Sun.King Power Electronics Group Limited
賽晶電力電子集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 580)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014 AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 30.1% to approximately RMB517.3 million.
- Gross profit decreased by approximately 28.4% to approximately RMB159.1 million.
- Gross profit margin slightly increased from approximately 30.0% to approximately 30.8%.
- Loss attributable to owners of the Company amounted to approximately RMB32.1 million.
- Loss per share amounted to approximately RMB2.4 cents.

ANNUAL RESULTS

The board (the "**Board**") of Directors (the "**Directors**") of Sun.King Power Electronics Group Limited 賽晶電力電子集團有限公司 (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries for the year ended 31 December 2014, with the comparative figures for the corresponding year in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	**2014** ***RMB'000***	2013 *RMB'000*
REVENUE	*4*	**517,301**	739,865
Cost of sales		**(358,209)**	(517,698)
Gross profit		**159,092**	222,167
Other income and gains	*4*	**23,797**	14,842
Selling and distribution expenses		**(68,450)**	(64,382)
Administrative expenses		**(74,394)**	(69,898)
Other expenses and losses		**(51,663)**	(27,491)
Finance costs	*6*	**(15,995)**	(16,969)
Share of losses of:			
Joint ventures		**(1,398)**	(1,143)
An associate		**(3,232)**	(310)
PROFIT/(LOSS) BEFORE TAX	*5*	**(32,243)**	56,816
Income tax expense	*7*	**(6,357)**	(14,913)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(38,600)**	41,903
Attributable to:			
Owners of the parent		**(32,138)**	42,917
Non-controlling interests		**(6,462)**	(1,014)
		(38,600)	41,903
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB(2.36) cents**	RMB3.15 cents
Diluted		**RMB(2.36) cents**	RMB3.14 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**374,715**	342,280
Prepaid land lease payments		**59,333**	60,734
Deposits for purchase of items of property, plant and equipment		**156**	1,315
Goodwill		**34,159**	37,159
Other intangible assets		**24,053**	24,950
Club memberships		**2,534**	2,534
Investments in joint ventures		**16,507**	2,205
Investment in an associate		**20,958**	24,190
Available-for-sale investment		**16,800**	16,800
Trade receivables	9	**82,467**	93,994
Deferred tax assets		**10,838**	6,960
Total non-current assets		**642,520**	613,121
CURRENT ASSETS			
Inventories		**134,009**	91,920
Trade and bills receivables	9	**420,395**	524,579
Prepayments, deposits and other receivables		**48,694**	36,597
Prepaid land lease payments		**1,401**	1,401
Derivative financial instruments		**–**	743
Pledged deposits		**1,597**	17,375
Cash and cash equivalents		**113,558**	153,860
Total current assets		**719,654**	826,475
CURRENT LIABILITIES			
Trade and bills payables	10	**161,474**	142,477
Other payables and accruals		**75,848**	71,575
Derivative financial instruments		**6,922**	–
Interest-bearing bank borrowings		**229,000**	299,000
Tax payable		**22,829**	18,091
Total current liabilities		**496,073**	531,143
NET CURRENT ASSETS		**223,581**	295,332
TOTAL ASSETS LESS CURRENT LIABILITIES		**866,101**	908,453

	Notes	**2014**	2013
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred income		**21,746**	16,297
Deferred tax liabilities		**12,351**	13,429
Total non-current liabilities		**34,097**	29,726
Net assets		**832,004**	878,727
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**117,168**	117,156
Reserves		**677,376**	703,703
Proposed final dividend	*11*	**–**	11,716
		794,544	832,575
Non-controlling interests		**37,460**	46,152
Total equity		**832,004**	878,727

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2014

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 March 2010. The ordinary shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 13 October 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the trading and manufacturing of power electronic components during the year.

In the opinion of the directors of the Company, the Company's immediate holding company is Max Vision Holdings Limited, which is ultimately controlled by Mr. Xiang Jie, the founder and a director of the Company.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and a new interpretation of International Financial Reporting Standards ("**IFRS(s)**") for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
International Financial Reporting Interpretations Committee ("**IFRIC**") 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

1 *Effective from 1 July 2014*

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which are consistent with the requirements of IFRIC 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment which is principally engaged in the manufacturing and trading of power electronic components.

Geographical information

As the Group's major operations, customers and non-current assets are located in the People's Republic of China (the "**PRC**"), no further geographical segment information is provided.

Information about major customers

Revenue from major customers that individually accounted for 10% or more of the Group's revenue is as follows:

	2014	2013
	RMB'000	*RMB'000*
Customer A	**115,799**	187,924
Customer B*	**–**	95,182
Total	**115,799**	283,106

* The sales to customer B were less than 10% of the Group's revenue for the year ended 31 December 2014.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**517,301**	739,865
Other income		
Government grants*	**6,090**	10,555
Interest income	**2,182**	1,352
Sale of scrap materials	**1,643**	1,059
Commission income	**–**	846
Others	**2,017**	343
	11,932	14,155
Gains		
Gain on disposal of items of property, plant and equipment, net	**11,865**	183
Foreign exchange differences, net	**–**	504
	11,865	687
	23,797	14,842

* *Various government grants have been received for investments in certain provinces in Mainland China in which the Company's subsidiaries operate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these government grants.*

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories sold	**354,407**	516,756
Write-down of inventories to net realisable value	**3,802**	942
Cost of sales	**358,209**	517,698
Auditors' remuneration	**1,650**	1,650
Depreciation	**19,134**	16,956
Amortisation of other intangible assets	**1,184**	1,371
Amortisation of land lease payments	**1,401**	1,401
Impairment of goodwill*	**3,000**	3,198
Minimum lease payments under operating leases for land and buildings	**2,945**	2,148
Impairment of items of property, plant and equipment*	**–**	196
Impairment of trade and other receivables*	**16,644**	4,424
Fair value losses on foreign currency forward contracts, net*	**11,983**	4,062
Fair value losses on derivative financial instruments*	**–**	734
Foreign exchange differences, net*	**539**	(504)
Research and development costs*	**19,497**	14,877
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**23,785**	30,707
Share-based payment expense	**2,783**	4,199
Pension scheme contributions**	**6,206**	4,830
	32,774	39,736

* *The impairment of goodwill, impairment of items of property, plant and equipment, impairment of trade and other receivables, net fair value losses on foreign currency forward contracts, fair value losses of derivative financial instruments, net foreign exchange losses and research and development costs are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.*

** *At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2013: Nil).*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**15,995**	16,969

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC income tax laws, enterprises are subject to corporate income tax ("**CIT**") at a rate of 25%.

Wuxi Zhuofeng Information Technology Co., Ltd.* (無錫卓峰信息科技有限公司), a subsidiary of the Company, was recognised as a wholly-foreign-owned enterprise and was entitled to tax exemption from CIT for two years commencing from the first profit making year in 2012, followed by a 50% tax rate reduction for CIT for the subsequent three years.

Jiashan Sunking Power Equipment Technology Co., Ltd.* (嘉善華瑞賽晶電氣設備科技有限公司), a subsidiary of the Company, was registered as a new and high technology enterprise, and is subject to CIT at a rate of 15% for the three years ending 31 December 2015.

Jiujiang Jiuzheng Rectifier Co., Ltd.* (九江九整整流器有限公司) and Wuhan Langde Electrics Co., Ltd.* (武漢朗德電氣有限公司), subsidiaries of the Company, were registered as new and high technology enterprises, and are subject to CIT at a rate of 15% for the three years ending 31 December 2016.

	2014	2013
	RMB'000	*RMB'000*
Group:		
Current – Hong Kong		
Charge for the year	**861**	378
Current – Mainland China		
Charge for the year	**10,963**	10,358
Underprovision/(overprovision) in prior years	**(511)**	771
Deferred	**(4,956)**	3,406
Total tax charge for the year	**6,357**	14,913

* *For identification purposes only*

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share (2013: earnings per share) amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB32,138,000 (2013: profit of RMB42,917,000), and the weighted average number of ordinary shares of 1,362,940,740 (2013: 1,362,758,751) in issue during the year.

The calculation of the diluted earnings/loss per share amount is based on the profit/loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2014 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted earnings per share are based on:

	2014	2013
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**(32,138)**	42,917

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,362,940,740**	1,362,758,751
Effect of dilution – weighted average number of ordinary shares:		
Share options	**5,483,492**	2,095,576
	1,368,424,232	1,364,854,327

9. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**433,223**	485,257
Impairment	**(35,377)**	(19,044)
	397,846	466,213
Bills receivable	**105,016**	152,360
Less: Amount shown as non-current	**(82,467)**	(93,994)
	420,395	524,579

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Concentration of credit risk is managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

For certain customers, the Group allows a percentage, ranging from 2% to 10%, of the contracted amount (the retention money) to be settled within six months to thirty-six months, as agreed between the Group and the respective customers on a case by case basis, subsequent to the fulfilment of certain conditions including delivery of goods or completion of installation as stipulated in the respective sales contracts.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**185,928**	219,484
3 to 6 months	**86,773**	82,277
6 to 12 months	**49,159**	86,581
Over 1 year	**75,986**	77,871
	397,846	466,213

As at 31 December 2014, the Group's bills receivable would mature within twelve (2013: six) months.

As at 31 December 2014, certain trade and bills receivables of the Group with an aggregate carrying amount of RMB50,143,000 (2013: RMB40,331,000) were pledged to banks to secure the bank loans granted to the Group.

At 31 December 2014, certain bills receivable of the Group with an aggregate carrying amount of RMB29,332,000 (2013: RMB64,469,000) were pledged to secure certain of the Group's bills payable (note 10).

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB6,979,000 (2013: RMB14,187,000) to certain of its suppliers in order to settle the trade payables due to these suppliers. In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled.

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Within six months	**126,257**	117,924
Over six months	**35,217**	24,553
	161,474	142,477

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 days to 180 days.

As at 31 December 2014, certain of the Group's bills payable amounting to RMB20,517,000 (2013: RMB21,320,000) were secured by the pledge of the Group's bills receivable amounting to RMB29,332,000 (2013: RMB64,469,000) (note 9).

11. DIVIDEND

	2014	2013
	RMB'000	*RMB'000*
Proposed final – Nil (2013: HK1 cent) per ordinary share	**–**	11,716

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The products offered by the Group are divided into, in terms of their applied industries, power transmission sector, rail transportation sector and industrial sector.

Power transmission sector

The revenue generated by the power transmission sector decreased by approximately 36.1% from approximately RMB269.3 million for the year ended 31 December 2013 to approximately RMB172.1 million for the year ended 31 December 2014. The gross profit margin increased from approximately 35.0% for the year ended 31 December 2013 to approximately 40% for the year ended 31 December 2014.

In 2014, the execution of orders for high-voltage direct current ("**HVDC**") light power transmission projects significantly fell behind our expectation, resulting in a sharp decrease in revenue comparing that of the corresponding period of 2013. However, due to the increase in investment by the two major power grid operators in the end of 2014, the Group had obtained several orders for HVDC projects for the two major power grid operators.

After winning the bid for the Zhoushan flexible direct current transmission projects in 2013, we won also the bid for the Xiamen flexible direct current transmission project. Nevertheless, under the influence of several factors including the scale and slow progress of projects, the revenue of the Group generated from flexible direct current transmission projects for the year of 2014 decreased significantly comparing that of the corresponding period of 2013.

The number of orders and sales of the Group of high-voltage power capacitors increased significantly. In 2014, we had successfully won five bids of the State Grid Corporation of China centralised procurement tenders and two bids of the China Southern Power Grid centralised procurement tenders, representing a growth of more than 100% in the number of orders comparing the corresponding period of 2013. Furthermore, our high-voltage power capacitors were procured for the Lingzhou-Shaoxing ultra-high voltage direct current transmission project of State Grid Corporation of China for the first time. As the order execution cycle usually takes six to 12 months, most of the orders are expected to be completed in 2015.

Rail transportation sector

The revenue generated by the rail transportation sector decreased by approximately 33% from approximately RMB191.2 million for the year ended 31 December 2013 to approximately RMB128.1 million for the year ended 31 December 2014. The gross profit margin also decreased from approximately 27.0% for the year ended 31 December 2013 to approximately 23% for the year ended 31 December 2014.

The Group continued to corporate with China CNR Corporation Limited ("**CNR**") and its subsidiaries, supplying products including insulated gate bipolar transistors components for its high power locomotives and laminated busbars. However, due to the postponement in the execution of CNR's orders and other factors, the revenue of the rail transportation sector substantially decreased.

The Group had successfully won the bids for the power quality management projects for electrified rails for, among others, Chengdu Railway Bureau (成都鐵路局), Lanzhou Railway Bureau (蘭州鐵路局), Tianping Railway Company Limited (天平鐵路有限公司) and Zhongchuan Railway Company Limited (中川鐵路有限公司). In particular, the inspection of completion of the reactive-load compensation equipment we had supplied to Chengdu Railway Bureau had been completed with all performance indexes showing positive results.

Marking our successful entrance of the metro vehicle equipment maintenance market, we had for the first time successfully won the bids and completed the maintenance project of power modules of traction inverters of metro vehicles for Nanjing Metro Line 1 (南京地鐵1號線).

Industrial sector

The revenue generated by the industrial sector decreased by approximately 22% from approximately RMB279.3 million for the year ended 31 December 2013 to approximately RMB217.1 million for the year ended 31 December 2014. The gross profit margin also decreased from approximately 28.0% for the year ended 31 December 2013 to approximately 27% for the year ended 31 December 2014.

The Group had maintained our position as the market leader of high power rectifier products for the electrolytic aluminum industry in terms of market share. However, impacted by the relatively excessive productivity and reduction in scale in investment of industrial catalogues, specifically the electro-metallurgy industry, the sales of the industrial sector of the Group had significantly decreased comparing that of the corresponding period of 2013.

The Group had completed the first isolated operation project (孤網運行) of aluminum-coal integration of the electrolytic aluminum industry in the PRC. This project effectively assures the safety and stability of the electricity application of the isolated operation project and significantly lowers the production cost, thereby optimising the competitive advantage and profitability of the electrolytic aluminum industry. We believe that isolated operation will define the direction of the development of industries related to electro-metallurgy such as aluminum electrolysis and electrochemistry, representing enormous development potential.

The Group has continued to be the world's largest agent of ABB semiconductor products.

FINANCIAL REVIEW

Revenue

The revenue decreased by approximately 30.1% from approximately RMB739.9 million for the year ended 31 December 2013 to approximately RMB517.3 million for the year ended 31 December 2014 primarily due to the postponement of some projects and delay in delivery of goods.

Cost of sales

The cost of sales decreased by approximately 30.8% from approximately RMB517.7 million for the year ended 31 December 2013 to approximately RMB358.2 million for the year ended 31 December 2014 primarily due to the substantial decrease in sales revenue for the year ended 31 December 2014.

Gross profit and gross profit margin

The gross profit decreased by approximately 28.4% from approximately RMB222.2 million for the year ended 31 December 2013 to approximately RMB159.1 million for the year ended 31 December 2014 primarily due to the substantial decrease in revenue for the year ended 31 December 2014.

The gross profit margin remained stable, slightly increased from approximately 30.0% for the year ended 31 December 2013 to approximately 30.8% for the year ended 31 December 2014.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 6.3% from approximately RMB64.4 million for the year ended 31 December 2013 to approximately RMB68.5 million for the year ended 31 December 2014 primarily due to the increase in selling expenses for the market development of certain products.

Administrative expenses

The administrative expenses increased by approximately 6.4% from approximately RMB69.9 million for the year ended 31 December 2013 to approximately RMB74.4 million for the year ended 31 December 2014 primarily as a result of the relocation of our plant and office which resulted in an increase in fixed assets depreciation.

Other expenses

The other expenses increased by approximately 87.9% from approximately RMB27.5 million for the year ended 31 December 2013 to approximately RMB51.7 million for the year ended 31 December 2014 primarily due to the increase in expenses related to impairment of trade and other receivables, fair value loss on foreign currency forward contracts and research and development of new products.

Interest on bank loans wholly repayable within five years

The interest on bank loans wholly repayable within five years decreased slightly by approximately 5.7% from approximately RMB17.0 million for the year ended 31 December 2013 to approximately RMB16.0 million for the year ended 31 December 2014.

Loss before tax

The profit before tax had turned into a loss before tax from approximately RMB56.8 million for the year ended 31 December 2013 to approximately RMB32.2 million for the year ended 31 December 2014 primarily due to the significant decrease in sales revenue for the year ended 31 December 2014.

Income tax expenses

The income tax expenses decreased by approximately 57.4% from approximately RMB14.9 million for the year ended 31 December 2013 to approximately RMB6.4 million for the year ended 31 December 2014 primarily due to the significant decrease in revenue for the year ended 31 December 2014.

Loss and total comprehensive loss for the year attributable to owners of the parent

The profit and total comprehensive income for the year attributable to owners of the parent had turned into a loss from approximately RMB42.9 million for the year ended 31 December 2013 to approximately RMB32.1 million for the year ended 31 December 2014.

The Group's net gain margin, which is calculated as gain attributable to owners of the parent for the year divided by revenue, decreased from approximately 5.8% for the year ended 31 December 2013 to a net loss margin of approximately 6.4% for the year ended 31 December 2014.

Inventories

The inventories increased by approximately 45.8% from approximately RMB91.9 million as at 31 December 2013 to approximately RMB134.0 million as at 31 December 2014 primarily due to the delay and postponement in delivery of goods.

The average inventory turnover days increased from approximately 87 days for the year ended 31 December 2013 to approximately 129 days for the year ended 31 December 2014 primarily due to the delay and postponement in delivery of goods.

Trade receivables

The trade receivables decreased significantly by approximately 14.7% from approximately RMB466.2 million as at 31 December 2013 to approximately RMB397.8 million as at 31 December 2014 primarily due to the decrease in revenue for the year ended 31 December 2014.

The average trade receivables turnover days increased from approximately 196.0 days for the year ended 31 December 2013 to approximately 320 days for the year ended 31 December 2014, primarily due to the decrease in revenue for the year ended 31 December 2014 which lowered the turnover of trade receivables.

Trade and other payables

The trade and other payables increased by approximately 10.9% from approximately RMB214.1 million as at 31 December 2013 to approximately RMB237.3 million as at 31 December 2014.

The average trade and other payables turnover days increased from approximately 150.0 days for the year ended 31 December 2013 to approximately 227 days for the year ended 31 December 2014, primarily due to the enhancement in our procurement management and the benefits from the increase in our procurement from suppliers.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings. The current ratio (current assets divided by current liabilities) decreased slightly from approximately 1.6 as at 31 December 2013 to approximately 1.5 as at 31 December 2014. The cash and cash equivalents decreased from approximately 153.9 million as at 31 December 2013 to approximately 113.6 million as at 31 December 2014. The interest-bearing bank borrowings decreased from approximately 299.0 million as at 31 December 2013 to 229.0 million as at 31 December 2014. The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity decreased from approximately 34.0% as at 31 December 2013 to approximately 27.5% as at 31 December 2014.

As at 31 December 2014, the Group's bank loans were mainly denominated in Renminbi ("**RMB**"), and had contractual maturity within one year from the end of the reporting year. The effective interest rate on bank borrowing as at 31 December 2014, which were also equal to the weighted average contracted interest rate, remained the same as that as at 31 December 2013 at 6.1%. During the year under review, there was no material change to the Group's funding and treasury policy.

The Group continues to implement prudent financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets.

Foreign currency exposure

As most of the principal subsidiaries of the Company operate in the PRC, their functional currency is RMB. The Group has transactional currency exposures. These exposures arise from purchases by operating units in currencies other than the units' functional currencies. In order to minimise the impact of foreign exchange exposure, the Group has entered into forward currency contracts with creditworthy banks to manage its exchange rate exposure.

The carrying amount of the outstanding foreign currency forward contracts decreased from approximately RMB0.7 million as at 31 December 2013 to approximately RMB-6.9 million as at 31 December 2014.

Contingent liabilities

As at 31 December 2014, the Group had no significant contingent liabilities.

Charges on group assets

As at 31 December 2014, certain of the Group's bank loans were secured by pledge of certain of the Group's trade and bills receivables amounting to approximately RMB50.1 million (as at 31 December 2013: approximately RMB40.3 million). At 31 December 2014, certain of the Group's bills receivables of approximately RMB29.3 million (as at 31 December 2013: RMB64.5 million) were pledged to secure certain of the Group's bills payables.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HK$593.0 million were raised from the listing of the Company's shares on the Stock Exchange in October 2010.

As at 31 December 2014, the total net proceeds from the listing of the Company had been fully utilised for repayment of bank borrowings, land acquisition and construction of buildings for expansion of production capacity, building construction for research and development and working capital and general corporate expenses.

HUMAN RESOURCES

As at 31 December 2014, the Group employed 587 employees. Key components of the Group's remuneration packages included basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews on the performance of its employees and their salaries and bonuses are performance-based. The Group did not experience any significant problems with its employees or disruptions to its operations due to labor disputes, nor did it experience any difficulties in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees. For the year ended 31 December 2014, the Group further introduced senior sales management personnel in capacitor products and senior production management personnel in busbar products.

In 28 August 2014, the Company granted share options to 77 management personnel and key staff to subscribe for 22,710,000 shares of HK$0.10 each in the issued share capital of the Company, and granted share options to four executive Directors to subscribe for 33,200,000 of HK$0.10 each in the issued share capital of the Company, all at the exercise price of HK$0.69 per share.

PROSPECTS

Looking forward into 2015, the Group will continue to adhere to the target of being the industry leading electric power system solution integrator. The Group will also continue to strengthen its independent research and development in technology and product innovation, improve product quality, reinforce personnel training and talents introduction, develop diversified products and improve operational efficiency, in order to realise the sustainable and rapid development of the Group.

In 2014, the PRC government promulgated the "Plan for strengthening the prevention and control of atmospheric pollution in energy industry" (《能源行業加強大氣污染防治工作方案》) which clearly set out the goal of completing the construction of 12 anti-smog transregional transmission lines including eight HVDC transmission lines. Additionally, according to the "Record investment plans for 2015' of State Grid Corporation of China, it is planned that five alternating current and eight direct current (五交八直) ultra-high voltage transmission lines coming to the total of 13 ultra-high voltage transmission lines will be constructed; and together with the construction of another five vertical and five horizontal transmission lines (五縱五橫), a total of 27 ultra-high voltage transmission lines will be built by the end of 2020. Accordingly, 2015 and the next five years will be the new heights of the demand for ultra-high voltage transmission project related procurement. Furthermore, flexible direct current transmission projects, with its unique advantage of compatibility with new energy and island supply, as the technology develops and matures, the coming few years will be a milestone for grid construction in general. Therefore, the Group is confident in our business development within the abovementioned areas.

In line with our development strategy, the Group will continue to reinforce our product diversification in the rail transportation sector. In 2015, we will maintain the long term cooperation with the CNR group. At the same time, we will strengthen our sales and maintenance services of power modules of traction inverters of metro vehicles and develop the market of products for electrified rail substation power quality management. Furthermore, effort will be devoted in the research and development of new products such as electrified railway rectifier devices, in order to achieve product diversification and increase in our business scale in the rail transportation sector.

In 2015, under the favourable condition for energy-saving-related modifications and productivity enhancement of industrial catalogues in China, we will continue to promote our highly effective and energy-saving power-related electrical and electronic components and equipment, and leverage the research and development of new technologies such as the isolated operation project, in order to assist our industrial customers to realise safe and efficient power usage.

The Group will seize opportunities for growth in terms of market share and revenue through various channels such as strategic alliance with strategic partners, mergers and acquisitions and formation of long term business collaboration with large customers and will gradually explore both regional and overseas markets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company (the "**Shareholders**"). The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with the aim of maintaining and improving the standard of corporate governance practices. The Company continued to apply the Corporate Governance Code during the year ended 31 December 2014.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors complied with the required standards as set out in the Model Code during the year ended 31 December 2014.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2014.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the twelve months ended 31 December 2014 (corresponding period in 2013: HK1 cent per ordinary share).

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2014 is scheduled to be held on Thursday, 23 April 2015 at 10:00 a.m. A notice convening the annual general meeting will be issued in due course.

CLOSURE OF REGISTER

In order to establish the identity of the Shareholders who are entitled to attend and vote at the annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 20 April 2015. The register of members of the Company will be closed from Tuesday, 21 April 2015 to Thursday, 23 April 2015, both days inclusive, during which period no transfer of shares will be registered.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.speg.hk**. The Company's annual report for the year 2014 will be available at the same websites and despatched to the Shareholders in due course.

TELEPHONE CONFERENCE

The Company will host a telephone conference to discuss the annual results of the Group for the year ended 31 December 2014 with the Shareholders and the potential investors on Wednesday, 18 March 2015 from 10:00 a.m. to 11:00 a.m. (Hong Kong time). The dial-in details are as follows:

Telephone number: 86-21-60845858
Conference code: 935621#

Participants should press *8# before asking questions during the telephone conference.

By Order of the Board
Sun.King Power Electronics Group Limited
Xiang Jie
Chairman

Hong Kong, 17 March 2015

As at the date of this announcement, the executive Directors are Mr. Xiang Jie, Mr. Gong Renyuan, Mr. Yue Zhoumin and Mr. Jin Jiafeng; the non-executive Directors are Mr. Ye Weigang Greg and Mr. Wong Kun Kau; and the independent non-executive Directors are Mr. Wang Yi, Mr. Li Fengling and Mr. Chen Shimin.

The English text of this announcement shall prevail over the Chinese text in case of any inconsistency.