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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

(a) Revenue increased by approximately 44.9% to approximately RMB580.9 million.

(b) Gross profit increased by approximately 81.6% to approximately RMB250.4 million.

(c) Gross profit margin rose from approximately 34.4% to approximately 43.1%.

(d) Profit and total comprehensive income for the period attributable to owners of the parent was approximately RMB103.8 million.

(e) Basic earnings per share attributable to ordinary equity holders of the parent were approximately RMB7.4 cents.

(f) Diluted earnings per share attributable to ordinary equity holders of the parent were approximately RMB7.2 cents.

(g) The Board has resolved to pay an interim dividend of HK2 cents per ordinary share.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2017, with the comparative figures for the same period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**580,945**	401,028
Cost of sales		**(330,565)**	(263,142)
Gross profit		**250,380**	137,886
Other income and gains	*4*	**12,000**	19,826
Selling and distribution costs		**(41,282)**	(37,481)
Administrative expenses		**(49,547)**	(38,751)
Research and development costs		**(20,678)**	(13,272)
Other expenses and losses		**(14,552)**	(5,790)
Finance costs	*6*	**(8,815)**	(8,300)
Share of profits/(losses) of:			
A joint venture		**(22)**	(22)
Associates		**1,672**	12,457
PROFIT BEFORE TAX	*5*	**129,156**	66,553
Income tax expense	*7*	**(25,206)**	(11,514)
PROFIT FOR THE PERIOD		**103,950**	55,039
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**650**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**650**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**104,600**	–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June **2017** *RMB'000* (Unaudited)	2016 *RMB'000* (Unaudited)
Profit attributable to:			
Owners of the parent		**103,366**	55,129
Non-controlling interests		**584**	(90)
		103,950	55,039
Total comprehensive income attributable to:			
Owners of the parent		**103,789**	55,129
Non-controlling interests		**811**	(90)
		104,600	55,039
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB7.40 cents**	RMB3.98 cents
Diluted		**RMB7.19 cents**	RMB3.90 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**320,718**	323,933
Prepaid land lease payments		**54,434**	55,115
Deposits for purchase of items of property, plant and equipment		**22**	300
Goodwill		**41,037**	41,037
Other intangible assets		**35,595**	36,302
Club memberships		**1,554**	1,554
Investment in a joint venture		**15,598**	15,620
Investments in associates		**26,469**	23,297
Available-for-sale investment		**–**	199
Trade receivables	10	**90,441**	60,282
Prepayment for an investment		**–**	7,500
Deferred tax assets		**9,716**	10,079
Total non-current assets		**595,584**	575,218
CURRENT ASSETS			
Inventories		**225,538**	252,301
Trade and bills receivables	10	**857,775**	765,276
Prepayments, deposits and other receivables		**41,526**	69,875
Prepaid land lease payments		**1,362**	1,362
Derivative financial instruments		**1,106**	789
Pledged deposits		**31,261**	32,756
Cash and cash equivalents		**252,132**	103,023
Total current assets		**1,410,700**	1,225,382
CURRENT LIABILITIES			
Trade and bills payables	11	**258,366**	236,587
Other payables and accruals		**147,574**	146,386
Interest-bearing bank borrowings		**418,797**	327,357
Tax payable		**37,453**	25,733
Total current liabilities		**862,190**	736,063
NET CURRENT ASSETS		**548,510**	489,319
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,144,094**	1,064,537

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2017

	Notes	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,144,094**	1,064,537
NON-CURRENT LIABILITIES			
Other payables		–	8,170
Deferred income		**10,519**	12,806
Deferred tax liabilities		**10,108**	14,435
Total non-current liabilities		**20,627**	35,411
Net assets		**1,123,467**	1,029,126
EQUITY			
Equity attributable to owners of the parent			
Share capital		**120,147**	119,283
Reserves		**973,540**	885,221
		1,093,687	1,004,504
Non-controlling interests		**29,780**	24,622
Total equity		**1,123,467**	1,029,126

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent										
	Share capital *RMB'000* (Unaudited)	Share premium account *RMB'000* (Unaudited)	Employee share-based compensation reserve *RMB'000* (Unaudited)	Capital redemption reserve *RMB'000* (Unaudited)	Deemed contribution reserve *RMB'000* (Unaudited) *(note a)*	Other reserve *RMB'000* (Unaudited) *(note b)*	Retained profits/ (accumulated losses) *RMB'000* (Unaudited)	Exchange fluctuation reserve *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)	Non-controlling interests *RMB'000* (Unaudited)	Total equity *RMB'000* (Unaudited)
At 1 January 2016	118,775	411,695	26,451	288	14,765	244,978	57,780	–	874,732	16,239	890,971
Profit and total comprehensive income for the period	–	–	–	–	–	–	55,129	–	55,129	(90)	55,039
Exercise of share options	239	1,949	(640)	–	–	–	–	–	1,548	–	1,548
Share-based payments	–	–	3,761	–	–	–	–	–	3,761	–	3,761
Final 2015 dividend	–	2,297	–	–	–	–	(13,986)	–	(11,689)	–	(11,689)
At 30 June 2016	119,014	415,941	29,572	288	14,765	244,978	98,923	–	923,481	16,149	939,630
At 1 January 2017	**119,283**	**418,092**	**31,479**	**288**	**14,765**	**244,978**	**175,635**	**(16)**	**1,004,504**	**24,622**	**1,029,126**
Profit for the period	–	–	–	–	–	–	**103,366**	–	**103,366**	**584**	**103,950**
Other comprehensive income for the period											
Exchange differences related to foreign operations	–	–	–	–	–	–	–	**423**	**423**	**227**	**650**
Total comprehensive income for the period	–	–	–	–	–	–	**103,366**	**423**	**103,789**	**811**	**104,600**
Changes in the ownership interests in subsidiaries	–	–	–	–	–	**(4,347)**	–	–	**(4,347)**	**4,347**	–
Exercise of share options	**864**	**7,163**	**(2,374)**	–	–	–	–	–	**5,653**	–	**5,653**
Share-based payments	–	–	**2,302**	–	–	–	–	–	**2,302**	–	**2,302**
Transfer from retained profits	–	–	–	–	–	**36,533**	**(36,533)**	–	–	–	–
Final 2016 dividends	–	**(18,214)**	–	–	–	–	–	–	**(18,214)**	–	**(18,214)**
At 30 June 2017	**120,147**	**407,041***	**31,407***	**288***	**14,765***	**277,164***	**242,468***	**407***	**1,093,687**	**29,780**	**1,123,467**

Notes:

(a) The deemed contribution reserve represents share-based payment expense incurred and recognised by the Group as settled by issue of shares of Sun.King Group Limited (賽晶集團有限公司) ("**Sunking BVI**"), a former shareholder of the Company.

(b) The other reserve mainly represents a certain waiver of loans and/or advances by Sunking BVI to the Group in prior years, the reserve arose from acquisition of non-controlling interests, and statutory reserve of the People's Republic of China ("**PRC**") subsidiaries.

* These reserve accounts comprise the consolidated reserves of RMB973,540,000 (31 December 2016: RMB885,221,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**129,156**	66,553
Adjustments for:			
Finance costs	*6*	**8,815**	8,300
Share of profits of a joint venture and associates		**(1,650)**	(12,435)
Interest income	*4*	**(993)**	(826)
Loss/(gain) on disposal of items of property, plant and equipment, net	*4,5*	**68**	(11,255)
Gain on disposal of an available-for-sale investment		**(802)**	–
Depreciation	*5*	**11,091**	11,668
Amortisation of other intangible assets	*5*	**1,303**	533
Amortisation of prepaid land lease payments	*5*	**681**	691
Impairment of trade and other receivables	*5*	**4,804**	468
Fair value gains on foreign currency forward contracts, net	*4*	**(558)**	(2,816)
Write-down of inventories to net realisable value	*5*	**148**	1,673
Impairment of an available-for-sale investment	*5*	**6,000**	–
Amortisation of deferred income		**(2,287)**	(3,644)
Share-based payment expense		**2,302**	3,761
		158,078	62,671
Decrease/(increase) in inventories		**26,615**	(2,558)
Increase in trade and bills receivables		**(128,375)**	(109,453)
Decrease in prepayments, deposits and other receivables		**29,262**	11,413
Increase in trade and bills payables		**21,779**	50,666
Increase in other payables and accruals		**3,206**	24,526
Increase/(decrease) in derivative financial instruments		**241**	(3,155)
Cash generated from operations		**110,806**	34,110
Interest paid		**(8,815)**	(8,300)
Income taxes paid		**(17,557)**	(10,153)
Effect of foreign exchange rate changes, net		**142**	–
Net cash flows from operating activities		**84,576**	15,657

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**84,576**	15,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**993**	605
Purchases of items of property, plant and equipment	**(8,311)**	(4,292)
Proceeds from disposal of items of property, plant and equipment	**387**	29,232
Decrease/(increase) in deposits for purchase of items of property, plant and equipment	**278**	(123)
Acquisition of a subsidiary	**(9,188)**	–
Disposal of prepaid land lease payments	**–**	1,485
Proceeds from disposal of available-for-sale investments	**–**	10,000
Decrease/(increase) in pledged deposits	**1,495**	(14,133)
Receipt of government grants	**–**	1,258
Net cash flows from/(used in) investing activities	**(14,346)**	24,032
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	**5,653**	1,548
New bank loans	**364,041**	368,959
Repayment of bank loans	**(272,601)**	(342,589)
Dividends paid	**(18,214)**	(11,689)
Net cash flows from financing activities	**78,879**	16,229
NET INCREASE IN CASH AND CASH EQUIVALENTS	**149,109**	55,918
Cash and cash equivalents at beginning of period	**103,023**	128,004
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**252,132**	183,922
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**252,132**	183,922

1. CORPORATE 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 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 periods, 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.

The condensed consolidated interim financial information is presented in Renminbi ("**RMB**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**").

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the following amendments to a number of International Financial Reporting Standards ("**IFRSs**") issued by IASB for the first time for financial year beginning 1 January 2017.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 12 *Clarification of the Scope of the Standard*

The adoption of the above amendments to IFRSs has no material impact on the accounting policies of 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. All of the Group's operating results from the operations are generated from this single segment. Management monitors the results of the Group's operation as a whole for the purpose of making decisions about resources allocation and performance assessment.

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.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts during the period.

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**580,945**	401,028
Other income		
Government grants*	**7,478**	3,644
Sale of scrap materials	**2,458**	559
Interest income	**993**	826
Others	**345**	726
	11,274	5,755
Gains		
Gain on disposal of items of property, plant and equipment, net	**–**	11,255
Fair value gains on foreign currency forward contracts, net	**558**	2,816
Others	**168**	–
	726	14,071
	12,000	19,826

* 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 condensed consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these government grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**330,417**	261,469
Write-down of inventories to net realisable value	**148**	1,673
Cost of sales	**330,565**	263,142
Depreciation	**11,091**	11,668
Amortisation of other intangible assets	**1,303**	533
Amortisation of prepaid land lease payments	**681**	691
Minimum lease payments under operating leases for land and buildings	**1,629**	945
Impairment of trade and other receivables	**4,804**	468
Loss on disposal of items of property, plant and equipment, net	**68**	–
Impairment of an available-for-sale investment	**6,000**	–
Foreign exchange differences, net	**4,482**	5,322

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**8,815**	8,300

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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%.

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 is subject to CIT at a rate of 15% for the three years ending 21 November 2019.

Jiujiang Sun.king Technology Co., Ltd., 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 8 October 2017.

Wuhan Langde Electrics Co., Ltd., 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 13 December 2019.

Wuxi Sunking Power Capacitor Co., Ltd., 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 30 November 2019.

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	**4,850**	1,156
Current – Elsewhere		
Charge for the period	**26,236**	10,203
Underprovision/(overprovision) in prior periods	**(1,809)**	(945)
Deferred	**(4,071)**	1,100
Total tax charge for the period	**25,206**	11,514

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,396,977,544 (six months ended 30 June 2016: 1,384,801,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period 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 period, 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:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**103,366**	55,129

	Number of shares For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,396,977,544**	1,384,801,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**39,945,243**	29,298,600
	1,436,922,787	1,414,099,600

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment at a total cost of approximately RMB8,311,000 (six months ended 30 June 2016: RMB4,292,000) and disposed of items of property, plant and equipment with a total net carrying amount of approximately RMB455,000 (six months ended 30 June 2016: RMB28,887,000).

As at 30 June 2017, the Group's property, plant and equipment and prepaid land lease payment with a carrying value of approximately RMB35,468,000 and RMB13,239,000, respectively, were pledged to secure bank loans of RMB25,000,000.

10. TRADE AND BILLS RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**890,594**	701,093
Impairment	**(45,944)**	(40,584)
	844,650	660,509
Bills receivable	**103,566**	165,049
Less: Amount shown as non-current	**(90,441)**	(60,282)
	857,775	765,276

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 fulfillment of certain conditions including delivery of goods or completion of installation as stipulated in the respective sales contracts.

10. TRADE AND BILLS RECEIVABLES (continued)

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 impairment, is as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 3 months	**398,610**	249,636
3 to 6 months	**313,090**	131,826
6 to 12 months	**80,660**	163,282
Over 1 year	**52,290**	115,765
	844,650	660,509

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 6 months	**96,319**	160,039
6 to 12 months	**7,247**	5,010
	103,566	165,049

At 30 June 2017, certain trade and bills receivables of the Group with an aggregate carrying amount of RMB12,672,000 (31 December 2016: Nil) were pledged to banks to secure certain bank loans granted to the Group.

At 30 June 2017, certain bills receivables of the Group with an aggregate carrying amount of RMB14,248,000 (31 December 2016: RMB21,232,000) were pledged to secure certain of the Group's bills payable.

11. TRADE AND BILLS PAYABLES

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 6 months	**211,925**	195,148
Over 6 months	**46,441**	41,439
	258,366	236,587

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

At 30 June 2017, certain of the Group's bills payable amounting to RMB13,995,000 (31 December 2016: RMB22,872,000) were secured by the pledge of the Group's bills receivable and cash and cash equivalents amounting to RMB14,248,000 (31 December 2016: RMB21,232,000) and RMB6,004,000 (31 December 2016: RMB6,004,000), respectively.

12. CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

13. OPERATING LEASE ARRANGEMENTS AS LESSEE

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to ten years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within one year	**3,047**	1,468
In the second to fifth years, inclusive	**6,743**	1,297
After five years	**2,343**	–
	12,133	2,765

14. CAPITAL COMMITMENTS

Capital Commitments

In addition to the operating lease arrangements detailed in note 13 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**2,891**	2,335

Other Commitments

Commitments under foreign currency forward contracts:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Purchase of Swiss franc	**36,530**	106,031

15. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
An associate:			
Interest income	*(i)*	**–**	301

Notes:

(i) The interest income for the six months ended 30 June 2016 arose from a loan to an associate which was interest-bearing at a rate of 15% per annum.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**4,823**	3,762
Post-employment benefits	**681**	291
Share-based payment expense	**1,352**	2,828
Total compensation paid to key management personnel	**6,856**	6,881

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, management has assessed that the fair values of the Group's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments and the discounted method used for calculating the non-current portion of trade receivables by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group enters into derivative financial instruments with various counterparties. Derivative financial instruments, mainly including forward currency contracts, are measured using quoted prices in active markets. The carrying amounts of forward currency contracts are the same as their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2017				
Derivative financial instruments	**1,106**	**–**	**–**	**1,106**
As at 31 December 2016				
Derivative financial instruments	789	–	–	789

During the period, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (31 December 2016: Nil).

As at 31 December 2016 and 30 June 2017, no financial liabilities were measured at fair value.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 21 July 2017, the Company entered into a subscription agreement with China Venture Capital Fund Corporation Ltd. Pursuant to the agreement, 200,000,000 ordinary shares of the Company at price of HK$1.72 per share will be allotted and issued by the Company for a total cash consideration of HK$344.0 million.

Subsequent to the end of the reporting period, 630,000 share options, 1,489,000 share options and 1,679,000 share options with exercise prices of HK$0.55 per share, HK$0.68 per share and HK$0.69 per share, respectively, were exercised, which resulted in the issue of 3,798,000 ordinary shares of the Company.

Subsequent to the end of the reporting period, the Board of directors declared an interim dividend of HK2 cent per share for the six month ended 30 June 2017 (six months ended 30 June 2016: HK1 cent per share).

Subsequent to the end of the reporting period, in July 2017, a total of 25,000,000 shares of Jiujiang Sun.king Technology Co., Ltd. ("**Jiujiang Sunking**"), a 83% owned subsidiary of the Company, was issued at price of RMB1.6 per share to Beijing Hengyaoda Technology Development Center (Limited Partnerships), an independent third party, for a total cash consideration of RMB40,000,000 (the "**Capital Injection**"). After the Capital Injection, the equity interest of Jiujiang Sunking held by the Group decreased from 83% to 62.25%.

18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 23 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Performance of the Group:

For the six months ended 30 June 2017, the Group's revenue amounted to approximately RMB580.9 million with an increase of approximately 44.9% comparing to the same period in 2016. The Group recorded a significant growth in sales of the power transmission and distribution sector and the industrial and others sector but a slight decline in sales of the rail transportation sector.

For the six months ended 30 June 2017, the Group's net profit amounted to approximately RMB104.0 million with an increase of approximately 88.9% comparing to the same period in 2016, among which, the net profit after deducting non-recurring profits and losses amounted to approximately RMB93.2 million for the first half of 2017 (for the six months ended 30 June 2016: approximately RMB35.3 million), representing an increase of approximately 163.8% comparing to the same period of last year. The significant growth in net profit was mainly due to the increase in sales of products with higher gross profit margin, as well as the continuous strengthening of efficiency management, stringent control in costs and expenses and reasonable control in the Group's cash flow and receivables.

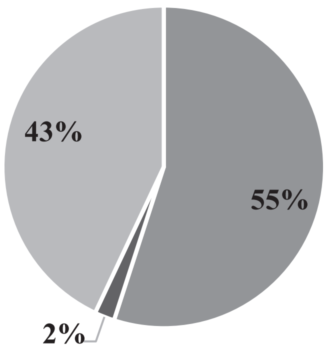
2. Performance of each business sector:

For the six months ended 30 June 2017, performance of each business sector of the Group was as follows:

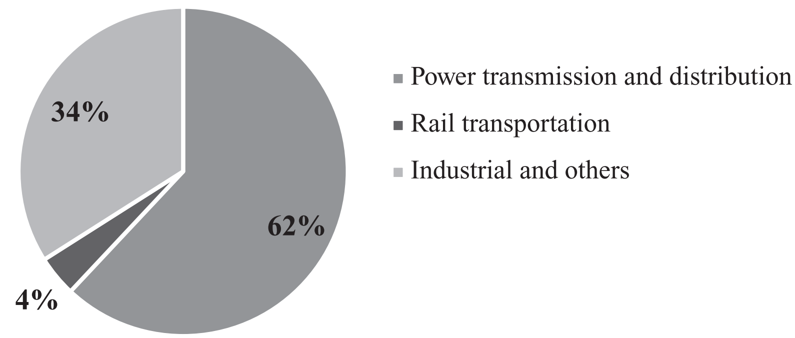
	For the six months ended			
	2017		**2016**	
	Revenue	**Gross profit margin**	**Revenue**	**Gross profit margin**
	RMB million	*%*	*RMB million*	*%*
	(Unaudited)		*(Unaudited)*	
Power transmission and distribution	**319.9**	**56.3**	247.1	38.7
Rail transportation	**12.2**	**28.9**	16.0	30.7
Industrial and others	**248.8**	**26.9**	137.9	27.1
Total	**580.9**	**Average 43.1**	401.0	Average 34.4

Proportion of revenue of each business sector in the first half of 2017 and 2016 was as follows:

Revenue in the first half of 2017



Revenue in the first half of 2016



Power transmission and distribution sector

During the first half of 2017, revenue of the power transmission and distribution sector amounted to approximately RMB319.9 million, representing an increase of approximately 29.5% comparing to the same period of 2016, mainly due to a significant increase in revenue from the regular ultra-high voltage direct current ("**UHVDC**") transmission sector.

Rail transportation sector

During the first half of 2017, revenue of the rail transportation sector amounted to approximately RMB12.2 million, representing a decrease of approximately 23.7% comparing to the same period of 2016.

Industrial and others sector

During the first half of 2017, revenue of the industrial and others sector amounted to approximately RMB248.8 million, representing an increase of approximately 80.4% comparing to the same period of 2016, mainly due to favorable factors such as industrial upgrade and promotion of isolated grid operation technology in the electrolytic aluminum industry.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 44.9% from approximately RMB401.0 million for the six months ended 30 June 2016 to approximately RMB580.9 million for the same period in 2017, mainly due to the steady increase in numbers of orders in the power transmission and distribution sector and the industrial and others sector during the period.

Cost of sales

The Group's cost of sales increased by approximately 25.6% from approximately RMB263.1 million for the six months ended 30 June 2016 to approximately RMB330.6 million for the same period in 2017, mainly due to the increase in revenue during the period.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 81.6% from approximately RMB137.9 million for the six months ended 30 June 2016 to approximately RMB250.4 million for the same period in 2017, mainly due to the increase in revenue during the period.

The Group's gross profit margin increased from approximately 34.4% for the six months ended 30 June 2016 to approximately 43.1% for the same period in 2017, mainly attributable to the stringent control in procurement costs and the increased proportion of sales in products with higher gross profit margin during the period.

Share of profits/(losses) of associates

The Group's share of profits/(losses) of associates decreased from a profit of approximately RMB12.5 million for the six months ended 30 June 2016 to a profit of approximately RMB1.7 million for the same period in 2017. The decrease was mainly attributable to the decline in gains from Jiashan Henghua Real Estate Co., Ltd.* (嘉善恒華房地產開發有限公司).

Selling and distribution costs

The Group's selling and distribution costs increased by approximately 10.1% from approximately RMB37.5 million for the six months ended 30 June 2016 to approximately RMB41.3 million for the same period in 2017, mainly due to the increase in numbers of sales orders which resulted in increase in selling expenses.

Administrative expenses

The Group's administrative expenses increased by approximately 27.6% from approximately RMB38.8 million for the six months ended 30 June 2016 to approximately RMB49.5 million for the same period in 2017, mainly due to the consolidation of Astrol Electronic AG (acquired by the Group in July 2016) into the Group's accounts and the increase in expenses on remuneration and benefits.

Finance costs

The Group's financial costs, which were made up of interests on bank loans wholly repayable within five years, increased from approximately RMB8.3 million for the six months ended 30 June 2016 to approximately RMB8.8 million for the same period in 2017. The Group's finance costs basically remained unchanged.

Profit before tax

As a result of the foregoing, the Group's profit before tax had increased from approximately RMB66.6 million for the six months ended 30 June 2016 to approximately RMB129.2 million for the same period of 2017.

Income tax expenses

The Group's income tax expenses increased by approximately 119.1% from approximately RMB11.5 million for the six months ended 30 June 2016 to approximately RMB25.2 million for the same period in 2017. The increase in income tax expenses was mainly due to the increase in profit before tax for the six months ended 30 June 2017.

Total comprehensive income/(loss) for the period attributable to owners of the parent

The Group's total comprehensive income for the period attributable to owners of the parent of the Group increased from approximately RMB55.1 million for the six months ended 30 June 2016 to approximately RMB103.8 million for the same period in 2017.

Interim dividend

The Board has resolved to pay an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2017 (same period in 2016: HK1 cent per ordinary share). The interim dividend is expected to be paid on or around 20 October 2017 to the shareholders of the Company whose names appear on the Company's register of members on 29 September 2017. Assuming no further share will be issued or repurchased from the date of this interim results announcement up to the expected dividend payment date, this will absorb a total amount of HK$28,057,070 (same period in 2016: HK$13,873,530).

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from sales of its products and bank borrowings. As at 30 June 2017, the Group's current ratio (current assets divided by current liabilities) was approximately 1.6 (as at 31 December 2016: approximately 1.7). As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB252.1 million (as at 31 December 2016: approximately RMB103.0 million) and interest-bearing bank loans of approximately RMB418.8 million (as at 31 December 2016: approximately RMB327.4 million), mainly due to the increased demand on the Group's working capitals.

As at 30 June 2017, the Group's gearing ratio measured on the basis of total interest-bearing bank loans to total equity was approximately 37.3% (as at 31 December 2016: approximately 31.8%).

As at 30 June 2017, the Group's bank loans were mainly denominated in Renminbi ("**RMB**") with the contractual maturity being within one year from the end of the reporting period. The RMB effective interest rate on the Group's bank borrowings (equivalent to the weighted average contracted interest rates) slightly decreased from approximately 5.0% as at 31 December 2016 to approximately 4.6% as at 30 June 2017. In 2017, there was no material movement in the Group's funding and treasury policy.

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

Interests and foreign currency exposures

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

Contingent liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities (as at 31 December 2016: Nil).

Charges on Group's assets

As at 30 June 2017, the Group's property, plant and equipment and prepaid land lease payment with a carrying value of approximately RMB35.5 million and RMB13.2 million, respectively, were pledged to secure bank loans of approximately RMB25.0 million.

As at 30 June 2017, certain of the Group's bank loans were secured by the pledge of certain trade and bills receivables of the Group amounting to approximately RMB12.7 million (as at 31 December 2016: Nil).

As at 30 June 2017, certain of the Group's bills payable amounting to approximately RMB14.0 million (as at 31 December 2016: approximately RMB22.9 million) were secured by the pledge of certain bills receivables and cash and cash equivalents amounting to approximately RMB14.2 million (as at 31 December 2016: approximately RMB21.2 million) and approximately RMB6.0 million (as at 31 December 2016: approximately RMB6.0 million), respectively.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HK$593.0 million were raised from the listing (the "**Listing**") of the Company's shares on the Stock Exchange in October 2010. As at 30 June 2017, the entire amount of the net proceeds of the Listing had been utilised in 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 30 June 2017, the Group had 674 employees (as at 31 December 2016: 664 employees). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group regularly evaluates job performance of its employees to determine their salary and bonus. The Group has neither experienced any significant issues with its employees or disruptions in its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees.

PROSPECTS

Looking forward, the power industry in China will adhere to the two major development directions of "replacement of other energy with clean energy" and "replacement of other energy with electricity" to accelerate the growth of the proportion of clean energy and the popularization of new electric technologies. While capturing development opportunities arising from large scale UHVDC transmission projects and innovations in flexible direct current transmission technologies in China, the Group also places heavy emphasis on the long-term demand of both domestic market and the "Belt and Road" market on UHVDC transmission technology as well as the long-term demand of large-scale grid connection and highly-efficient transmission of clean energy on flexible direct current transmission technologies. Moreover, the Group attaches great importance to the long-term demand of micro-grid technologies arising from power system reform, promotion of new energy distributed energy, upgrade of intelligent power distribution network, and actively conducts R&D of technologies and strives for market expansion.

In addition, the Group believes that there is enormous market potential in the electrification of rail transportation, vehicles, shipping and aircrafts and electricity technology upgrade for the metal smelting, new energy, environmental protection, medical and military sectors. With leading competitive advantages in technology in the industry, the Group will endeavor to develop the above business as its new driving force for long term development.

The Group, as a leading enterprise focusing on R&D of power electronic technology in the industry with a mission of advancing electric power technology in China, will continue to proactively engage in R&D for manufacturing high-end power electronic devices and module integration technology, enhance its operation efficiency and strengthen budget management, cost control and cash flow management, so as to achieve rapid development of the Group.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

None of the Company or its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed herein, the Group had no material acquisition and disposal during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

As reported in the corporate governance report published in the 2016 annual report of the Company, the Group places high value in its corporate governance practice and the Board firmly believes that good corporate governance practice could improve accountability and transparency for the benefits of the shareholders of Company.

The Company had complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months ended 30 June 2017. The Board reviews and monitors the operation of the Company from time to time with the aim of maintaining high standards of corporate governance practice.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from Thursday, 28 September 2017 to Friday, 29 September 2017, both dates inclusive, during which no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's share registrar in Hong Kong, 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, 27 September 2017 for registration.

BOARD OF DIRECTORS AND BOARD COMMITTEES

With effect from 24 March 2017, Mr. Wang Yi tendered his resignation as an independent non-executive Director, a member of the audit committee of the Board, the chairman of the remuneration committee of the Board and a member of the investment committee of the Board due to retirement. At the same time, the Board re-appointed Mr. Leung Ming Shu as an independent non-executive Director, a member of the audit committee of the Board, the chairman of the remuneration committee of the Board and a member of the investment committee of the Board. Save as disclosed herein, there had been no substantial discloseable change in the information on the Directors since last disclosed in the 2016 annual report of the Company pursuant to Rule 13.51(B)(1) of the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The audit committee has reviewed the accounting principles and practice adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters, including the review of the condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

The audit committee comprises Mr. Chen Shimin (chairman of the audit committee), Mr. Zhang Xuejun and Mr. Leung Ming Shu. At the Company's annual general meeting held on 10 May 2017, the shareholders of the Company approved the appointment of Ernst & Young as the Company's external auditor up to the conclusion of the annual general meeting to be held in 2018. The procedures in relation to the selection, appointment and determination of the audit fees of the Company's external auditor were reviewed by the audit committee and approved by the Board.

REMUNERATION COMMITTEE

The remuneration committee was established on 19 August 2010 with the written terms of reference prescribed in accordance with the Listing Rules. The roles and functions of the remuneration committee are to make recommendations on the remuneration package of the Directors and senior management, the execution of which is subject to the approval of the Board. In addition, the remuneration committee also evaluates the performance of the senior management of the Group and determines its remuneration structure. The relevant written terms of reference is in line with the Corporate Governance Code and is published on the websites of the Company and the Stock Exchange.

The current members of the remuneration committee are Mr. Leung Ming Shu (chairman of the remuneration committee), Mr. Chen Shimin and Mr. Zhang Xuejun.

NOMINATION COMMITTEE

The nomination committee was established on 19 August 2010. The roles and functions of the nomination committee are to formulate policies on the Director nomination for the Board's consideration and to implement the Director nomination policies approved by the Board, including annual review of Board structure, identification of eligible persons for the position of Director, monitor the Directors' succession plans and assessment of the independence of the independent non-executive Directors. The written terms of reference of the committee is in line with the Corporate Governance Code and is published on the websites of the Company and the Stock Exchange.

The current members of the nomination committee are Mr. Zhang Xuejun (chairman of the nomination committee), Mr. Gong Renyuan and Mr. Chen Shimin.

INVESTMENT COMMITTEE

Investment committee was established on 28 June 2011, and is responsible for advising the Board on investment of fixed assets (both tangible and intangible), equity, debt, financial securities, restructuring and joint ventures.

The investment committee comprises Mr. Zhang Xuejun (chairman of the investment committee), Mr. Chen Shimin, Mr. Leung Ming Shu and Mr. Xiang Jie.

CORPORATE CULTURE AND SOCIAL RESPONSIBILITY

The Group is fully aware of the importance of establishing a sound corporate culture. The Group organises corporate activities from time to time to promote team cohesion. The Group also publishes Sun.King Bimonthly (賽晶雙月刊) informing all employees of the news of the Group and reminding employees of the Group's core value.

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 the code of conduct regarding Directors' securities transactions. The Board has made specific enquiry of all Directors and the Directors confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 30 June 2017.

Save as disclosed herein, there had been no material change in the development or future development of the Group's business and financial position, and no important event affecting the Group had occurred since the publication of the 2016 annual report of the Company.

TELEPHONE CONFERENCE

The Company will host a telephone conference to discuss the interim results of the Group for the six months ended on 30 June 2017 with the shareholders of the Company and the potential investors of the Company on Thursday, 24 August 2017 from 10:00 a.m. to 11:00 a.m. (Hong Kong time). The dial-in details are as follows:

Telephone number: 86-571-22660511

Conference code: 641996#

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, 23 August 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. Chen Shimin, Mr. Zhang Xuejun and Mr. Leung Ming Shu.

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