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 2017, DECLARATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 34.8% to approximately RMB1,155.4 million.
- Gross profit increased by approximately 38.8% to approximately RMB463.2 million.
- Gross profit margin increased from approximately 38.9% to approximately 40.1%.
- Profit attributable to owners of the Company amounted to approximately RMB194.9 million.
- Earnings per share amounted to approximately RMB13.77 cents (basic) and RMB13.41 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 2017, with the comparative figures for the corresponding year in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
REVENUE	*4*	**1,155,400**	856,952
Cost of sales		**(692,248)**	(523,249)
Gross profit		**463,152**	333,703
Other income and gains	*4*	**37,113**	33,393
Selling and distribution expenses		**(82,284)**	(78,291)
Administrative expenses		**(87,481)**	(79,771)
Research and development costs		**(44,358)**	(33,980)
Other expenses and losses		**(20,527)**	(4,874)
Finance costs	*5*	**(17,837)**	(16,860)
Share of profits and losses of:			
A joint venture		**(28)**	(30)
Associates		**2,204**	17,814
PROFIT BEFORE TAX	*6*	**249,954**	171,104
Income tax expense	*7*	**(46,213)**	(24,230)
PROFIT FOR THE YEAR		**203,741**	146,874
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(262)**	(25)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(262)**	(25)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**203,479**	146,849

	Notes	2017	2016
		RMB'000	*RMB'000*
Profit attributable to:			
Owners of the parent		**194,887**	143,856
Non-controlling interests		**8,854**	3,018
		203,741	146,874
Total comprehensive income attributable to:			
Owners of the parent		**194,717**	143,840
Non-controlling interests		**8,762**	3,009
		203,479	146,849
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB13.77 cents**	RMB10.37 cents
Diluted		**RMB13.41 cents**	RMB10.13 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**323,581**	323,933
Prepaid land lease payments		**36,361**	55,115
Deposits for purchase of items of property, plant and equipment		**1,703**	300
Goodwill	*9*	**41,037**	41,037
Other intangible assets		**34,897**	36,302
Club memberships		**1,554**	1,554
Investment in a joint venture		**15,592**	15,620
Investments in associates		**27,000**	23,297
An available-for-sale investment		**–**	199
Trade receivables	*10*	**104,155**	60,282
Prepayment for an investment		**–**	7,500
Deferred tax assets		**11,430**	10,079
Total non-current assets		**597,310**	575,218
CURRENT ASSETS			
Inventories		**186,255**	252,301
Trade and bills receivables	*10*	**879,304**	765,276
Prepayments, deposits and other receivables		**67,671**	69,875
Prepaid land lease payments		**952**	1,362
Derivative financial instruments		**–**	789
Pledged deposits		**27,517**	32,756
Cash and cash equivalents		**513,015**	103,023
Total current assets		**1,674,714**	1,225,382
CURRENT LIABILITIES			
Trade and bills payables	*11*	**238,845**	236,587
Other payables and accruals		**117,445**	146,386
Derivative financial instruments		**130**	–
Interest-bearing bank borrowings		**327,184**	327,357
Tax payable		**45,353**	25,733
Total current liabilities		**728,957**	736,063

	Notes	2017	2016
		RMB'000	*RMB'000*
NET CURRENT ASSETS		**945,757**	489,319
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,543,067**	1,064,537
NON-CURRENT LIABILITIES			
Other payables		–	8,170
Deferred income		**12,659**	12,806
Deferred tax liabilities		**9,255**	14,435
Total non-current liabilities		**21,914**	35,411
Net assets		**1,521,153**	1,029,126
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**137,476**	119,283
Treasury shares		**(8,773)**	–
Reserves		**1,313,372**	885,221
		1,442,075	1,004,504
Non-controlling interests		**79,078**	24,622
Total equity		**1,521,153**	1,029,126

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 manufacture of power electronic components.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment, which is the manufacture 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 a major customer

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

	2017	2016
	RMB'000	*RMB'000*
Customer A	**149,600**	134,020

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:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,155,400**	856,952
Other income		
Government grants*	**12,250**	8,840
Interest income	**1,804**	1,274
Sale of scrap materials	**4,036**	1,946
Others	**2,801**	1,462
	20,891	13,522
Gains		
Gain on disposal of items of property, plant and equipment, net	**15,420**	10,941
Fair value gains on foreign currency forward contracts, net	**–**	2,800
Gain on disposal of available-for-sale investments	**802**	5,780
Others	**–**	350
	16,222	19,871
	37,113	33,393

* *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:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	**17,837**	16,860

6. PROFIT BEFORE TAX

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

	2017 *RMB'000*	2016 *RMB'000*
Cost of inventories sold	**690,649**	520,647
Write-down of inventories to net realisable value	**1,599**	2,602
Cost of sales	**692,248**	523,249
Auditor's remuneration	**1,750**	1,750
Depreciation	**22,057**	22,775
Amortisation of other intangible assets	**2,558**	1,822
Amortisation of land lease payments	**1,328**	1,371
Minimum lease payments under operating leases	**3,170**	2,360
Impairment/(reversal of impairment) of trade and other receivables, net*	**7,869**	(4,249)
Foreign exchange differences, net*	**4,374**	9,123
Impairment of an available-for-sale investment*	**6,000**	–
Fair value loss/(gain) on foreign currency forward contracts, net*	**2,285**	(2,800)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**36,869**	30,460
Share-based payment expense	**3,702**	6,374
Pension scheme contributions**	**8,029**	7,340
	48,600	44,174

* *The impairment/(reversal of impairment) of trade and other receivables, net, impairment of an available-for-sale investment, fair value loss/(gain) on foreign currency forward contracts, net and foreign exchange losses, net are included in "Other expenses and losses" in the consolidated statement of profit or loss and other comprehensive income.*

** *At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2016: Nil).*

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 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%.

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 are subject to CIT at a rate of 15% for the three years ending 31 December 2018.

Jiujiang Sun.king Technology Co., Ltd. ("**Jiujiang Sunking**"), a subsidiary of the Company, was registered as a new and high technology enterprise, and is subject to CIT at a rate of 15% for the three years ending 31 December 2019.

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 31 December 2018.

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 31 December 2018.

Wuxi Zhuofeng Information 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 31 December 2019.

	2017	2016
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**81**	1,156
Current – Elsewhere		
Charge for the year	**54,452**	23,643
Overprovision in prior years	**(1,833)**	(438)
Deferred	**(6,487)**	(131)
Total tax charge for the year	**46,213**	24,230

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 RMB194,887,000 (2016: RMB143,856,000), and the weighted average number of ordinary shares of 1,415,265,653 (2016: 1,386,651,288) 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:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**194,887**	143,856

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,415,265,653**	1,386,651,288
Effect of dilution – weighted average number of ordinary shares:		
Share options	**38,226,509**	32,852,408
	1,453,492,162	1,419,503,696

9. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
At 1 January:		
Cost	**47,235**	40,357
Accumulated impairment	**(6,198)**	(6,198)
Net carrying amount	**41,037**	34,159
Cost at 1 January, net of accumulated impairment	**41,037**	34,159
Acquisition of a subsidiary	**–**	6,878
Cost at 31 December, net of accumulated impairment	**41,037**	41,037
At 31 December:		
Cost	**47,235**	47,235
Accumulated impairment	**(6,198)**	(6,198)
Net carrying amount	**41,037**	41,037

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 Electronic AG ("**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% (2016: 15%). The growth rate used to extrapolate the cash flows of Jiujiang Sunking cash-generating unit beyond the five-year period is 3% (2016: 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**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount of goodwill	**34,159**	34,159	**6,878**	6,878	**41,037**	41,037

Assumptions were used in the value in use calculation of Jiujiang Sunking and Astrol cash-generating units for 31 December 2017 and 31 December 2016. 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

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**957,562**	701,093
Impairment	**(47,546)**	(40,584)
	910,016	660,509
Bills receivable	**73,443**	165,049
Less: Amount shown as non-current	**(104,155)**	(60,282)
	879,304	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 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:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**381,040**	249,636
3 to 6 months	**192,893**	131,826
6 to 12 months	**280,518**	163,282
Over 1 year	**55,565**	115,765
	910,056	660,509

At 31 December 2017, the Group's bills receivable would mature within twelve (2016: twelve) months.

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**40,584**	49,865
Acquisition of a subsidiary	**–**	259
Impairment losses recognised/(reversed)	**8,762**	(5,605)
Amount written off as uncollectible	**(1,800)**	(3,935)
At 31 December	**47,546**	40,584

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB47,546,000 (2016: RMB40,584,000) with a carrying amount before provision of RMB114,466,000 (2016: RMB75,203,000).

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:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**493,593**	419,398
Less than 6 months past due	**268,757**	248,294
6 to 12 months past due	**120,456**	79,384
1 to 2 years past due	**33,733**	43,863
	916,539	790,939

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 2017, certain bills receivable of the Group with an aggregate carrying amount of RMB17,619,000 (2016: RMB21,232,000) were pledged to secure certain of the Group's bills payable.

At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB38,917,000 (2016: RMB38,752,000) 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 2017, 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 RMB94,101,000 (2016: RMB149,494,000). 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 opinion of the directors of the Company, 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 of the Company, 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:

	2017	2016
	RMB'000	*RMB'000*
Within six months	**182,649**	195,148
Over six months	**56,196**	41,439
	238,845	236,587

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

At 31 December 2017, certain of the Group's bills payable amounting to RMB17,826,000 (2016: RMB22,872,000) were secured by the pledge of the Group's bills receivable and cash and cash equivalents amounting to RMB17,619,000 (2016: RMB21,232,000) and RMB6,546,000 (2016: RMB6,004,000), respectively.

12. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim – HK2 cents (2016: HK1 cent) per ordinary share	**23,868**	12,015
Proposed final – HK3 cents (2016: HK1.5 cents) per ordinary share	**40,075**	18,642
Total	**63,943**	30,657

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

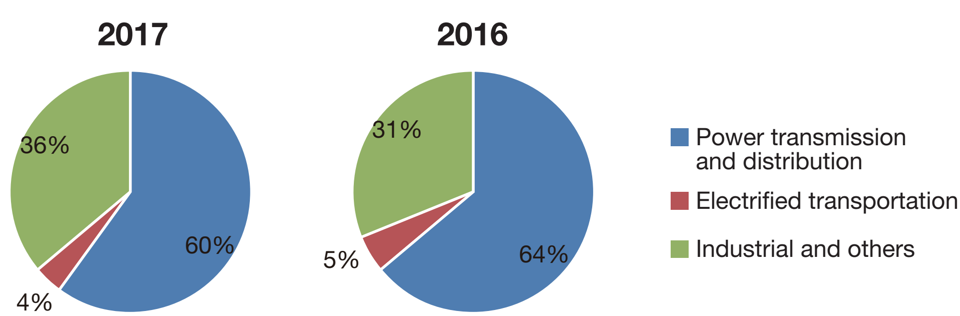
1. Performance of each business sector

The Group recorded a substantial increase in sales revenues for the power transmission and distribution sector as well as the industrial and other sectors, and a slight increase in sales revenues for the electrified transportation sector.

In 2017, the business performance of each sector of the Group was as follows:

	2017		2016	
	Sales revenue	**Gross profit margin %**	Sales revenue	Gross profit margin %
Power transmission and distribution	**691.4**	**48**	549.8	44
Electrified transportation	**43.7**	**30**	41.1	31
Industrial and others	**420.3**	**28**	266.1	30
Total	**1,155.4**	**Average 40**	857.0	Average 39

In 2017, the proportion of sales revenue for each of the Group's sectors was as follows:



1.1 Power transmission and distribution sector

Market conditions

In 2017, due to the urgent demand for environmental pollution controls, energy transmission in the western region and the establishment of an intelligent grid, China maintained its leading position in magnitude of investment in the high voltage direct current (HVDC) sector. Seven HVDC and ultra-high voltage direct current (UHVDA) transmission projects were underway in the country, including the "Changji to Guquan" (昌吉至古泉) project and "Jarud to Qingzhou" (紮魯特至青州) project, meanwhile, "Shaanbei-Wuhan" (陝北–武漢) project and "Qinghai-Henan" (青海–河南) project, two domestic UHVDC transmission projects, have commenced. For overseas projects, the construction of phase II of "Brazil Meilishan" (巴西美麗山) began in

2017. In addition, the State Grid procured two projects, "Matiari-Lahore" in Pakistan (巴基斯坦－墨蒂亞裡至拉合爾) and "Van" in Turkey (土耳其凡城), respectively. As the sole supplier of anode saturation resistors in China and a major supplier of products such as high-voltage power capacitors, the Group provided a strong guarantee for the construction of the above UHVDC transmission projects.

China has made breakthroughs in the field of flexible direct current transmission as it has successfully developed the world-leading 500 KV flexible direct current converter valve and HVDC circuit breaker, and the world's first 800 KV flexible direct current converter valve. China's flexible direct current technology has gained in popularity overseas, with the State Grid procuring a flexible direct current transmission project in Shetland, UK. By leveraging its industry-leading technological capabilities and quality products, the Group has become the sole supplier of core components for R&D on the above new equipment. In addition, the "Yu E" (渝鄂) flexible direct current back to back project commenced in 2017, and the Group remained a major supplier of core components of flexible direct current transmission equipment.

Operating results

The power transmission and distribution sector mainly comprises of three parts: UHVDC transmission, flexible direct current transmission, and other types of power transmission and distribution. Results for each part of the Group's power transmission and distribution sector were as follows:

Sales revenue	**2017**	2016	Percentage change
Power transmission and distribution sector	**691.4**	549.8	26%
In which: UHVDC transmission	**473.2**	294.2	61%
flexible direct current transmission	**124.3**	169.4	-27%
Others	**93.9**	86.2	9%

UHVDC transmission sector

During 2017, the Group benefited from the delivery of various UHVDC projects inside and outside China. Sales revenue generated from products such as anode saturation resistors and high-voltage power capacitors saw a sharp increase.

Flexible direct current transmission sector

In 2017, orders for the "Yu E" (渝鄂) direct current back to back project were only partially delivered. Meanwhile, there were also fewer deliveries of such newly developed equipment as 500 KV flexible direct current converter valves, direct current circuit breakers and 800 KV flexible direct current converter valves in 2017. As such, sales revenues from the flexible direct current transmission sector dropped in 2017 compared to the same period of the previous year.

Other business of the power transmission and distribution sector

In 2017, other products and businesses of the Group's power transmission and distribution sector – including high-voltage power capacitors and intelligent grid online monitoring products – generally performed well, with sales revenue increasing slightly compared to the same period of the previous year.

1.2 Electrified transportation sector

The Group considers the electrified transportation sector a major market for its future development, redefining it from "rail transportation sector" of past years to the current "electrified transportation sector". The sector includes various transportation industry related markets such as electric locomotives, electrified rail power supply systems, new energy vehicles and electrified vessels.

Market conditions

With the application of electricity in the field of energy consumption continues to develop, the transportation field – which includes rail transportation, land vehicles, vessels and aircraft – is entering into the development stage of full electrification. New energy vehicles are becoming the focuses in the electrification of transportation field, with electrified rail already in widespread use nowadays. According to information published by the China Association of Automobile Manufacturers (CAAM), China's production volume for new energy vehicles reached 794,000 in 2017. Based on the objectives of the "13th Five-Year National Strategic Emerging Industry Development Plan" (《「十三五」國家戰略新興產業發展規劃》), the sales volume for new energy vehicles will reach 2 million in 2020. Although the China Railway Corporation has started to invite tenders for electric locomotives in early 2017 and the number of procurement of electric locomotives in 2017 were greater than that of the previous year, the overall scale of procurement was still relatively small as compared with the peak period.

Operating results

Results for the Group's electrified transportation sector were as follows:

Sales revenue	**2017**	2016	Percentage change
Electrified transportation sector	**43.7**	41.1	6%
In which: Rail transportation vehicles	**29.4**	21.9	34%
Rail power supply systems	**1.5**	11.0	-86%
New energy vehicles	**12.8**	8.2	56%

Rail transportation vehicles: These were affected by sluggish demand in the electric locomotive market. Despite the significant increase in sales revenue, the overall scale was at a low level. There has not been any significant sales revenue contribution from the domestic standardised motor unit market in China.

Rail power supply systems: The decrease in the number of railway electrification reformation projects has led to a sharp decline in sales revenues. The Group launched a new product – an electrified railway automatic passing intelligent switch – which is currently at the business promotion stage and has yet to making contribution to the sales revenues.

New energy vehicles: Sales revenues increased significantly, benefiting from an increase in new customers and increased orders from existing customers.

1.3 Industrial and other sectors

In industrial and other sectors, the Group maintained its market-leading position in the metallurgy field such as electrolytic aluminium by providing high-power rectification products. Benefiting from market growth, the Group's sales revenue in the metallurgical market increased significantly. Additionally, Jiujiang Sun.king, a subsidiary of the Group, successfully gained "GJB9001B-2009 National Military Standard under Weapon and Equipment Quality Management System (GJB9001B-2009武器裝備品質管制體系國家軍用標準)" certification.

Industrial and other sectors mainly include metal smelting, electrical equipment, new energy power generation, scientific research institutes, and others. Results for the Group's industrial and other sectors for 2017 were as follows:

	2017	2016	Percentage change
Industrial and other sectors	**420.3**	266.1	58%
In which: Metal smelting	**280.8**	151.3	86%
Electrical equipment	**127.9**	89.4	43%
New energy power generation	**8.2**	5.4	52%
Scientific research institutes and others	**3.4**	20.0	-83%

Metal smelting

Although the metal smelting sector is still suffering from overcapacity, projects of metal smelting enterprises from the newly established production lines located in the western region with a strong cost advantage has increased significantly. In 2017, this led to a notable increase in sales revenues from metal smelting related products, such as those used in high-power rectification and power quality control.

Electrical equipment

In this sector, the Group relied largely on sales of semiconductors from ABB Company of Switzerland. Semiconductors, including thyristors and diodes, are widely used in electrical equipment such as converters, electric motors, welding machines, rectifiers and inverters. Being highly efficient and energy-saving, such devices are important tools in saving electric energy and are achieving flexible control for industrial enterprises. In 2017, the Group's sales revenues from the electric equipment sector increased significantly.

New energy power generation

The Group supplies self-owned products such as laminated busbars and digital IGBT drivers as well as semiconductors from ABB Company of Switzerland to the new energy power generation sector. The above products are core devices for wind power converters and photovoltaic inverters. In 2017, the Group's sales revenues from the new energy power generation sector saw a significant increase.

Scientific research institutes and others

The Group supplies a range of powered electronic products to renowned universities and research institutes around China for widespread application in R&D and experiments of new electric equipment. Subjected to drastic market fluctuations, sales revenues for this sector declined sharply in 2017.

2. R&D

As the Group adheres to its business philosophy of "using scientific and technological innovation to spur development" and its corporate mission of "promoting the improvement in China's electric energy efficiency", it pays great attention to the R&D of new technologies and products. At present, the Group's strategies are to create powered electronic technology through self-research and self-development, to explore high-end advanced technology and undertake industrial development, and to use leading-edge technology to gain a competitive advantage in domestic and foreign markets.

On the basis of continuing R&D on existing products, the Group established a power electronic technology R&D 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 purposes of enhancing standards for power systems design and project execution capabilities.

In 2017, R&D made the following progress and achievements pertaining to Group products:

Digital IGBT driver: In 2017, all 200 KV HVDC circuit breakers in the "Zhoushan" (舟山) flexible direct current transmission project were made with the customised digital IGBT drivers developed by the Group.

Online monitoring system for grids: In response to the demand for intelligent standard improvements to China's power distribution network, the Group successfully developed an intelligent online monitoring system for distribution network errors.

High-voltage electric power capacitor: The Group commenced a self-researched, self-development project for a high-voltage electric power capacitor for use in flexible direct power transmission equipment. The Group completed the production of the first sample in March 2018 and is expected to be the first domestic enterprise to have the manufacturing technology of high-voltage electric power capacitors for flexible direct current transmission equipment.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately 34.8% from approximately RMB857.0 million for the year ended 31 December 2016 to approximately RMB1,155.4 million for the year ended 31 December 2017 primarily due to the increase in sales in the power transmission and distribution sector and industrial sector.

Cost of sales

The cost of sales increased by approximately 32.3% from approximately RMB523.2 million for the year ended 31 December 2016 to approximately RMB692.2 million for the year ended 31 December 2017 primarily due to the increase in sales revenue for the year ended 31 December 2017.

Gross profit and gross profit margin

The gross profit increased by approximately 38.8% from approximately RMB333.7 million for the year ended 31 December 2016 to approximately RMB463.2 million for the year ended 31 December 2017 primarily due to an increase in revenue and an improvement in gross profit margin for the year ended 31 December 2017.

The gross profit margin increased from approximately 38.9% for the year ended 31 December 2016 to approximately 40.1% for the year ended 31 December 2017 due to sales increase in power transmission and distribution sector, which has higher gross profit margin.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 5.1% from approximately RMB78.3 million for the year ended 31 December 2016 to approximately RMB82.3 million for the year ended 31 December 2017 primarily due to the increase in selling expenses for the market development of certain products.

Administrative expenses

The administrative expenses increased by approximately 9.7% from approximately RMB79.8 million for the year ended 31 December 2016 to approximately RMB87.5 million for the year ended 31 December 2017.

R&D costs

The R&D costs increased by approximately 30.5% from approximately RMB34.0 million for the year ended 31 December 2016 to approximately RMB44.4 million for the year ended 31 December 2017.

Other expenses

The other expenses increased by approximately 318.4% from approximately RMB4.9 million for the year ended 31 December 2016 to approximately RMB20.5 million for the year ended 31 December 2017 primarily due to the increase 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 increased slightly by approximately 5.3% from approximately RMB16.9 million for the year ended 31 December 2016 to approximately RMB17.8 million for the year ended 31 December 2017.

Profit before tax

The profit before tax increased from approximately RMB171.1 million for the year ended 31 December 2016 to approximately RMB250.0 million for the year ended 31 December 2017 primarily due to increase in revenue and improvement of gross profit margin and effective control of expense.

Income tax expenses

The income tax expenses increased by approximately 90.9% from approximately RMB24.2 million for the year ended 31 December 2016 to approximately RMB46.2 million for the year ended 31 December 2017 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 from approximately RMB143.8 million for the year ended 31 December 2016 to approximately RMB194.7 million for the year ended 31 December 2017.

The Group's net gain margin, which is calculated as gain attributable to owners of the parent for the year divided by revenue, increased slightly from approximately 16.8% for the year ended 31 December 2016 to a net gain margin of approximately 16.9% for the year ended 31 December 2017.

Inventories

The inventories decreased by approximately 26.2% from approximately RMB252.3 million as at 31 December 2016 to approximately RMB186.3 million as at 31 December 2017 primarily due to the fact that the Company strengthened the management of inventories.

The average inventory turnover days decreased from approximately 157 days for the year ended 31 December 2016 to approximately 123 days for the year ended 31 December 2017 primarily due to a decrease in stock level.

Trade receivables

The trade receivables increased by approximately 37.8% from approximately RMB660.5 million as at 31 December 2016 to approximately RMB910.0 million as at 31 December 2017 primarily due to the increase in revenue for the year ended 31 December 2017.

The average trade receivables turnover days increased from approximately 242 days for the year ended 31 December 2016 to approximately 245 days for the year ended 31 December 2017, primarily due to the increase in revenue for the year ended 31 December 2017 and the delay of payment by customers.

Trade and bills payables

The trade and other payables increased by approximately 1.0% from approximately RMB236.6 million as at 31 December 2016 to approximately RMB238.8 million as at 31 December 2017.

The average trade and other payables turnover days decreased from approximately 148 days for the year ended 31 December 2016 to approximately 124 days for the year ended 31 December 2017, primarily due to the enhancement in the Group's procurement management during the year.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products, bank borrowings and proceeds of issuing new shares. The current ratio (current assets divided by current liabilities) increased from approximately 1.7 as at 31 December 2016 to approximately 2.3 as at 31 December 2017. The cash and cash equivalents increased from approximately RMB103.0 million as at 31 December 2016 to approximately RMB513.0 million as at 31 December 2017. The interest-bearing bank borrowings decreased slightly from approximately RMB327.4 million as at 31 December 2016 to RMB327.2 million as at 31 December 2017. The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity decreased from approximately 31.8% as at 31 December 2016 to approximately 21.5% as at 31 December 2017.

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 2017, 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 in October 2010.

As at 31 December 2017, 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 R&D, and working capital and general corporate expenses.

HUMAN RESOURCES

As at 31 December 2017, the Group employed 667 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, China will continue to adhere to the two major developing approaches of "replacement of other energy with clean energy" and "replacement of other energy with electricity", and to accelerate energy structure adjustment and technology reform. Under the rapid enhancement of the scale of new energy power generation, the power transmission and distribution sector, power electronic technology and industry, as represented by the UHVDC transmission, flexible direct current technology and micro-grid technology, will welcome a long-term rapid development. Besides, the rapid development in the fields of electrified rails, new energy vehicles and national defense will also bring unprecedented opportunities for the development of power electronic technology and industry.

It is stated in the "Energy Sector Development in the 13th Five-Year Plan" (《電力發展「十三五」規劃》) that the energy transmission capacity of "West-to-East Power Transmission" shall increase by 130 million KW during the "13th Five-Year" period. From 2016 to the end of 2017, the increased transmission capacity of HVDC transmission amounted to 72 million KW. In addition, to cope with China's "One Belt and One Road" strategy, China has 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. Therefore, in the next three years, UHVDC transmission technology will still have relatively large potential market demand.

As a new direct current transmission technology, flexible direct current is particularly suitable for the grid connection and efficient transmission of clean energy in large scale, and is particularly suitable for the enhancement of power distribution capabilities among the grids through power grid interconnection. Through self-research and development, China's flexible direct current transmission technology has reached to the world-leading level and successfully engaged in overseas markets. In 2018, the construction of the "500 KV flexible direct current grid project in Zhangbei" (500千伏張北柔性直流電網工程) and the "800 KV direct current project in Wudongde" (800千伏烏東德直流工程) are expected to commence. In the long run, with China's vigorous promotion for the strategies of clean energy, the market demand for flexible direct current technology will increase rapidly.

The Group supplies a wide range of core devices for HVDC transmission equipment, which have been widely applied in UHVDC projects and flexible direct current transmission projects. The Group will continue to understand the large variety of products in the flexible direct current transmission market by launching new products with high technology and reliable performance, so as to grasp the opportunity for the rapid development in flexible direct current transmission market.

With the application of electricity in the field of energy consumption continues to develop, the transportation field – which includes rail transportation, land vehicles, vessels and aircraft – is entering into the development stage of full electrification. New energy vehicles are becoming a focus in the electrification of transportation field, with electrified rail already in widespread use nowadays. According to information published by the China Association of Automobile Manufacturers (CAAM), China's production volume for new energy vehicles reached 794,000 in 2017. Based on the objectives of the "13th Five-Year National Strategic Emerging Industry Development Plan" (《「十三五」國家戰略性新興產業發展規劃》), the sales volume for new energy vehicles will reach 2 million in year 2020. The power electronic devices, as represented by motor controller, are the important and necessary components of new energy vehicles. With the significant growth in the sales volume of new energy vehicles, the demand for various types of power electronic components used in new energy vehicles shall grow in line.

As an industry-leading power electronic components and solutions provider, the Group regards the new energy vehicle sector as an important market for the Company's long-term development. In addition to our laminated busbars that have achieved outstanding results in the new energy vehicle sector, the Group plans to develop and promote a number of new products in the new energy vehicle sector including digital IGBT drivers and power electronic capacitors in 2018.

Looking forward, as one of the fundamental technology for highly efficient energy, power electronic technology has a wide range of application needs and great potential for further innovation and development in different fields of production and living. The Group is committed to developing its world-leading R&D capability. With the continuous introduction of new technologies and new products, the Group will facilitate the advancement of power technology in China and achieve the rapid growth of the Company's profits.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,603,875,000 shares of the Company in issue as at 31 December 2017.

During the year ended 31 December 2017, the Company purchased 10,426,000 shares of the Company at an aggregate purchase price before expenses of HK$18,169,200 on the Stock Exchange. Details of the purchase of such shares were as follows:

Month of Purchase	**Number of shares purchased**	**Price per share Highest** *(HK$)*	**Price per share Lowest** *(HK$)*	**Aggregate purchase price** *(HK$)*
November	516,000	1.60	1.56	815,900
December	9,910,000	1.87	1.56	17,353,300

The 4,604,000 purchased shares were cancelled during the year under review, while the remaining 5,822,000 purchased shares were cancelled in January 2018.

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 2017.

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 2017.

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 2017.

DIVIDENDS

The Board proposed to recommend the payment of a final dividend of HK3 cents per share for the year ended 31 December 2017 (corresponding period in 2016: HK1.5 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 Friday, 15 June 2018 to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 5 June 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Thursday, 3 May 2018 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 Thursday, 26 April 2018. The register of members of the Company will be closed from Friday, 27 April 2018 to Thursday, 3 May 2018, 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 Thursday, 3 May 2018 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 Thursday, 31 May 2018. The register of members of the Company will be closed from Friday, 1 June 2018 to Tuesday, 5 June 2018, 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 Thursday, 3 May 2018, the final dividend will be paid on or around Friday, 15 June 2018 to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 5 June 2018.

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.sunking-tech.com. The Company's annual report for the year 2017 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 2017 at Bowen Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Wednesday, 14 March 2018 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, 13 March 2018

As at the date of this announcement, the executive Directors are Mr. Xiang Jie, Mr. Gong Renyuan and Mr. Yue Zhoumin; the non-executive Directors are Mr. Yan Fuquan, Mr. Zhu Ming and Ms. Zhang Ling; and the independent non-executive Directors are Mr. Chen Shimin, Mr. Zhang Xuejun, Mr. Leung Ming Shu and Mr. Zhao Hang.