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 2016, DECLARATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 9.6% to approximately RMB857.0 million.
- Gross profit increased by approximately 25.0% to approximately RMB333.7 million.
- Gross profit margin increased from approximately 34.1% to approximately 38.9%.
- Profit attributable to owners of the Company amounted to approximately RMB146.9 million.
- Earnings per share amounted to approximately RMB10.37 cents (basic) and RMB10.13 cents (diluted), respectively.

ANNUAL RESULTS

The board (the "**Board**") of Directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited annual results of the Company and its subsidiaries for the year ended 31 December 2016, with the comparative figures for the corresponding year in 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
REVENUE	*4*	**856,952**	781,993
Cost of sales		**(523,249)**	(515,064)
Gross profit		**333,703**	266,929
Other income and gains	*4*	**33,393**	29,513
Selling and distribution expenses		**(78,291)**	(63,318)
Administrative expenses		**(79,771)**	(75,389)
Research and development costs		**(33,980)**	(31,458)
Other expenses and losses		**(4,874)**	(22,678)
Finance costs	*5*	**(16,860)**	(17,612)
Share of profits and losses of:			
Joint ventures		**(30)**	(599)
An associate		**17,814**	(6,241)
PROFIT BEFORE TAX	*6*	**171,104**	79,147
Income tax expense	*7*	**(24,230)**	(17,928)
PROFIT FOR THE YEAR		**146,874**	61,219
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**(25)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(25)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**146,849**	61,219

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Profit attributable to:			
Owners of the parent		**143,856**	62,272
Non-controlling interests		**3,018**	(1,053)
		146,874	61,219
Total comprehensive income attributable to:			
Owners of the parent		**143,840**	62,272
Non-controlling interests		**3,009**	(1,053)
		146,849	61,219
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB10.37 cents**	RMB4.53 cents
Diluted		**RMB10.13 cents**	RMB4.45 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**323,933**	360,279
Prepaid land lease payments		**55,115**	57,932
Deposits for purchase of items of property, plant and equipment		**300**	52
Goodwill	*9*	**41,037**	34,159
Other intangible assets		**36,302**	23,006
Club memberships		**1,554**	2,534
Investments in joint ventures		**15,620**	15,650
Investment in an associate		**23,297**	13,062
Available-for-sale investments		**199**	16,999
Trade receivables	*10*	**60,282**	89,553
Prepayment for an investment		**7,500**	–
Deferred tax assets		**10,079**	10,290
Total non-current assets		**575,218**	623,516
CURRENT ASSETS			
Inventories		**252,301**	175,053
Trade and bills receivables	*10*	**765,276**	589,807
Prepayments, deposits and other receivables		**69,875**	46,502
Prepaid land lease payments		**1,362**	1,401
Derivative financial instruments		**789**	488
Available-for-sale investments		–	10,000
Pledged deposits		**32,756**	13,464
Cash and cash equivalents		**103,023**	128,004
Total current assets		**1,225,382**	964,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*11*	**236,587**	186,629
Other payables and accruals		**146,386**	60,893
Derivative financial instruments		**–**	1,628
Interest-bearing bank borrowings		**327,357**	394,574
Tax payable		**25,733**	24,079
Total current liabilities		**736,063**	667,803
NET CURRENT ASSETS		**489,319**	296,916
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,064,537**	920,432
NON-CURRENT LIABILITIES			
Other payables		**8,170**	–
Deferred income		**12,806**	17,393
Deferred tax liabilities		**14,435**	12,068
Total non-current liabilities		**35,411**	29,461
Net assets		**1,029,126**	890,971
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**119,283**	118,775
Reserves		**885,221**	755,957
		1,004,504	874,732
Non-controlling interests		**24,622**	16,239
Total equity		**1,029,126**	890,971

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION

Sun.King Power Electronics Group Limited (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 address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the trading and manufacturing of power electronic components.

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 new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28 (2011), amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in IAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment which is 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:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**134,020**	85,203
Customer B*	**–**	97,932
Total	**134,020**	183,135

* *The sales to customer B were less than 10% of the Group's revenue for the year ended 31 December 2016.*

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**856,952**	781,993
Other income		
Government grants*	**8,840**	16,438
Interest income	**1,274**	1,148
Sale of scrap materials	**1,946**	2,007
Others	**1,462**	897
	13,522	20,490
Gains		
Gain on disposal of items of property, plant and equipment, net	**10,941**	–
Fair value gains on foreign currency forward contracts, net	**2,800**	2,890
Fair value gains on derivative financial instruments, net	**–**	52
Gain on disposal of a subsidiary	**–**	6,081
Gain on disposal of available-for-sale investments	**5,780**	–
Others	**350**	–
	19,871	9,023
	33,393	29,513

* *Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate as well as for the Group's technology advancements. 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. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans	**16,860**	17,612

6. PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**520,647**	518,951
Write-down/(reversal of write-down) of inventories to net realisable value	**2,602**	(3,887)
Cost of sales	**523,249**	515,064
Auditor's remuneration	**1,750**	1,650
Depreciation	**22,775**	23,136
Amortisation of other intangible assets	**1,822**	1,071
Amortisation of land lease payments	**1,371**	1,401
Minimum lease payments under operating leases	**2,360**	1,825
Impairment/(reversal of impairment) of trade and other receivables, net*	**(4,249)**	17,985
Loss on disposal of items of property, plant and equipment, net*	**–**	178
Foreign exchange differences, net*	**9,123**	4,515
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**30,460**	21,698
Share-based payment expense	**6,374**	14,275
Pension scheme contributions**	**7,340**	6,336
	44,174	42,309

* *The impairment/(reversal of impairment) of trade and other receivables, net loss on disposal of items of property, plant and equipment and net foreign exchange losses are included in "Other expenses and losses" in the consolidated statement of profit or loss and other comprehensive income.*

** *At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2015: Nil).*

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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., a subsidiary of the Company, was exempted 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. and Zhejiang Saiying Power Technology Co., Ltd., subsidiaries of the Company, were registered as new and high technology enterprises, and were subject to CIT at a rate of 15% for the three years ending 21 November 2019.

Jiujiang Sun.king Technology Co., Ltd. ("**Jiujiang Sunking**") and Wuhan Langde Electrics Co., Ltd., 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 ended 31 December 2016.

Wuxi Sunking Power Capacitor Co., Ltd., a subsidiary of the Company, was registered as a new and high technology enterprise, and was subject to CIT at a rate of 15% for the three years ending 30 November 2019.

	2016	2015
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**1,156**	300
Current – Elsewhere		
Charge for the year	**23,643**	16,506
Underprovision/(overprovision) in prior years	**(438)**	857
Deferred	**(131)**	265
Total tax charge for the year	**24,230**	17,928

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB143,856,000 (2015: RMB62,272,000), and the weighted average number of ordinary shares of 1,386,651,288 (2015: 1,374,971,595) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit 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 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.

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**143,856**	62,272

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,386,651,288**	1,374,971,595
Effect of dilution – weighted average number of ordinary shares:		
Share options	**32,852,408**	24,816,167
	1,419,503,696	1,399,787,762

9. GOODWILL

	2016	2015
	RMB'000	*RMB'000*
At 1 January:		
Cost	**40,357**	40,357
Accumulated impairment	**(6,198)**	(6,198)
Net carrying amount	**34,159**	34,159
Cost at 1 January, net of accumulated impairment	**34,159**	34,159
Acquisition of a subsidiary	**6,878**	–
Cost at 31 December, net of accumulated impairment	**41,037**	34,159
At 31 December:		
Cost	**47,235**	40,357
Accumulated impairment	**(6,198)**	(6,198)
Net carrying amount	**41,037**	34,159

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Jiujiang Sunking cash-generating unit; and

- Astrol cash-generating unit.

Jiujiang Sunking cash-generating unit

The recoverable amount of Jiujiang Sunking cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% (2015: 15%). The growth rate used to extrapolate the cash flows of Jiujiang Sunking cash-generating unit beyond the five-year period is 3% (2015: 3%).

Astrol cash-generating unit

The recoverable amount of Astrol cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16%. The growth rate used to extrapolate the cash flows of Astrol cash-generating unit beyond the five-year period is 3%.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Jiujiang Sunking		Astrol		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount of goodwill	**34,159**	34,159	**6,878**	–	**41,037**	34,159

Assumptions were used in the value in use calculation of Jiujiang Sunking and Astrol cash-generating units for 31 December 2016 and Jiujiang Sunking cash-generating unit for 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the years immediately before the budget year, increased for expected market development.

Discount rate – The discount rates used are after tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of industrial products and infrastructure industries and discount rates are consistent with external information sources.

10. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**701,093**	557,537
Impairment	**(40,584)**	(49,865)
	660,509	507,672
Bills receivable	**165,049**	171,688
Less: Amount shown as non-current	**(60,282)**	(89,553)
	765,276	589,807

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three 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 5% to 10%, of the contracted amount (the retention money) to be settled within six months to sixty 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 ageing 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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**249,636**	228,470
3 to 6 months	**131,826**	107,086
6 to 12 months	**163,282**	81,812
Over 1 year	**115,765**	90,304
	660,509	507,672

At 31 December 2016, the Group's bills receivable would mature within twelve (2015: nine) months.

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**49,865**	35,377
Acquisition of a subsidiary	**259**	–
Impairment losses recognised/(reversed) *(note 6)*	**(5,605)**	14,699
Amount written off as uncollectible	**(3,935)**	(211)
At 31 December	**40,584**	49,865

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB40,584,000 (2015: RMB49,865,000) with a carrying amount before provision of RMB75,203,000 (2015: RMB165,821,000).

The individually impaired trade receivables relate to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**419,398**	368,083
Less than 6 months past due	**248,294**	107,155
6 to 12 months past due	**79,384**	32,921
1 to 2 years past due	**43,863**	55,245
	790,939	563,404

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2016, no trade and bills receivables of the Group (2015: RMB35,550,000) were pledged to banks to secure certain bank loans granted to the Group.

At 31 December 2016, certain bills receivable of the Group with an aggregate carrying amount of RMB21,232,000 (2015: RMB24,000,000) were pledged to secure certain of the Group's bills payable.

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB38,752,000 (2015: RMB29,413,000) 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.

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB149,494,000 (2015: RMB86,837,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

11. TRADE AND BILLS PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Within six months	**195,148**	154,561
Over six months	**41,439**	35,068
	236,587	189,629

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

At 31 December 2016, certain of the Group's bills payable amounting to RMB22,872,000 (2015: RMB17,545,000) were secured by the pledge of the Group's bills receivable and cash and cash equivalents amounting to RMB21,232,000 (2015: RMB24,000,000) and RMB6,004,000 (2015: Nil), respectively.

12. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Interim – HK1 cent (2015: Nil) per ordinary share	**12,015**	–
Proposed final – HK1.5 cent (2015: HK1 cent) per ordinary share	**18,642**	11,590
Total	**30,657**	11,590

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

BUSINESS REVIEW

1. Performance of the Group:

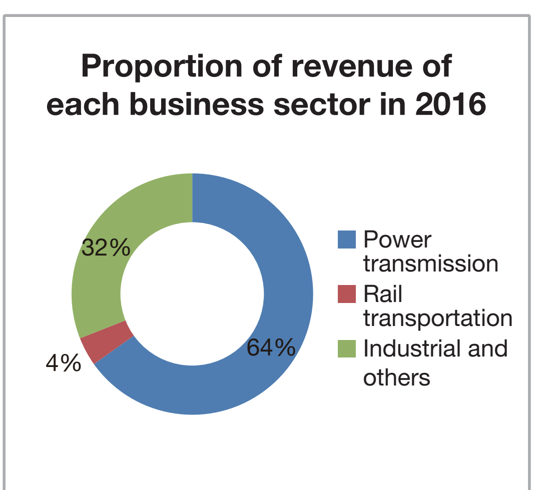
In 2016, the revenue of the Group amounted to RMB857.0 million, representing an increase of 9.6%. The revenue generated by the power transmission sector increased significantly while the revenues generated by rail transportation sector and industrial and other sectors recorded declines to various extents, resulting in a slight increase in the overall revenue of the Group.

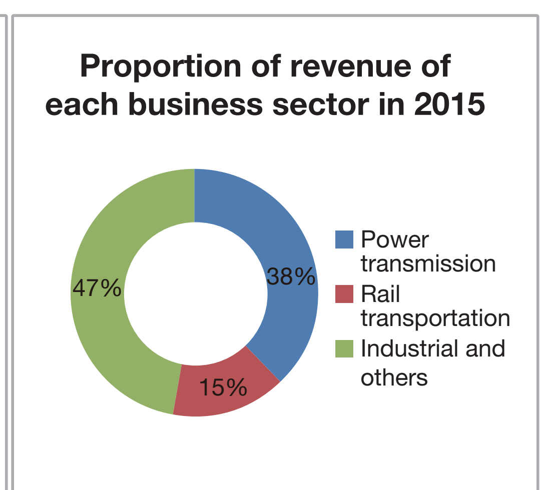
In 2016, net profit of the Group amounted to RMB146.9 million, representing an increase of 139.9%. The significant increase in net profit was mainly attributable to its continuous enhancement of operating efficiency, as well as the significant increase in the revenue of the power transmission sector.

2. Performance of each business sector:

In 2016, performance of each business sector of the Group was as follows:

	2016		2015	
	Revenue *(RMB million)*	**Gross profit margin %**	Revenue *(RMB million)*	Gross profit margin %
Power transmission	**549.8**	**44**	298.7	40
Rail transportation	**32.7**	**33**	118.6	31
Industrial and others	**274.5**	**31**	364.7	30
Total	**857.0**	**Average 39**	782.0	Average 34





2.1 Power transmission sector:

Market condition

Since 2015, investment in ultra-high voltage direct current (UHVDC) transmission has increased rapidly. In 2016, a total of four UHVDC transmission projects were scheduled to be delivered and three additional UHVDC transmission projects commenced. Moreover, in accordance with the "Energy Sector Development in the Thirteenth Five-year Plan (《電力發展「十三五」規劃》)", the transmission capacity of the "West-to-East" power transmission strategy will increase by 130,000,000 kW by 2020. Meanwhile, the number of cross-border and overseas UHVDC transmission projects will also increase. As a result, it is expected that the scale of investment in UHVDC transmission projects will be maintained at a high level in the long term.

In 2016, China reached breakthroughs in flexible power transmission technology. The first Chinese-manufactured high-voltage direct current (HVDC) circuit breaker was developed and put into operation in the "Zhoushan" flexible direct current power transmission project; the Unified Power Flow Controller (UPFC), which has the highest voltage and the largest capacity, has also been put into operation in the Southern Suzhou 500 kv demonstration project in Jiangsu Province. The above equipment helped to improve the intellectual control and flexible distribution of flexible power transmission projects and reduce risks of system failure, which enhanced consumption capability for clean energy. The successful development of such equipment marked the international leading position of China's electric power technology, and also brought a new market for the sales of power and electrical component products supplied by the Group.

Flexible direct current power transmission has become the key of grid construction and new construction projects have been launched continuously. During 2016, the back-to-back direct current project in "Yu E" commenced. Moreover, the "Zhangbei-Beijing" direct current project, which increased transmission capability of wind power and photoelectricity in Zhangbei County, and the Jinsha River downstream mix direct current transmission project, which relied on hydropower transmission from Yunnan, are expected to be commenced in 2017.

Operating result

Power transmission sector mainly comprises three parts: UHVDC transmission; flexible direct current and alternating current (DC/AC) transmission; and other power transmissions. Results of each component of power transmission sector of the Group for 2016 were as follows:

Revenue (RMB million)	2016	2015	Percentage Change
Power transmission sector	**549.8**	**298.7**	**84%**
UHVDC transmission	294.2	143.0	106%
Flexible DC/AC transmission	169.4	76.3	122%
Others	86.2	79.4	9%

UHVDC transmission sector

During 2016, since UHVDC transmission projects of "Jinbei-Nanjing", "Jiuquan-Hunan", "Ximeng-Taizhou" and "Shanghai Temple-Shandong" were scheduled to start delivery, sales revenue of products such as anode saturation resistors and high-voltage power capacitors increased significantly. Meanwhile, the Group has also successively obtained UHVDC transmission projects of "Zhundong-Wannan", "Dianxibei-Guangdong" and "Jarud-Qingzhou". In addition, the market share of the Group's high-voltage power capacitors increased sharply.

Flexible DC/AC transmission sector

The products supplied by the Group to the flexible transmission sector are mainly IGBT products of ABB Switzerland Ltd. ("**ABB**"), a Swiss company, and IGBT drivers and laminated busbars which are self-owned products of the Group. The products above are core devices of new power electronic transmission equipment and are widely applied to flexible DC/AC transmission equipment.

During 2016, the significant growth in the revenue of such sector was mainly attributable to the increased sales in the relevant products manufactured by the Group applied to "Yu E" back-to-back direct current project, HVDC circuit breakers and UPFC.

Other businesses in the power transmission sector

Other businesses in the power transmission sector mainly include: high-voltage power capacitors for regular power grid; and intelligent grid monitoring products.

In 2016, the Group's high-voltage power capacitors continued to maintain a strong momentum of development in the regular power grid market and won four tenders in the State Grid's centralised procurement tender. Besides, due to the promotion of intelligent grid technology, grid monitoring products achieved remarkable results showing an upsurge in the revenue as compared with 2015.

2.2 *Rail transportation sector:*

Results of the rail transportation sector of the Group for 2016 were as follows:

Revenue (RMB million)	2016	2015	Percentage Change
Rail transportation sector	**32.7**	**118.6**	**-72%**
Rail transportation vehicle	21.7	117.8	-82%
Railway power supply system	11.0	0.8	1,275%

Market condition

In 2016, despite a continuous increase in rail mileage, demand in the electric rail vehicle market declined reversely. All rail vehicle manufacturers reduced production, leading to a substantial decrease in tender purchasing volumes. On the other hand, with continuous improvement in railway electrification system, reformation projects of the power supply system of each railway bureau have increased.

Operating results

Rail transportation vehicle: To mainly execute orders of high-powered electric locomotives obtained in 2015 and 2016. Given the sluggish market demand, the revenue dropped drastically.

Rail power supply system: To complete the railway electrification reformation projects of Nanning Railway Bureau, Chengdu Railway Bureau and Shenyang Railway Bureau. The revenue increased significantly.

2.3 Industrial and other sectors:

Industrial and other sectors mainly include: metal smelting, electric equipment, new energy, scientific research institutes and others. Results of industrial and other sectors of the Group for 2016 were as follows:

Revenue (RMB million)	**2016**	**2015**	**Percentage Change**
Industrial and other sectors	**274.5**	**364.7**	**-25%**
Metal smelting	151.3	178.5	-15%
Electric equipment	89.4	151.5	-41%
New energy	13.6	5.3	157%
Scientific research institutes and others	20.2	29.4	31%

Metal smelting

Although the metal smelting sector has currently still suffered from overcapacity, orders of metal smelting enterprises from the new established production line which is located in the western region in the PRC with a strong cost advantage increased continuously.

In 2016, due to the delivery delay of some orders in the non-ferrous metal smelting sector, the revenue decreased by 15% as compared with 2015.

Electric equipment

In respect of the electric equipment sector, the Group mainly relied on the sales of semiconductors of ABB. Semiconductors, including thyristors and diodes, were widely used in electric equipment such as converters, electric motors, welding machines, rectifiers and inverters. Being highly efficient and energy-saving, such electric equipment devices are important tools in saving electric energy and achieving flexible control for industrial enterprises. However, the overall growth of China's industrial sector slowed down and enterprises' investment was discouraged, resulting in a decline in the Group's business.

In 2016, the revenue in the electric equipment sector of the Group decreased by 41% as compared with 2015.

New energy

The Group supplies IGBT drivers and laminated busbars, its self-owned products, and semiconductors of ABB, to the new energy sector. The above products are core devices for wind power converters and photovoltaic inverters. Also, they are widely applied in new energy equipment such as electric vehicles.

In 2016, the revenue in the new energy sector of the Group increased by 157% as compared with 2015. The Group became one of the suppliers of BYD Company Limited, an electric vehicle manufacturer in Shenzhen, leading to a significant increase in the number of sales revenue.

Scientific research institutes and others

The Group supplies various power electronic products to renowned universities and research institutes in China for widespread application in R&D and experiments of new electric equipment. Subject to huge market fluctuations, the revenue for 2016 decreased by 31% as compared with 2015.

3. R&D

As the corporate mission of the Group is "to help enhance China's electric energy efficiency", the Group pays great attention to the R&D of new technologies and new products. At the current stage, the Group's strategy is to create advanced power electronic technology through self-research and self-development. In 2016, with further R&D on existing products as basis, the Group established a power electronic technology research and development centre in Europe and Wuhan Intelligent Power Grid Research Institute, and cooperated with China's famous scientific research institutes such as Tsinghua-Smart China Energy Network Research Institute, for the purpose of enhancing standards of power system design and capabilities of project execution.

Major progress:

Anode saturation resistor: To cater for the further improvement of UHVDC transmission projects, the Group developed two new anode saturation resistors, which ensure smooth implementation of key projects in China. New product 1, which is No. 6250 anode saturation resistor having a voltage of 800 kv and transmission capacity of 10 million kW, was used in two ±800 kv UHVDC transmission projects of "Ximeng-Taizhou" and "Shanghai Temple-Shandong"; while new product 2, which is an anode saturation resistor having a voltage of 1100 kv and transmission capacity of 12 million kW, was used in "Zhundong-Wannan" ±1100 kv UHVDC transmission project.

IGBT driver: To research and develop the first pushed-style IGBT driver and other IGBT driver products of various models which were applied to flexible direct current transmission products such as converter valves and circuit breakers.

Direct current circuit breaker: Through power electronic technological solutions, the Group successfully developed electronic direct current circuit breakers which overcome the challenge of breaking the fault current which traditional mechanical direct current circuit breakers fail to do thereby maintaining a safe and stable operation of the direct current power system. The breaker is expected to be widely used in direct current power systems such as micro-grid direct current transmission system, electric shipping direct current power system and power supply system of urban rail transportation vehicle.

Grid online monitoring product: "An online monitoring product of 1000 kv GIS partial discharges" of the Group which won its first tender of UHVDC transmission project and is the first product in China winning a tender in such an area.

One power supply device of electric railways between regions: To provide smooth power supply to the electric railways between phases instead of supplying power through more than one circuit from different regions, which is the past practice in the world, so as to maintain safe operation of vehicles' electric equipment. Currently, such device has been put into operation in overseas projects and the Group is expected to make preliminary preparation for its promotion in China in 2017.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately 9.6% from approximately RMB782.0 million for the year ended 31 December 2015 to approximately RMB857.0 million for the year ended 31 December 2016 primarily due to the increase in sales of the power transmission sector.

Cost of sales

The cost of sales increased by approximately 1.6% from approximately RMB515.1 million for the year ended 31 December 2015 to approximately RMB523.2 million for the year ended 31 December 2016 primarily due to the increase in sales revenue for the year ended 31 December 2016.

Gross profit and gross profit margin

The gross profit increased by approximately 25.0% from approximately RMB266.9 million for the year ended 31 December 2015 to approximately RMB333.7 million for the year ended 31 December 2016 primarily due to an increase in revenue and an improvement in gross profit margin for the year ended 31 December 2016.

The gross profit margin increased from approximately 34.1% for the year ended 31 December 2015 to approximately 38.9% for the year ended 31 December 2016 due to sales increase in power transmission sector, which has higher gross profit margin.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 23.7% from approximately RMB63.3 million for the year ended 31 December 2015 to approximately RMB78.3 million for the year ended 31 December 2016 primarily due to the increase in selling expenses for the market development of certain products.

Administrative expenses

The administrative expenses increased by approximately 5.8% from approximately RMB75.4 million for the year ended 31 December 2015 to approximately RMB79.8 million for the year ended 31 December 2016.

Research and development costs

The research and development costs increased by approximately 8.0% from approximately RMB31.5 million for the year ended 31 December 2015 to approximately RMB34.0 million for the year ended 31 December 2016.

Other expenses

The other expenses decreased by approximately 78.5% from approximately RMB22.7 million for the year ended 31 December 2015 to approximately RMB4.9 million for the year ended 31 December 2016 primarily due to the decrease in expenses related to impairment of trade and other receivables.

Interest on bank loans wholly repayable within five years

The interest on bank loans wholly repayable within five years decreased slightly by approximately 4.0% from approximately RMB17.6 million for the year ended 31 December 2015 to approximately RMB16.9 million for the year ended 31 December 2016.

Profit before tax

The profit before tax increased from approximately RMB79.1 million for the year ended 31 December 2015 to approximately RMB171.1 million for the year ended 31 December 2016 primarily due to increase in revenue and improvement of gross profit margin and gains from investment.

Income tax expenses

The income tax expenses increased by approximately 35.2% from approximately RMB17.9 million for the year ended 31 December 2015 to approximately RMB24.2 million for the year ended 31 December 2016 primarily due to increase in profit before tax.

Profit and total comprehensive income for the year attributable to owners of the parent

The profit and total comprehensive income for the year attributable to owners of the parent increased significantly from approximately RMB62.3 million for the year ended 31 December 2015 to approximately RMB143.8 million for the year ended 31 December 2016.

The Group's net gain margin, which is calculated as gain attributable to owners of the parent for the year divided by revenue, increased from approximately 8.0% for the year ended 31 December 2015 to a net gain margin of approximately 16.8% for the year ended 31 December 2016.

Inventories

The inventories increased by approximately 44.1% from approximately RMB175.1 million as at 31 December 2015 to approximately RMB252.3 million as at 31 December 2016 primarily due to an increase in sales orders.

The average inventory turnover days increased from approximately 119 days for the year ended 31 December 2015 to approximately 157 days for the year ended 31 December 2016 primarily due to an increase in stock level.

Trade receivables

The trade receivables increased by approximately 30.1% from approximately RMB507.7 million as at 31 December 2015 to approximately RMB660.5 million as at 31 December 2016 primarily due to the increase in revenue for the year ended 31 December 2016.

The average trade receivables turnover days increased from approximately 226 days for the year ended 31 December 2015 to approximately 242 days for the year ended 31 December 2016, primarily due to the increase in revenue for the year ended 31 December 2016 and the delay of payment by customers.

Trade and bills payables

The trade and other payables increased by approximately 26.8% from approximately RMB186.6 million as at 31 December 2015 to approximately RMB236.6 million as at 31 December 2016.

The average trade and other payables turnover days increased from approximately 123 days for the year ended 31 December 2015 to approximately 148 days for the year ended 31 December 2016, primarily due to the enhancement in the Group's procurement management and the benefits from the increase in the Group's 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) increased slightly from approximately 1.4 as at 31 December 2015 to approximately 1.7 as at 31 December 2016. The cash and cash equivalents decreased from approximately RMB128.0 million as at 31 December 2015 to approximately RMB103.0 million as at 31 December 2016. The interest-bearing bank borrowings decreased from approximately RMB394.6 million as at 31 December 2015 to RMB327.4 million as at 31 December 2016. The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity decreased from approximately 44.3% as at 31 December 2015 to approximately 31.8% as at 31 December 2016.

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 exposures.

Contingent liabilities

As at 31 December 2016, the Group had no significant contingent liabilities.

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 of Hong Kong Limited (the "**Stock Exchange**") in October 2010.

As at 31 December 2016, 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 2016, the Group employed 664 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 difficulty in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees.

PROSPECTS

Looking forward, gradual replacement of traditional technological solutions with power electronic technological solutions is becoming the major strategy in achieving the two major developing approaches of "replacement of other energy with clean energy" and "replacement of other energy with electricity". It is more suitable for power electronic technological solutions to be used in the future clean energy-oriented grid, which helps procure the production and application of clean energy, and enhances the efficiency and control of electrical system and equipment.

Due to the wide application of new energy generation, the rapid widespread of electric vehicles and charging piles as well as the establishment of future energy disperse system, regional grid and micro-grid, the existing grid pattern will be changed substantially. It is a consensus to build a safe, efficient and intelligent power grid through power electronic technology.

From energy development plans such as "Energy Sector Development in the Thirteenth Five-year Plan", "Made in China 2025 Roadmap (《中國製造2025行動路線》)" and "Action plan for energy technology innovation (2016-2030) (《能源技術革命創新行動計劃(2016年-2030年)》)" implemented by the Chinese government, we can observe that China is speeding up its construction of a power network with ultra-high voltage transmission as its core, so as to vigorously promote the development of new energy and to build strong intelligent grids and a global energy network.

During the "Thirteenth Five-year Plan" period, the UHVDC transmission projects will continue to enjoy large-scale investments. First, China will strive to construct the UHVDC transmission-oriented grid lines for the "West-to-East Power Transmission", with an addition of 130 million kW capacity. Second, to cope with China's "One Belt and One Road" strategy, the domestic grid companies have planned for the construction of a number of cross-border UHVDC transmission grid lines. Last but not least, with the expansion to overseas grid market by the domestic grid companies, it will be beneficial to the promotion of China's UHVDC transmission technology to overseas markets.

With flexible direct current transmission as a highly efficient way for grid connection and the consumption of clean energy, it is expected that the Group will achieve rapid growth in both the number and scale of relevant projects. Orders from the "Zhangbei-Beijing" flexible direct current transmission project, an innovative demonstration project of energy internet, and Jinsha River downstream mix direct current transmission project are expected during the year, and most of which are scheduled for delivery in 2018.

During the "Thirteenth Five-year Plan" period, various national energy technical development plans focus on the commencement of R&D and promotion of flexible direct current transmission and direct current grid technologies. In addition to the sector of highly efficient grid connection and transmission of clean energy, the sector of unsynchronised alternating current grids internet also has an extensive market demand for such technologies. With the increase in the proportion of clean energy power generation, electricity grids of each region have to face the decline in regulating peak capacity. Through flexible direct current transmission technology, the interconnection between the alternating current grids of the regions could be achieved, and power regulation becomes the main direction of development. In this regard, flexible direct current transmission projects are expected to bring substantial increase in investment during the "Thirteenth Five-year Plan" period.

We will put great effort in technical innovation as well as R&D, in particular technical R&D and business planning in the micro-grid market. Based on our thorough understanding and leading R&D capabilities in power electronic technology, we will continue to create and perfect our technology and product planning of the micro-grid direct current system.

Leveraging its world-leading R&D capabilities in power electronic technology, the Group will continue to actively explore the upgrading and reformation of power electronic technology in the existing electric technology sector and opportunities for applying our new power electronic technological solution. In 2017, the Group will focus on promoting its new power electronic technological solution, especially the application of the one power supply device of electric railways between regions and the application of direct current in large electric shipping power supply systems.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,389,362,500 shares of the Company in issue as at 31 December 2016.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year of 2016.

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 complied with all applicable code provision of the Corporate Governance Code during the year ended 31 December 2016.

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 2016.

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, risk management, internal controls and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2016.

DIVIDENDS

The Board proposed to recommend the payment of a final dividend of HK1.5 cent per share for the year ended 31 December 2016 (corresponding period in 2015: HK1 cent) out of the share premium account of the Company. The aforesaid final dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Thursday, 15 June 2017 to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 26 May 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Wednesday, 10 May 2017 at 10:00 a.m. A notice convening the annual general meeting of the Company 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 forthcoming 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 Tuesday, 2 May 2017. The register of members of the Company will be closed from Thursday, 4 May 2017 to Wednesday, 10 May 2017, both days inclusive, during which period no transfer of Shares will be registered. The Shareholders whose names appear on the register of members of the Company on Wednesday, 10 May 2017, are entitled to attend and vote at the forthcoming annual general meeting.

In order to establish the identity of the Shareholders who are entitled to the proposed final dividend, 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 Wednesday, 24 May 2017. The register of members of the Company will be closed from Thursday, 25 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the Shareholders of the proposed final dividend at the annual general meeting to be held on Wednesday, 10 May 2017, the final dividend will be paid on or around Thursday, 15 June 2017 to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 26 May 2017.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 2016 will be available at the same websites and despatched to the Shareholders in due course.

PRESENTATION

The Company will hold a presentation for the annual results of the Group for the year ended 31 December 2016 at Kennedy Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Wednesday, 15 March 2017 from 3:00 p.m. to 4:00 p.m.

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

Hong Kong, 14 March 2017

As at the date of this announcement, the executive Directors are Mr. Xiang Jie, Mr. Gong Renyuan and Mr. Yue Zhoumin; and the independent non-executive Directors are Mr. Wang Yi, Mr. Chen Shimin and Mr. Zhang Xuejun.