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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 2018, DECLARATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 11.7% to approximately RMB1,290.5 million.
- Gross profit decreased by approximately 6.0% to approximately RMB435.4 million.
- Gross profit margin decreased from approximately 40.1% to approximately 33.7%.
- Profit attributable to owners of the Company amounted to approximately RMB183.3 million.
- Earnings per share amounted to approximately RMB11.34 cents (basic) and RMB11.21 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 2018, with the comparative figures for the corresponding year in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
REVENUE	*4*	**1,290,490**	1,155,400
Cost of sales		**(855,128)**	(692,248)
Gross profit		**435,362**	463,152
Other income and gains	*4*	**41,396**	37,113
Selling and distribution expenses		**(72,630)**	(82,284)
Administrative expenses		**(83,624)**	(87,481)
Research and development costs		**(53,718)**	(44,358)
Other expenses		**(6,514)**	(20,527)
Finance costs	*5*	**(16,474)**	(17,837)
Share of profits and losses of:			
A joint venture		**(26)**	(28)
Associates		**1,490**	2,204
PROFIT BEFORE TAX	*6*	**245,262**	249,954
Income tax expense	*7*	**(35,107)**	(46,213)
PROFIT FOR THE YEAR		**210,155**	203,741
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**544**	(262)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**544**	(262)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**210,699**	203,479

	Notes	2018 *RMB'000*	2017 *RMB'000*
Profit attributable to:			
Owners of the parent		**183,301**	194,887
Non-controlling interests		**26,854**	8,854
		210,155	203,741
Total comprehensive income attributable to:			
Owners of the parent		**183,655**	194,717
Non-controlling interests		**27,044**	8,762
		210,699	203,479
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB11.34 cents**	RMB13.77 cents
Diluted		**RMB11.21 cents**	RMB13.41 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018	2017
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**318,924**	323,581
Prepaid land lease payments		**35,409**	36,361
Deposits for purchase of items of property, plant and equipment		**8,795**	1,703
Goodwill		**41,037**	41,037
Other intangible assets		**40,844**	34,897
Club memberships		**1,554**	1,554
Investment in a joint venture		**15,566**	15,592
Investments in associates		**36,490**	27,000
Trade receivables	*10*	**745**	104,155
Contract assets	*10*	**37,535**	–
Deferred tax assets		**5,889**	11,430
Total non-current assets		**542,788**	597,310
CURRENT ASSETS			
Inventories		**154,343**	186,255
Trade and bills receivables	*10*	**859,768**	879,304
Contract assets	*10*	**86,067**	–
Prepayments, deposit and other receivables		**43,076**	67,671
Prepaid land lease payments		**952**	952
Derivative financial instruments		**218**	–
Pledged deposits		**35,040**	27,517
Cash and cash equivalents		**766,891**	513,015
Total current assets		**1,946,355**	1,674,714
CURRENT LIABILITIES			
Trade and bills payables	*11*	**285,646**	238,845
Other payables and accruals		**58,867**	117,445
Contract liabilities		**52,283**	–
Derivative financial instruments		**9,615**	130
Interest-bearing bank borrowings		**360,354**	327,184
Tax payable		**42,682**	45,353
Total current liabilities		**809,447**	728,957
NET CURRENT ASSETS		**1,136,908**	945,757
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,679,696**	1,543,067

	2018	2017
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,679,696**	1,543,067
NON-CURRENT LIABILITIES		
Deferred income	**4,422**	12,659
Deferred tax liabilities	**6,076**	9,255
Total non-current liabilities	**10,498**	21,914
Net assets	**1,669,198**	1,521,153
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**138,637**	137,476
Treasury shares	**(4,135)**	(8,773)
Reserves	**1,429,062**	1,313,372
	1,563,564	1,442,075
Non-controlling interests	**105,634**	79,078
Total equity	**1,669,198**	1,521,153

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has chosen to recognise any transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39. The Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The impacts related to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The adoption of IFRS 9 has no significant impact on the classification and measurement of the Group's financial assets and financial liabilities, except for bills receivable which are measured at fair value through other comprehensive income under IFRS 9. The Group continues measuring at fair value all financial assets and liabilities then held at fair value as at 1 January 2019. The carrying amounts for all financial assets and financial liabilities as at 1 January 2018 have not been impacted by the initial application of IFRS 9.

(b) **Impairment**

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and contract assets. Furthermore, the Group applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group concluded IFRS 9 has no significant impact on the impairment assessment of its financial assets and no transition adjustment against the opening balance in equity at 1 January 2018 was made.

IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations. The Group concluded other than more presentation and disclosure requirements such as the disclosure of disaggregated revenue information and the reclassification of contract liabilities from other payables, there is no change in the timing of revenue recognition, i.e. the Group will continue to recognize revenue at a point in time when the goods are delivered. As such, no adjustment was required to the Group's retained earnings as at 1 January 2018. A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer. In this regards, cash or bank acceptance notes collected from certain customers before product delivery which was recognised as receipt in advance before 1 January 2018, is recognised as contract liabilities since 1 January 2018.

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 Group's operating results from the operations are generated from this single segment. Management monitors the results of 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 locate in the People's Republic of China (the "PRC"), no further geographical segment information is provided.

Information about major customers

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

In 2018, revenue from continuing operations of approximately RMB351,416,000 was derived from sales by the only reportable segment to customer A; revenue from continuing operations of approximately RMB169,739,000 was derived from sales by the only reportable segment to customer B.

In 2017, revenue from continuing operations of approximately RMB149,600,000 was derived from sales by the only reportable segment to customer C.

4. REVENUE, OTHER INCOME AND GAINS

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

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Power transmission and distribution	**735,503**	691,399
Industrial and others	**463,669**	420,298
Electrified transportation	**91,318**	43,703
Total revenue from contracts with customers	**1,290,490**	1,155,400

The Group's revenue from contracts with customers are almost all related to sales of goods in mainland China, and are all recognised at a point in time when goods are delivered.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**44,755**

The Group select to choose a practical expedient and omit disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

	2018	2017
	RMB'000	*RMB'000*
Other income		
Government grants*	**15,973**	12,250
Bank interest income	**3,423**	1,804
Interest income arising from revenue contracts	**5,509**	–
Sale of scrap materials	**–**	4,036
Reversal of impairment of trade receivables and contract assets	**1,066**	–
Reversal of impairment of financial assets included in prepayments and other receivables	**212**	–
Others	**686**	2,801
	26,869	20,891
Gains		
Gain on disposal of items of property, plant and equipment, net	**13,428**	15,420
Fair value gains on foreign currency forward contracts, net	**1,099**	–
Gain on disposal of available-for-sale investments	**–**	802
	14,527	16,222
	41,396	37,113

* *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:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**16,474**	17,837

6. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**852,573**	690,649
Write-down of inventories to net realisable value	**2,555**	1,599
Cost of sales	**855,128**	692,248
Auditor's remuneration	**1,800**	1,750
Depreciation	**21,273**	22,057
Amortisation of other intangible assets	**2,569**	2,558
Amortisation of land lease payments	**952**	1,328
Minimum lease payments under operating leases	**2,718**	3,170
Impairment of trade receivables and contract assets, net	**(1,066)**	6,976
Impairment of financial assets included in prepayments, and other receivables, net	**(212)**	893
Foreign exchange differences, net*	**2,081**	4,374
Impairment of an available-for-sale investment	**–**	6,000
Fair value loss/(gain) loss on foreign currency forward contracts, net	**(1,099)**	2,285
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**44,143**	36,869
Share-based payment expense	**1,448**	3,702
Pension scheme contributions**	**7,696**	8,029
	53,287	48,600

* Foreign exchange differences for the year are included in "Other expenses" in the consolidated statement of profit or loss.

** At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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%.

Certain subsidiaries of the Group are qualified as high technology enterprises hence are granted a preferential CIT rate of 15%. Tax holidays were also granted by the relevant authorities to a subsidiary of the Group, where CIT is exempted for the first two profitable years of the subsidiary and is chargeable at half of the applicable rate for the subsequent three years.

	2018	2017
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**316**	81
Current – Elsewhere		
Charge for the year	**34,054**	54,452
Overprovision in prior years	**(1,538)**	(1,833)
Deferred	**2,275**	(6,487)
Total tax charge for the year	**35,107**	46,213

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 RMB183,301,000 (2017: RMB194,887,000), and the weighted average number of ordinary shares of 1,615,736,321 (2017: 1,415,265,653) 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:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**183,301**	194,887

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,615,736,321**	1,415,265,653
Effect of dilution – weighted average number of ordinary shares:		
Share options	**20,056,763**	38,226,509
	1,635,793,084	1,453,492,162

9. GOODWILL

	2018	2017
	RMB'000	*RMB'000*
At 1 January:		
Cost	**47,235**	47,235
Accumulated impairment	**(6,198)**	(6,198)
Net carrying amount	**41,037**	41,037
Cost at 1 January, net of accumulated impairment	**41,037**	41,037
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 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% (2017: 15%). The growth rate used to extrapolate the cash flows of Jiujiang Sunking cash-generating unit beyond the five-year period is 3% (2017: 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 15% (2017: 16%). The growth rate used to extrapolate the cash flows of Astrol cash-generating unit beyond the five-year period is 3% (2017: 3%).

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

	Jiujiang Sunking		**Astrol**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	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 2018 and 31 December 2017. 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/CONTRACT ASSETS

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**774,601**	957,562
Impairment	**(44,940)**	(47,546)
	729,661	910,016
Bills receivable	**130,852**	73,443
Less: Amount shown as non-current	**(745)**	(104,155)
	859,768	879,304

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 contract assets 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 and contract assets balances. Trade receivables and contract assets are non-interest-bearing.

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from sale of goods	**125,142**	157,418	–
Impairment	**(1,540)**	–	–
	123,602	157,418	–

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

Within one year	86,067
More than one year	37,535
Total contract assets	123,062

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 normal operation of the product within warranty period as stipulated in the respective sales contracts. Contract assets are recognised for revenue earned from the sale of products and the provision of normal operation of the product within warranty period as the receipt of consideration is conditional on successful pass of warranty period. Upon the expiry of the warranty period, the amounts recognised as contracts assets are reclassified to trade receivables.

An ageing analysis of the Group's trade receivables and contract assets as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**344,322**	381,040
3 to 6 months	**114,509**	192,893
6 to 12 months	**197,916**	280,518
Over 1 year	**196,516**	55,565
	853,263	910,016

At 31 December 2018, the Group's bills receivable would mature within twelve (2017: twelve) months.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**47,546**	40,584
Impairment losses, net	**(2,606)**	6,962
At 31 December	**44,940**	47,546

The movements in the loss allowance for impairment of contract assets are as follows:

	2018
	RMB'000
At 1 January	**–**
Impairment losses, net	**1,540**
At 31 December	**1,540**

At 31 December 2018, certain bills receivable of the Group with an aggregate carrying amount of RMB10,548,000 (2017: RMB17,619,000) were pledged to secure certain of the Group's bills payable.

At 31 December 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB28,915,000 (2017: RMB38,917,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). 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. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

At 31 December 2018, 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 RMB56,193,000 (2017: RMB94,101,000). The Derecognised Bills had a maturity of one to eleven 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, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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

11. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within six months	**236,812**	182,649
Over six months	**48,834**	56,196
	285,646	238,845

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

At 31 December 2018, certain of the Group's bills payable amounting to RMB11,430,000 (2017: RMB17,826,000) were secured by the pledge of the Group's bills receivable and cash and cash equivalents amounting to RMB10,548,000 (2017: RMB17,619,000) and RMB9,899,000 (2017: RMB6,546,000), respectively.

12. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim – HK2 cents (2017: HK2 cent) per ordinary share	**28,557**	23,868
Proposed final – HK3 cents (2017: HK3 cents) per ordinary share	**42,425**	40,075
Total	**70,982**	63,943

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

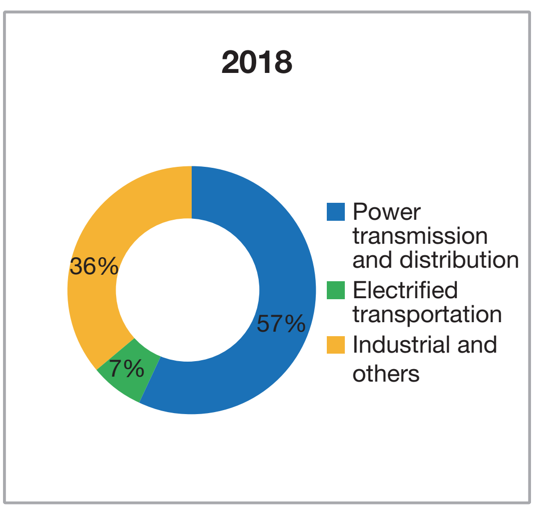
BUSINESS REVIEW

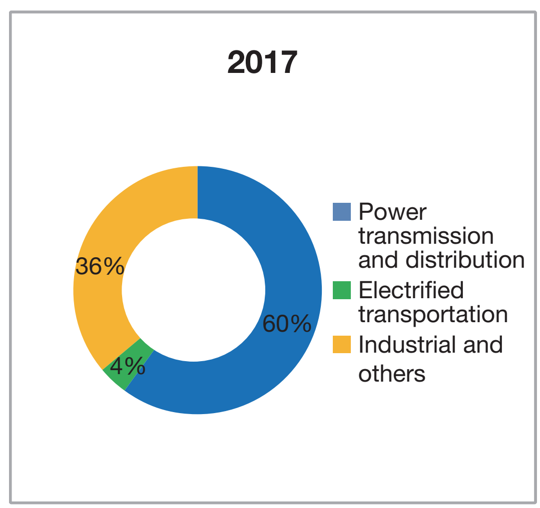
1. Performance by business sector

In 2018, the Group's business performance by sector is as follows:

	2018		2017	
	Revenue *(RMB million)*	**Gross profit margin %**	Revenue *(RMB million)*	Gross profit margin %
Power transmission and distribution	**735.5**	**34**	691.4	48
Electrified transportation	**91.3**	**34**	43.7	30
Industrial and others	**463.7**	**33**	420.3	28
Total	**1,290.5**	**Average of 34**	1,155.4	Average of 40

In 2018, the proportion of revenue of each business sector are as follows:





1.1 The power transmission and distribution sector

- ***Market review***

Year 2018 was one of gradation in the high-voltage direct current ("**HVDC**") transmission sector. Two key direct current transmission and flexible direct current transmission projects – the Experimental Flexible Direct Current Grid Demonstration Project in Zhangbei (張北柔性直流電網實驗示範工程) and the Demonstration Project on Ultra-high Voltage Multi-terminal Direct Current Transmission from Wudongde Power Station to Guangdong and Guangxi (烏東德電站送廣東廣西特高壓多端直流示範工程) – commenced construction in 2018. On the other hand, after the large scale construction between 2015 and 2017, the development of ultra-high voltage direct current ("**UHVDC**") transmission fell into a temporary stagnation in 2018. According to the Notice on Accelerating the Planning and Construction of a Batch of Key Projects for Power Transmission and Transformation (《關於加快推進一批輸變電重點工程規劃建設工作的通知》) issued in September 2018 by the National Energy Administration of China, seven HVDC transmission projects will be approved by the end of 2019. Driven by UHVDC transmission and flexible direct current transmission, HVDC transmission technology is entering a new phase of rapid development.

Similarly, with the continuously increasing demand for direct current transmission due to the rapid development of clean energy and initiative of the State Grid (國家電網) to open up social capital investment in ultra-high voltage transmission projects, construction of HVDC transmission projects is expected to develop in a rapid pace in the long term.

- ***Operating results***

The power transmission and distribution sector consists of UHVDC transmission, flexible direct current transmission, and other types of power transmission and distribution. The Group's performance in terms of revenue of these subsectors are as follows:

	Revenue *(RMB million)* **2018**	2017	Percentage change
Power transmission and distribution sector	**735.5**	691.4	6
UHVDC transmission	**142.3**	473.2	-70
Flexible direct current transmission	**471.9**	124.3	280
Others	**121.3**	93.9	29

UHVDC transmission

In 2018, as existing UHVDC transmission projects virtually came to a standstill and two new UHVDC transmission projects – "Qinghai-Henan" (青海－河南) and "Shaanbei-Wuhan" (陝北－武漢) – were only initiated in the fourth quarter of the year, the Group had not received any customer orders with respect to the two projects abovementioned, and therefore the sales revenue of this subsector decreased significantly in 2018.

Flexible direct current transmission

In 2018, the Experimental Flexible Direct Current Grid Demonstration Project in Zhangbei (張北柔性直流電網實驗示範工程) had entered the stage of large-scale delivery. As a result, the Group's sales revenue increased significantly in this subsector.

Others

In 2018, other products and businesses within the Group's power transmission and distribution sector – including high-voltage power capacitors and intelligent grid online monitoring products – generally performed well and sales revenue increased significantly compared to the same period of the previous year.

1.2 The electrified transportation sector

- ***Market review***

  As the application of electricity continues to develop in the field of energy consumption, the transportation field – including rail transportation, land vehicles, sea vessels and aircraft – is entering into the stage of full electrification.

  The Action Plan on Freight Growth from 2018 to 2020 (《2018-2020年貨運增量行動方案》) issued by the China Railway Corporation in July 2018 announced that railway cargo transport capacity will significantly increase along with the cargo volume between 2018 and 2020. Accordingly, the purchase volume of high-power electric locomotives is expected to grow significantly. Additionally, passenger motor units for the PRC, including alpine electric motor units, domestically-made standard motor units and central power motor units, have achieved varying degrees of progress.

  While electrified railways and vehicles continue to develop rapidly, new energy vehicles are becoming the new focus in the electrification of transportation sector. According to the China Association of Automobile Manufacturers, the production output of new energy vehicles in the PRC reached 1.256 million in 2018, representing an increase of approximately 61.7% compared to 2017. According to the goal set by the "13th Five-Year National Plan for the Development of Strategic Emerging Industries" (《「十三五」國家戰略性新興產業發展規劃》), production and sales volume of new energy vehicles will reach two million in year 2020.

- ***Operating results***

The electrified transportation sector consists of rail transportation vehicles, rail transportation power supply systems and new energy vehicles. The Group's performance in terms of revenue of these subsectors are as follows:

	Revenue *(RMB million)* **2018**	2017	Percentage change
Electrified transportation sector	**91.3**	43.7	109
Rail transportation vehicles	**75.8**	29.4	158
Rail transportation power supply systems	**1.6**	1.5	7
New energy vehicles	**13.9**	12.8	9

Rail transportation vehicles

In 2018, the Group's sales revenue in this subsector increased significantly, benefiting from the increased sales of rail freight electric locomotives and the sound performance of the Group's rail transportation-related business.

Rail transportation power supply systems

As this subsector is still at its experimental and demonstration phase, orders are unstable. In 2018, the Group's sales revenue in this subsector increased slightly.

New energy vehicles

The Group's sales revenue in this subsector increased slightly, benefiting from orders from new customers and increased orders from existing customers.

1.3 The industrial and others sector

- ***Operating results***

The industrial and others sector comprises metal smelting, electrical equipment, new energy power generation, scientific research institutes, and others. The Group's performance in terms of revenue of these subsectors are as follows:

	Revenue *(RMB million)* **2018**	2017	Percentage change
Industrial and others sector	**463.7**	420.3	10
Metal smelting	**138.1**	280.8	-51
Electrical equipment	**172.7**	127.9	35
New energy power generation	**29.0**	8.2	254
Scientific research institutes and others	**123.9**	3.4	3,544

Metal smelting

Due to policy factors, the metallurgical industry, and especially the electrolytic aluminium industry, advanced a number of projects in 2017, resulting in a decrease in number of projects reserved and commenced in 2018. The Group's sales revenue in this subsector therefore decreased significantly.

Electrical equipment

The Group is mainly engaged in the manufacture and power system integration of electrical equipment such as converters, electric motors, welding machines, rectifiers and inverters, providing self-owned products such as power capacitors, laminated busbars, digital IGBT drivers, as well as semiconductors from ABB Switzerland. In 2018, the Group performed well in this subsector and its sales revenue increased significantly.

New energy power generation

The Group supplies self-developed products such as laminated busbars and digital IGBT drivers as well as semiconductors from ABB Switzerland to the new energy power generation sector. The above products are core devices for wind power converters and photovoltaic inverters. In 2018, the Group's sales revenue in this subsector increased significantly.

Scientific research institutes and others

The Group supplies a wide range of power electronic devices and equipment which are widely used in new electrical equipment research and development, experimentation, and in special applications to domestic universities, research institutes and other application fields. In 2018, the Group benefited from the bulk sales of special power products and achieved outstanding results in scientific research institutes and other fields and sales revenue increased significantly.

2. Research and development

The Group adheres to a business philosophy of "Spurring development with scientific and technological innovation" and a corporate mission of "promoting improvement in China's electric energy efficiency", and therefore places great emphasis on the R&D of new technologies and products. At present, the Group's technological strategy calls for the innovation of power electronics technology through self-research and self-development, exploration of high-end advanced technologies, the undertaking of industrial development, and the use of cutting-edge technologies to gain a competitive advantage in domestic and foreign markets.

On the premise of continuing R&D and improvement for existing products, the Group established a power electronic technology R&D centre in Europe and an intelligent power grid research institute in Wuhan. We cooperate with highly esteemed scientific research institutes such as the Tsinghua-Smart China Energy Network Research Institute (清華智中能源互聯網研究院) to enhance standards for power system design and project execution capability.

In 2018, notable R&D achievements of the Group were as follows:

1. Digital IGBT driver: The Group has successfully developed a digital IGBT driver for electrified vehicles.

2. Solid direct current circuit breaker: The Group and the CSIC 704 Institute (中船重工七〇四研究所) jointly developed a 1KV/100A marine solid direct current circuit breaker.

3. Solid alternating current switch: The ground auto neutral-section passing device with AC switches for electrified railways is a new rail transportation power supply system product introduced by the Group, and is an emerging technological solution to the power supply problem of the neutral-section of electrified railways. After in-depth communication and technical exchange with customers, it is expected that its first domestic demonstration application will be in 2019.

4. Power electronic capacitor: The Group has successfully developed a power electronic capacitor for flexible direct current transmission equipment. It is one of the key components of flexible direct current transmission. Our internal tests indicate that all parameters are at world-leading levels and it is now at the stage of customer site testing and inspection.

5. Pulse Power technology: Leveraging its world-leading R&D capability in the pulse power sector, the Group participated in a number of emerging technology R&D projects, including high-energy physics research and high-speed magnetic levitation trains in 2018. In the special applications sector, small-scale prototypes developed by the Group showed outstanding performance in customer tests.

6. Special power supply: The Group successfully completed R&D of a special power supply customized for a specific customer. Mass production was commenced and delivery was made in 2018.

7. Rail Transit Traction Rectifier: "New Type of Rail Transit Traction Rectifier" independently developed by the Group has been successfully applied in the "China (Henan) Free Trade Zone Air Railway Demonstration Project" (中國(河南)自貿區空鐵示範線工程). All performance indicators performed well.

3. Business development strategies

To cope with the rapidly developing market environment, the Group implemented the following key business development strategies:

1. Consolidate and expand the scale of peripheral businesses to seize market opportunities in the fast growing direct current transmission sector

In regard to emerging transmission technologies, the technical level and investment scale of direct current transmission are in a period of rapid growth, providing good opportunities for the Group's business development in this sector. The Group will vigorously carry out improvements and upgrade its R&D for existing products while placing strong emphasis on quality management. It will also accelerate the R&D and promotion of new technologies and products to maintain its position in the industry. The Group will continue to diversify its product categories and seize opportunities for rapid market demand growth to achieve a rapid scaling up of its business.

2. Expand the electrified railway transportation business: freight and passenger transport, vehicles and power supply systems, and common development in multiple fields

After years of development, China's electrified railway transportation technology has become one of the highlights of "Made in China" brands. Whilst it maintains a healthy pace of development in the high-power electric locomotive business for freight transportation, the Group is considering expansion into the passenger motor unit market as one of its future development priorities. The Group has already cultivated good relationships with downstream customers in this sector through many years of cooperation in R&D and application of standard motor units independently designed and manufactured in the PRC, as well as the rapid development of domestically-made passenger motor units such as alpine electric motor unit and central power motor unit. The Group accordingly regards this sector as a key market for continued expansion in the future.

As rail transportation power supply system is a significant factor for the safety and stability of vehicle operation, technological advancement of such systems is gradually becoming a new focus of R&D and construction. Accordingly, the Group attaches great importance to technological development and promotion in this sector. The Group's power quality management products have successfully been applied in several demonstration and experimental projects in the rail transportation sector. In 2018, the Group introduced a new ground auto neutral-section passing device with AC switches for electrified railways. This product is an innovative technical solution to the worldwide problem of supplying continuous power to neutral-section of railways. The Group will vigorously explore innovative technologies and products that enhance the technical level of rail transportation power supply systems, and strive to achieve rapid development in the related business of rail transportation vehicles and power supply systems.

3. Commence technological R&D of high-end power electronic devices

Due to the rapid growth in the applications of emerging energy technologies such as new energy vehicles and intelligent grids, demand for various types of power electronics technologies and products continues to grow, especially for high-end electrical and electronic devices. As an industry leading supplier of power electronic devices, the Group regards R&D and promotion of high-end power electronic devices as a key focal point and a new driver of long-term high-speed growth. As of the date of this report, the Group had launched a number of independent R&D projects for high-end power electronic device technologies.

4. Internationalization

The Group regards internationalization as one of its key development strategies. This is based on several factors such as the acceleration of energy technology reform, which has substantially increased worldwide market demand for power electronics technology. Several products and technologies supplied by the Group hold great potential for development in the international market. The Group will therefore continue to improve its sales channels and strengthen its publicity and promotion in the international market in order to rapidly expand the scale of its international business. The Group will also seek potential merger and acquisition opportunities with foreign companies with cutting-edge technologies, and will strengthen its technological advantages and industrial capacity in the high-end technological sector by way of mergers and acquisitions, strategic cooperation and industrial alliances.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately 11.7% from approximately RMB1,155.4 million for the year ended 31 December 2017 to approximately RMB1,290.5 million for the year ended 31 December 2018 primarily due to increase in sales in the power transmission and distribution sector and industrial and others sector.

Cost of sales

The cost of sales increased by approximately 23.5% from approximately RMB692.2 million for the year ended 31 December 2017 to approximately RMB855.1 million for the year ended 31 December 2018 primarily due to the increase in revenue for the year ended 31 December 2018.

Gross profit and gross profit margin

The gross profit decreased by approximately 6.0% from approximately RMB463.2 million for the year ended 31 December 2017 to approximately RMB435.4 million for the year ended 31 December 2018 primarily due to decrease in gross profit margin.

The gross profit margin decreased from approximately 40.1% for the year ended 31 December 2017 to approximately 33.7% for the year ended 31 December 2018 due to decrease in sales in power transmission and distribution sector, which has higher gross profit margin.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately 11.8% from approximately RMB82.3 million for the year ended 31 December 2017 to approximately RMB72.6 million for the year ended 31 December 2018 primarily due to effective control on selling and distribution expenses.

Administrative expenses

The administrative expenses decreased by approximately 4.5% from approximately RMB87.5 million for the year ended 31 December 2017 to approximately RMB83.6 million for the year ended 31 December 2018.

R&D costs

The R&D costs increased by approximately 20.9% from approximately RMB44.4 million for the year ended 31 December 2017 to approximately RMB53.7 million for the year ended 31 December 2018 primarily due to increase in R&D activities for flexible direct current power capacitors and other products.

Other expenses

The other expenses decreased by approximately 68.3% from approximately RMB20.5 million for the year ended 31 December 2017 to approximately RMB6.5 million for the year ended 31 December 2018 primarily due to the reversal of bad debts during the year.

Interest on bank loans wholly repayable within five years

The interest on bank loans wholly repayable within five years decreased by approximately 7.3% from approximately RMB17.8 million for the year ended 31 December 2017 to approximately RMB16.5 million for the year ended 31 December 2018.

Profit before tax

The profit before tax decreased from approximately RMB250.0 million for the year ended 31 December 2017 to approximately RMB245.3 million for the year ended 31 December 2018 primarily due to the decrease in gross profit.

Income tax expenses

The income tax expenses decreased by approximately 24.0% from approximately RMB46.2 million for the year ended 31 December 2017 to approximately RMB35.1 million for the year ended 31 December 2018 primarily due to decrease in profit before tax.

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

Total comprehensive income for the year attributable to owners of the parent decreased from approximately RMB194.7 million for the year ended 31 December 2017 to approximately RMB183.7 million for the year ended 31 December 2018.

The profit for the year attributable to owners of the parent decreased by 5.9% from approximately RMB194.7 for the year ended 31 December 2017 to approximately RMB183.7 million for the year ended 31 December 2018.

The Group's net gain margin, which is calculated as gain attributable to owners of the parent for the year divided by revenue, decreased from approximately 16.9% for the year ended 31 December 2017 to a net gain margin of approximately 14.2% for the year ended 31 December 2018.

Inventories

The inventories decreased by approximately 17.2% from approximately RMB186.3 million as at 31 December 2017 to approximately RMB154.3 million as at 31 December 2018 primarily due to strengthened management of inventories.

The average inventory turnover days decreased from approximately 123 days for the year ended 31 December 2017 to approximately 80 days for the year ended 31 December 2018 primarily due to decrease in stock level.

Trade receivables

Trade receivables decreased by approximately 19.8% from approximately RMB910.0 million as at 31 December 2017 to approximately RMB729.7 million as at 31 December 2018 primarily due to improved settlement of receivables.

The average trade receivables turnover days increased from approximately 245 days for the year ended 31 December 2017 to approximately 246 days for the year ended 31 December 2018.

Trade and bills payables

The trade and other payables increased by approximately 19.6% from approximately RMB238.8 million as at 31 December 2017 to approximately RMB285.6 million as at 31 December 2018.

The average trade and other payables turnover days decreased from approximately 124 days for the year ended 31 December 2017 to approximately 111 days for the year ended 31 December 2018, 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) slightly increased from approximately 2.3 as at 31 December 2017 to approximately 2.4 as at 31 December 2018. The cash and cash equivalents increased from approximately RMB513.0 million as at 31 December 2017 to approximately RMB766.9 million as at 31 December 2018. The interest-bearing bank borrowings increased slightly from approximately RMB327.2 million as at 31 December 2017 to RMB360.4 million as at 31 December 2018. The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity increased slightly from approximately 21.5% as at 31 December 2017 to approximately 21.6% as at 31 December 2018.

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 2018, the Group had no significant contingent liabilities.

Charges on group assets

As at 31 December 2018, certain of the Group's bank loans were secured by mortgages over the Group's property, plant and equipment and prepaid land lease payments with aggregate carrying amounts at the end of the reporting period of approximately RMB32.0 million (as at 31 December 2017: approximately RMB34.3 million) and approximately RMB12.8 million (as at December 2017: approximately RMB13.1 million), respectively. At 31 December 2018, certain of the Group's bills receivables of approximately RMB10.5 million (as at 31 December 2017: approximately RMB17.6 million) were pledged to secure certain of the Group's bills payables.

Use of proceeds from subscription of new shares

As disclosed in the announcements of the Company dated 21 July 2017 and 6 December 2017 and the 2017 annual report of the Company, (a) the Company entered into the subscription agreement with China Venture Capital Fund Corporation Ltd. (中國國有資本風險投資基金股份有限公司) on 21 July 2017, pursuant to which China Venture Capital Fund Corporation Ltd. conditionally agreed to, or procure its nominee to, subscribe for 200,000,000 new shares at the subscription price of HK$1.72 per share; (b) the Company allotted and issued 200,000,000 new shares to Guojing Capital Limited (國晶資本有限公司), being the nominee of China Venture Capital Fund Corporation Ltd., on 6 December 2017 under the general mandate granted by the Shareholders on 10 May 2017; and (c) the aggregate subscription price of HK$344 million shall be used for research and development, capital expenditure and general working capital of the Group.

The table below sets out the breakdown of the use of proceeds of the abovementioned subscription:

Use	**Allocation** *(HK$)*	**Utilization as at 31 December 2018** *(HK$)*	**Remaining balance as at 31 December 2018** *(HK$)*	**Expected time of full utilization of remaining balance**
Research and development	103,200,000	50,636,273	52,563,727	31 December 2020
Capital expenditure	103,200,000	17,385,822	85,814,178	31 December 2020
General working capital	137,600,000	137,600,000	–	N/A
Total	344,000,000	205,622,095	138,377,905	

HUMAN RESOURCES

As at 31 December 2018, the Group employed 636 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's electric power industry will continue to work toward the "replacement of other energy with clean energy" (清潔替代) and "replacement of other energy with electricity" (電能替代). It will expedite the adjustment of its energy infrastructure and the reform of energy technology. As a focus of the development and application of emerging power technologies, power electronics technology is gaining more attention and application in all power system sectors. The rapid enhancement of the scale of new energy generation and electricity consumption, power transmission and distribution technology, power electronics technology and industry as represented by UHVDC transmission, flexible direct current transmission, and intelligent grids, will usher in a long-term phase of rapid development. Fast development of electric energy consumption scale and electric energy application technologies in the electrified rail transportation, new energy vehicle, electrified vessel and defence sectors will also create unprecedented development opportunities for power electronics technologies and the industry.

As an industry leading supplier of power electronic devices and system solutions, the Group will continue to adhere to its business strategy of regarding technological leadership as the core of its competitiveness. Through independent R&D, we are continually introducing high-end devices, innovative technologies and solutions that promote the advance of energy technology and spur the rapid growth of corporate benefits.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,617,934,500 shares of the Company in issue as at 31 December 2018.

During the year ended 31 December 2018, the Company purchased 5,382,000 shares of the Company at an aggregate purchase price before expenses of HK$6,920,320 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$)*	**Lowest** *(HK$)*	**Aggregate purchase price** *(HK$)*
February	1,418,000	1.59	1.52	2,211,920.00
December	3,964,000	1.27	1.07	4,708,400.00

The 1,418,000 shares purchased in February 2018 were cancelled during the year under review, while the 3,964,000 shares purchased in December 2018 were cancelled in January 2019.

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 2018.

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 2018.

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 control and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2018.

DIVIDENDS

The Board proposed to recommend the payment of a final dividend of HK3 cents per share for the year ended 31 December 2018 (corresponding period in 2017: HK3 cents) out of the share premium account of the Company. The aforesaid final dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Thursday, 20 June 2019 to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 6 June 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Tuesday, 21 May 2019 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 Wednesday, 15 May 2019. The register of members of the Company will be closed from Thursday, 16 May 2019 to Tuesday, 21 May 2019, 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 Tuesday, 21 May 2019 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 Monday, 3 June 2019. The register of members of the Company will be closed from Tuesday, 4 June 2019 to Thursday, 6 June 2019, 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 Tuesday, 21 May 2019, the final dividend will be paid on or around Thursday, 20 June 2019 to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 6 June 2019.

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 2018 will be available at the same websites and despatched to the Shareholders in due course.

PRESENTATION

The Company will hold presentations for the annual results of the Group for the year ended 31 December 2018 at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Friday, 15 March 2019 from 3:00 p.m. to 4:30 p.m. and at Shengdian Room, Pudong Shangri-La, 33 Fu Cheng Road, Pudong Shanghai, PRC on Monday, 18 March 2019 from 2:00 p.m. to 3:30 p.m. respectively.

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

Hong Kong, 13 March 2019

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.