterprise Unite League and Ningbo Entrepreneurs Association
2007 Top 500 Quality Products	China Quality Product Association
Sponsorship on the development of Gas Chromatograph/ Quadrupole Mass Spectrometer	The Science and Technology Commission of Shanghai
Appreciation award	Samsung
Best Supplier 2008	Dongguan Samsung Electro-mechanics Co., Ltd.
Best Supplier	At "Evolution of Optical Product Quality Exhibition" organized by Dongguan Samsung Electro-mechanics Co., Ltd.
2008 The Best Supporting Supplier	Lenovo
2007-08 Excellent Supplier	Shenzhen Sang Fei, the mobile phone manufacturer of Phillips
Eco-Partner	Tameron Optical (Foshan) Co., Ltd
Excellent Supplier	SIM Technology



Strengthen and Expand Client Base



- Strengthened business relationship with clients:

Samsung	Sony	Canon	Konica Minolta	Panasonic
NEC	Pentax	Olympus	Carl Zeiss	
Topcon	Tianyu	ZTE	Huawei	Lenovo

- Developed new renowned clients:

Nikon	Sanyo	LG	Continental
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Widen Product Applications

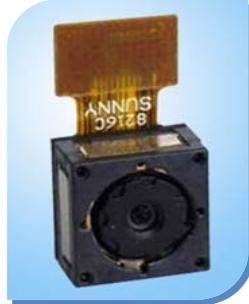


Strong R&D capabilities enable the group to widen its product applications to different industries:

Handset lens sets and camera module



5M pixels 3X Zoom handset lens sets



5M pixels AF handset camera module



EDOF (extended depth of field) handset camera module



Security surveillance system



DSLR



Automobile lens sets system



Widen Product Applications



Medical and industrial applications



Industrial endoscopes



Medical endoscopes



Optical instruments



Jewelry microscope



MX-6R metallurgical microscope



KDS Level



3D Vision Measuring Machine



UV-Vis spectrophotometer – UV2600



Capacity & Utilization



	Production Capacity		Utilization Rate	
	2008	2007	2008	2007
Lenses (mn units)	180.0	168.0	70.4%	57.1%
Lens sets (mn units)	144.0	144.0	47.8%	66.0%
Optoelectronic products (mn units)	72.0	72.0	45.7%	50.7%
Optical instruments (’000 sets)	199.2	199.2	62.7%	70.8%

Note: The annual production capacity is calculated by using the highest production capacity of the last month multiplied by 12.



Outlook and Development Strategies

Market Overview



Handset Market

- ASP continues trending downward
- Handset market moves towards convergence
- The opening of 3G market in China stimulates the demand for 3G handsets



Global Market

Market is taking conservative view on growth prospect of optoelectronic industry



DC Market

- DC market enters a mature phase
- Overall market begins to consolidate
- DLSR market is growing

Optical instrument Market



- Growth of traditional market slows down
- Market of High-end optical instruments continues to expand
- Increase of input from the PRC in the field of medical and environmental protection, etc, drives the demand of optical instruments

Non-handset related Market

- Market of industrial endoscope grows stably
- Market of Security surveillance system grows relatively fast
- Penetration rate of automobile lens sets system grows stably



Handset Market

– Growing Demand of Smartphone



Global Shipment of handset
(2007-2009E)



Source: ABI Research

Global Shipment of Smartphone
(2007-2009E)

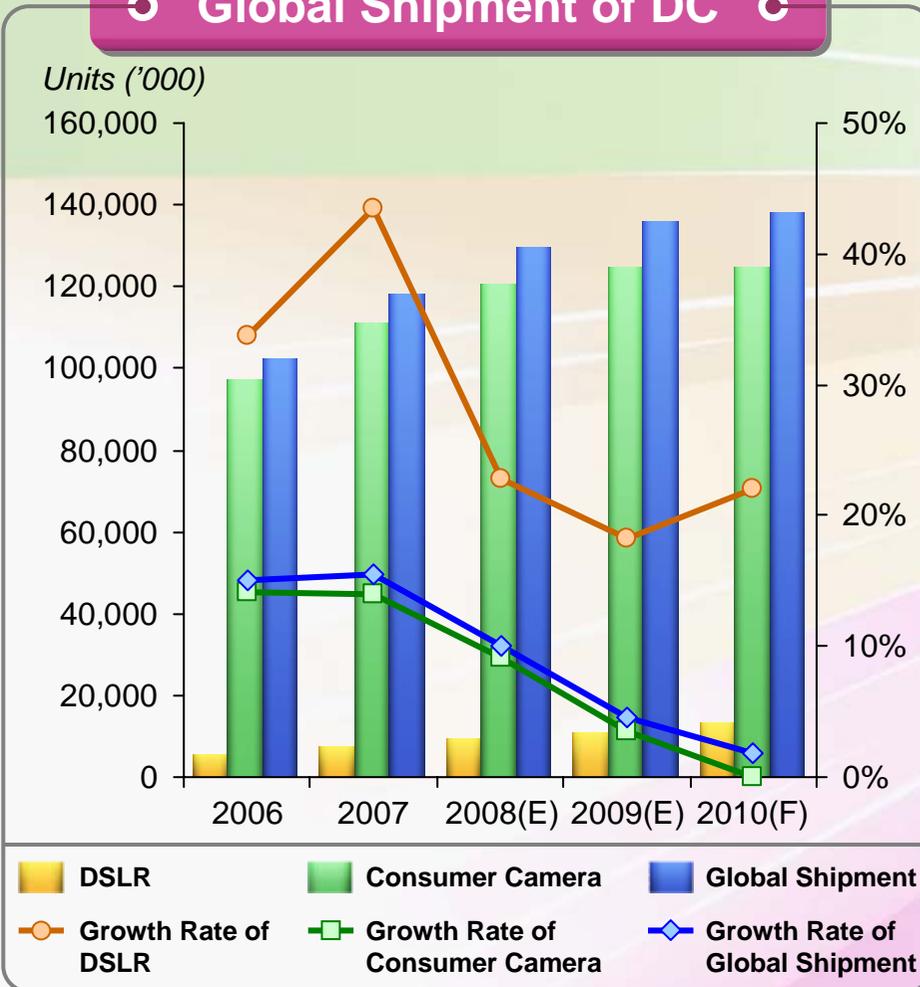


Source: ABI Research

DC Market – Stable Growth of Demand

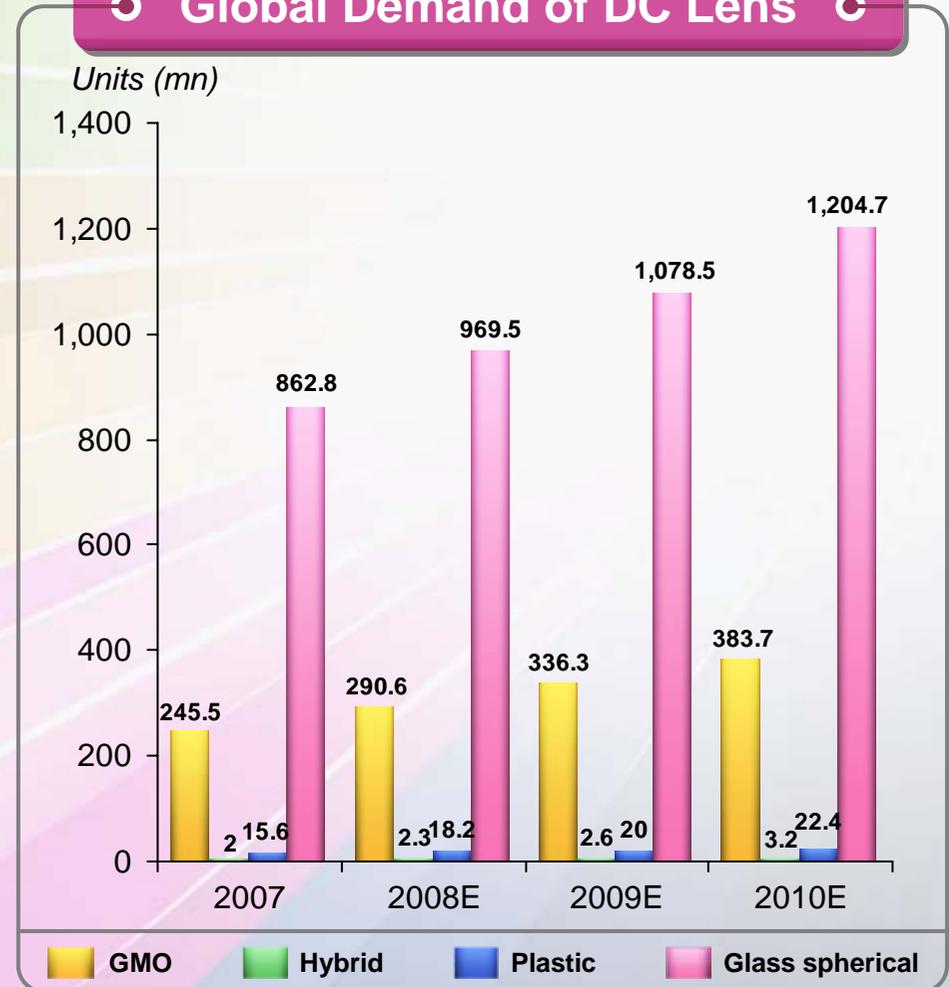


Global Shipment of DC



Source: TRI Research

Global Demand of DC Lens

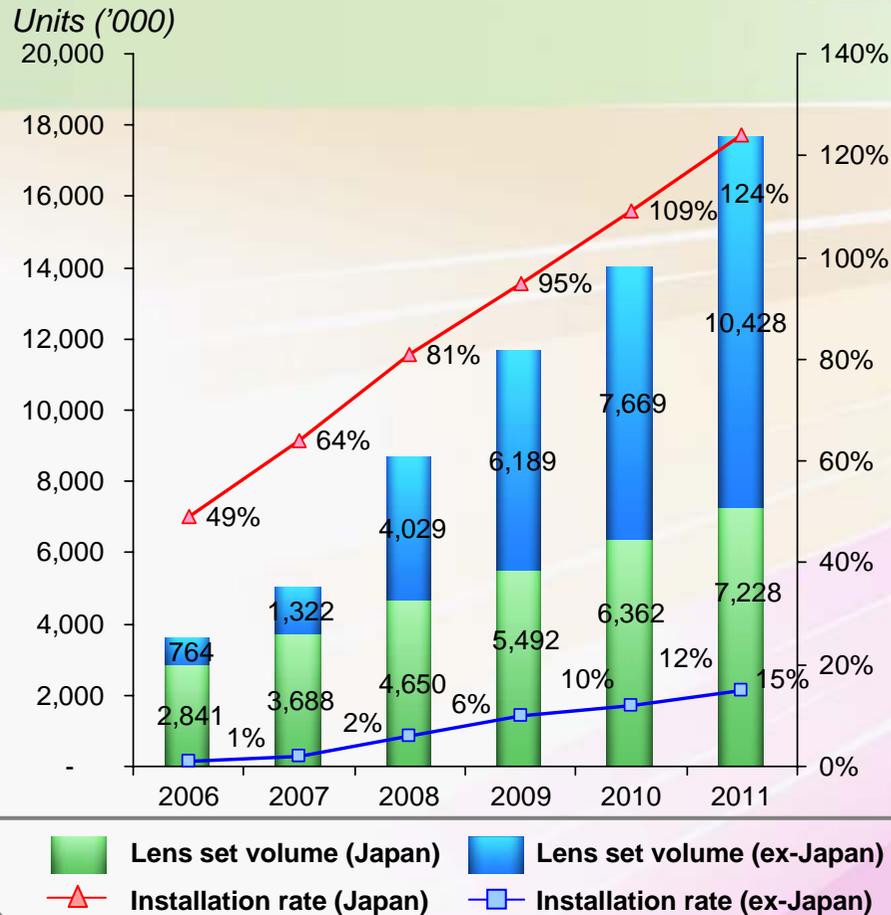


Source: Brain Child September, 2007

Automobile Lens Sets and Security Surveillance Market – Stable Growth of Demand

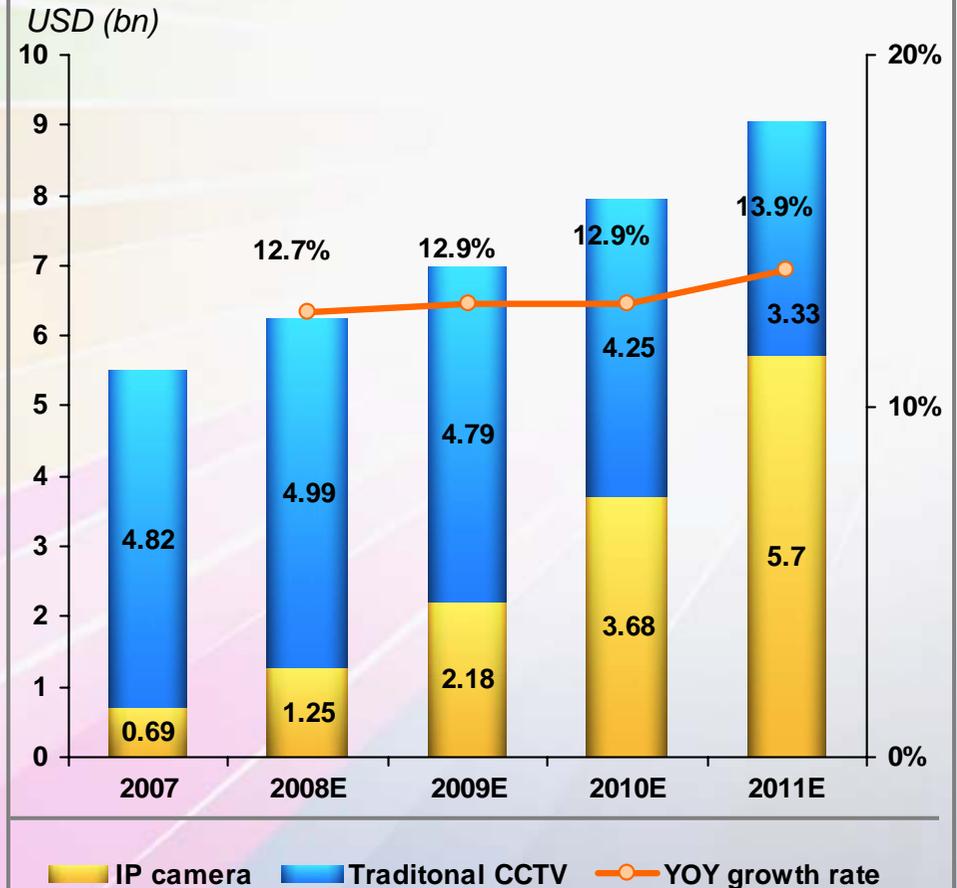


Shipment of Global Automobile Lens Sets



Source: Brain Child September, 2007

Global Sales of Security Surveillance System



Source: RNCOS Research

Development Strategies



**Expand and
strengthen
client base**

**Explore new
sources
of income**



**Enhance
internal control**



Expand and strengthen client base

Explore international clientele

- Further strengthen sales channels in Japan, Korea, Europe, US, etc
- Further explore international clients, in order to expand the market share in the high-end handset camera lens set and module market

Deepen relationships with existing clients

- Improve the QCDS level
- Increase the proportion of product supply to clients to become their major supplier
- Explore new cooperation opportunities



Explore new sources of income

Strengthen R&D capabilities

- Further improve R&D capabilities and supervising closely in major projects
- Improve technology grade of existing products to cater customers' needs

Seizing opportunities with 3G applications

- Develop high-end handset camera modules to catch the strong demand of China's 3G handsets
- Adjust sales strategy according to the mobile operators' procurement strategies

Enhance product portfolio

- Consolidate optical, mechanical and electronic technologies, wider the application field of products
- Input more resources for further expansion of non-handset-related business



Enhance internal control

Perform precise management

- Adopt lean production to improve efficiency and reduce wastage
- Apply advanced management tool, improve the management of operation procedure
- Review the progress of project regularly

Safe and stable financial policy

- Ensure the safety of cash
- Improve the management of working capital
- Implement cautious approach to capital expenditure

Maintain stringent cost control

- Enhance the management of supply chain
- Strengthen budget control
- Review operating cost regularly



Open Forum

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Appendix



5-year Financial Summary

	2008	2007	2006	2005	2004
<i>(RMB mn)</i>	<i>For the year ended 31 December</i>				
Revenue	1,267.1	1,381.9	900.7	588.3	307.9
Gross profit	250.8	376.6	247.8	180.4	113.0
Profit before tax	88.7	236.3	166.0	123.2	88.1
Taxation	(12.1)	(10.4)	--	(14.6)	(30.3)
Profit attributable to equity holders	78.4	225.4	117.2	82.4	44.1
Basic earnings per share <i>(RMB cents)</i>	8	25	20	15	8
Annual dividend per share <i>(RMB cents)</i>	2.0	2.1	[-]	[-]	[-]