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

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

(a) Revenue increased by approximately 6.7% to approximately RMB627.4 million.

(b) Gross profit decreased by approximately 6.1% to approximately RMB195.0 million.

(c) Gross profit margin decreased from approximately 35.3% to approximately 31.1%.

(d) Profit and total comprehensive income for the period attributable to owners of the parent was approximately RMB113.5 million.

(e) Basic earnings per share attributable to ordinary equity holders of the parent were approximately RMB7.0 cents.

(f) Diluted earnings per share attributable to ordinary equity holders of the parent were approximately RMB6.9 cents.

(g) The Board has resolved to pay an interim dividend of HK2 cents per share for the six months ended 30 June 2019 out of the share premium account of the Company.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019, with the comparative figures for the same period in 2018, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**627,353**	587,932
Cost of sales		**(432,305)**	(380,136)
Gross profit		**195,048**	207,796
Other income and gains	*5*	**99,236**	24,868
Selling and distribution costs		**(35,961)**	(36,325)
Administrative expenses		**(57,962)**	(49,960)
Research and development costs		**(27,698)**	(21,657)
Other expenses and losses		**(15,021)**	(17,697)
Finance costs	*7*	**(8,776)**	(7,130)
Share of profits/(losses) of:			
A joint venture		**(35)**	(13)
Associates		**(25)**	913
PROFIT BEFORE TAX	*6*	**148,806**	100,795
Income tax expense	*8*	**(31,897)**	(15,235)
PROFIT FOR THE PERIOD		**116,909**	85,560
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**674**	(87)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**674**	(87)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**117,583**	85,473

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

For the six months ended 30 June 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the parent		**113,028**	81,893
Non-controlling interests		**3,881**	3,667
		116,909	85,560
Total comprehensive income attributable to:			
Owners of the parent		**113,541**	81,837
Non-controlling interests		**4,042**	3,636
		117,583	85,473
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**RMB7.00 cents**	RMB5.07 cents
Diluted		**RMB6.93 cents**	RMB5.00 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**274,196**	318,924
Right-of-use assets		**42,783**	–
Prepaid land lease payments		**–**	35,409
Deposits for purchase of items of property, plant and equipment		**17,306**	8,795
Goodwill		**8,392**	41,037
Other intangible assets		**34,361**	40,844
Club memberships		**1,554**	1,554
Investment in a joint venture		**15,531**	15,566
Investments in associates		**115,590**	36,490
Trade receivables	*10*	**–**	745
Contract assets		**44,819**	37,535
Deferred tax assets		**4,153**	5,889
Total non-current assets		**558,685**	542,788
CURRENT ASSETS			
Inventories		**145,875**	154,343
Trade and bills receivables	*10*	**803,352**	859,768
Contract assets		**51,403**	86,067
Prepayments, deposits and other receivables		**157,591**	43,076
Prepaid land lease payments		**–**	952
Derivative financial instruments		**–**	218
Due from a related party		**25,848**	–
Pledged deposits		**40,836**	35,040
Cash and cash equivalents		**629,297**	766,891
Total current assets		**1,854,202**	1,946,355
CURRENT LIABILITIES			
Trade and bills payables	*11*	**202,101**	285,646
Contract liabilities		**44,007**	52,283
Other payables and accruals		**48,853**	58,867
Dividend payables		**42,734**	–
Due to an associate		**24,500**	–
Derivative financial instruments		**9,231**	9,615
Interest-bearing bank borrowings		**327,230**	360,354
Lease liabilities		**1,762**	–
Tax payable		**37,024**	42,682

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2019

	Note	**30 June 2019** **RMB'000** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Total current liabilities		**737,442**	809,447
NET CURRENT ASSETS		**1,116,760**	1,136,908
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,675,445**	1,679,696
NON-CURRENT LIABILITIES			
Lease liabilities		**11,671**	–
Deferred income		**3,465**	4,422
Deferred tax liabilities		**9,423**	6,076
Total non-current liabilities		**24,559**	10,498
Net assets		**1,650,886**	1,669,198
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*12*	**138,499**	138,637
Treasury shares		**(999)**	(4,135)
Reserves		**1,497,425**	1,429,062
		1,634,925	1,563,564
Non-controlling interests		**15,961**	105,634
Total equity		**1,650,886**	1,669,198

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**"). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") issued by IASB effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendments, Curtailment or Settlement*
Amendments to IAS 28	*Long-term interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and land use rights. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (Decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	50,633
Decrease in prepaid land lease payments – non-current portion	(35,409)
Decrease in prepaid land lease payments – current portion	(952)
Increase in total assets	14,272
Liabilities	
Increase in lease liabilities	14,272
Increase in total liabilities	14,272

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	16,146
Weighted average incremental borrowing rate as at 1 January 2019	2.65%
Discounted operating lease commitments as at 1 January 2019	15,608
Less: Commitments relating to short term leases and those lease with a remaining lease term ending on or before 31 December 2019	1,336
Lease liabilities as at 1 January 2019	14,272

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Summary of new accounting policies (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease property for additional terms of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of property due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			
	Land use rights	**Property**	**Total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	36,361	14,272	50,633	14,272
Depreciation charge	(476)	(969)	(1,445)	–
Interest expense	–	–	–	170
Payments	–	–	–	(1,009)
Disposal of a subsidiary	(6,405)	–	(6,405)	–
As at 30 June 2019	29,480	13,303	42,783	13,433

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment which is principally engaged in the manufacturing and trading of power electronic components. All of the Group's operating results from the operations are generated from this single segment. Management monitors the results of the Group's operation as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

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

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Power transmission and distribution	**377,203**	312,818
Industrial and others	**199,498**	228,862
Electrified transportation	**50,652**	46,252
Total revenue from contracts with customers	**627,353**	587,932

The Group's revenue are all recognised at a point in time when goods are delivered.

Other income		
Government grants*	**6,996**	12,516
Interest income	**4,615**	5,231
Sale of scrap materials	**589**	1,205
Others	**185**	503
	12,385	19,455
Gains		
Gain on disposal of a subsidiary	**85,242**	–
Foreign exchange gains, net	**1,422**	–
Gain on disposal of items of property, plant and equipment, net	**187**	75
Fair value gains on foreign currency forward contracts, net	**–**	5,338
	86,851	5,413
	99,236	24,868

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**430,701**	378,183
Write-down of inventories to net realisable value	**1,604**	1,953
Cost of sales	**432,305**	380,136
Depreciation	**11,862**	9,597
Amortisation of other intangible assets	**1,235**	1,288
Amortisation of prepaid land lease payments	**–**	476
Amortisation of right-of-use assets	**1,445**	–
Impairment of trade and other receivables and contract assets	**2,151**	11,925
Fair value loss/(gains) on foreign currency forward contracts, net	**12,859**	(5,338)
Gain on disposal of items of property, plant and equipment, net	**(187)**	(75)
Gain on disposal of a subsidiary	**(85,242)**	–
Foreign exchange differences, net	**(1,422)**	5,772

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**8,606**	7,130
Interest on lease liabilities	**170**	–
	8,776	7,130

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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

Certain subsidiaries of the Group are qualified as high technology enterprises and 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.

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	**1,101**	371
Current – Elsewhere		
Charge for the period	**35,431**	16,975
Overprovision in prior periods	**(3,957)**	(1,407)
Deferred	**(678)**	(704)
Total tax charge for the period	**31,897**	15,235

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,614,562,160 (six months ended 30 June 2018: 1,614,918,425) in issue during the period.

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

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**113,028**	81,893

	Number of shares For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,614,562,160**	1,614,918,425
Effect of dilution – weighted average number of ordinary shares:		
Share options	**15,436,550**	23,148,621
	1,629,998,710	1,638,067,046

10. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**625,472**	774,601
Impairment	**(22,481)**	(44,940)
	602,991	729,661
Bills receivable	**200,361**	130,852
Less: Amount shown as non-current	**–**	(745)
	803,352	859,768

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 receivables. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from an associate of RMB4,919,000 (31 December 2018: Nil), which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**270,781**	293,650
3 to 6 months	**187,833**	100,754
6 to 12 months	**45,763**	178,315
Over 1 year	**98,614**	156,942
	602,991	729,661

11. TRADE AND BILLS PAYABLES

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within six months	**170,380**	236,812
Over six months	**31,721**	48,834
	202,101	285,646

Included in the Group's trade payables are amounts due to an associate of RMB658,000 (31 December 2018: Nil).

12. ISSUED CAPITAL

The subscription rights attaching to 1,296,500, and 1,251,000 share options were exercised at the subscription prices of HK$0.68 and HK$0.69 per share, respectively, resulting in the issue of 2,547,500 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$1,745,000 (equivalent to approximately RMB1,504,000). An amount of RMB466,000 was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

During the period, the Company repurchased a total of 1,224,000 of the Company's shares and 4,160,000 shares have been cancelled. The total consideration paid to repurchase these shares was RMB1,202,000, which has been deducted from the Company's equity.

13. BUSINESS COMBINATION

On 4 March 2019, the Group acquired a 29.25% of equity shares in morEnergy GmbH ("**morEnergy**"), a company incorporated in Germany dedicating to the research and development of emerging energy technologies, and subscribed a 42.96% of equity shares in morEnergy, for an aggregate cash consideration of EUR1,464,685 (equivalent to RMB11,152,000), with EUR1,259,685 (equivalent to RMB9,591,000) paid during the period and EUR205,000 (equivalent to RMB1,561,000) remained unsettled as of 30 June 2019. The acquisition is one of the important measures for the Group to accelerate the progress of implementing international development and strengthening the capacities of international research and development.

The Group has elected to measure the non-controlling interest in morEnergy at the non-controlling interest's proportionate share of morEnergy's identifiable net assets.

13. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of morEnergy as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	169
Other intangible assets	11,009
Cash and cash equivalents	865
Trade receivables	7
Other receivables (note)	6,184
Trade payables	(75)
Other payables	(1,376)
Deferred tax liabilities	(3,440)
Total identifiable net assets at fair value	13,343
Non-controlling interests	(3,705)
Goodwill on acquisition	1,514
	11,152
Satisfied by:	
Cash (note)	9,591
Other payables	1,561
	11,152

Note: The amounts include the subscription monies of 42.96% of equity shares in morEnergy of EUR749,385 (equivalent to RMB5,706,000).

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB7,000 and RMB6,184,000, respectively.

14. DISPOSAL OF A SUBSIDIARY

On 29 April 2019 the Group entered into a share transfer agreement in relation to the disposal of 43% equity interests in Jiujiang Sun.King Technology Co., Ltd. (the "**Jiujiang Sunking**"), a non-wholly-owned subsidiary of the Group, to Shanghai Tanda Rolling Stock Seat System Co. Ltd. at a cash consideration of RMB193,500,000, with RMB77,400,000 received during the period and RMB116,100,000 remained unsettled as of 30 June 2019.

The disposal was completed on 28 June 2019; and accordingly, the Group's equity interests in Jiujiang Sunking decreased from 62.25% to 19.25%, and Jiujiang Sunking became an associate to the Group.

Details of the net assets disposed of and the financial impacts are summarised below:

	2019 *RMB'000* (Unaudited)
Net assets disposed of:	
Property, plant and equipment	36,761
Right-of-use assets	6,405
Investment in an associate	7,500
Other intangible assets	23,704
Deferred tax assets	5,080
Inventories	57,716
Trade and other receivables, net	247,677
Pledged deposits	40
Cash and cash equivalents	36,986
Trade and other payables	(141,742)
Interest-bearing bank borrowings	(10,000)
Tax payable	(9,058)
Deferred tax liabilities	(2,878)
	258,191
Non-controlling interests	(97,467)
Goodwill	34,159
Gain on disposal of a subsidiary	85,242
	280,125
Satisfied by:	
Cash	77,400
Other receivables	116,100
Investment in an associate	86,625
	280,125

15. CAPITAL COMMITMENTS

Capital Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**11,554**	2,046

Other Commitments

Commitments under foreign currency forward contracts:

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Purchase of Swiss franc	**417,260**	667,405

16. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the board of directors declared an interim dividend of HK2 cents per share for the six month ended 30 June 2019.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 22 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Group Performance

For the six months ended 30 June 2019, the Group's sales revenue amounted to approximately RMB627.4 million (for the first half of 2018: approximately RMB587.9 million), representing an increase of approximately 6.7% as compared with the same period in 2018.

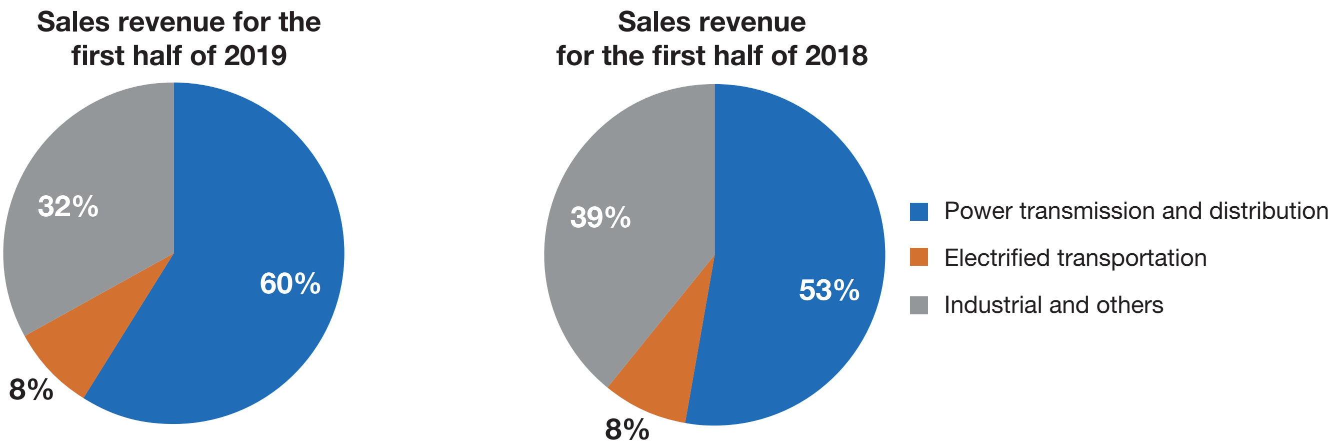
For the six months ended 30 June 2019, the Group's net profit amounted to approximately RMB116.9 million (for the first half of 2018: approximately RMB85.6 million), representing an increase of approximately 36.6% as compared with the same period in 2018. Such increase was mainly due to a substantial increase in other income and gains as compared with the same period in 2018.

2. Performance by business sector

Performance of each business sector of the Group was as follows:

	For the six months ended 30 June 2019		**For the six months ended 30 June 2018**	
	Revenue	**Gross profit margin**	**Revenue**	**Gross profit margin**
	(RMB million)	%	*(RMB million)*	%
Power transmission and distribution	**377.2**	**29.5**	312.8	37.3
Electrified transportation	**50.7**	**31.6**	46.3	35.2
Industrial and others	**199.5**	**33.9**	228.9	33.5
Total	**627.4**	**Average 31.1**	587.9	Average 35.3

The proportion of sales revenue for each of the Group's business sectors was as follows:



2.1 Power transmission and distribution sector

- **Market review**

In the first half of 2019, there were plenty of orders for flexible direct current transmission projects with smooth delivery, and several ultra-high voltage direct current ("**UHVDC**") transmission projects were launched and started to acquire orders.

First, the Experimental Flexible Direct Current Grid Demonstration Project in Zhangbei (張北柔性直流電網實驗示範工程) (the "**Zhangbei Flexible Direct Project**") entered the peak season for delivery, 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) (the "**Wudongde Multi-terminal DC Project**") entered the delivery period.

Second, the seven high-voltage direct current ("**HVDC**") transmission projects planned in 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》) is advancing in an orderly manner, of which the three UHVDC transmission projects – "Qinghai-Henan" (青海－河南), "Shaanbei-Wuhan" (陝北－武漢) and "Yazhong-Jiangxi" (雅中－江西), and the "Yunnan-Guizhou Interconnection" (雲貴互聯) HVDC transmission project were initiated in the first half of 2019. The Group is securing relevant orders.

- **Operating results**

The power transmission and distribution sector consists of UHVDC transmission, flexible direct current transmission, and other power transmission and distribution.

	Sales revenue (RMB million)		
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Percentage change
Power transmission and distribution sector	**377.2**	312.8	21
UHVDC transmission	**49.0**	107.3	-54
Flexible direct current transmission	**279.5**	176.0	59
Other power transmission and distribution	**48.7**	29.5	65

UHVDC transmission

In the first half of 2019, as orders for the UHVDC transmission projects – "Qinghai-Henan" (青海－河南) and "Shaanbei-Wuhan" (陝北－武漢), and the Wudongde Multi-terminal DC Project – transmitting end (UHVDC technology) were being delivered partly, therefore the sales revenue of this subsector decreased.

In addition, the "Yazhong-Jiangxi" UHVDC transmission project and the "Yunnan-Guizhou Interconnection" HVDC transmission project commissioned with orders signed in succession. In the second half of 2019, orders in the HVDC transmission sector are expected to start delivery in batches.

Flexible direct current transmission

In the first half of 2019, the Wudongde Multi-terminal DC Project – receiving end (flexible direct current technology) and the Zhangbei Flexible Direct Project entered the stage of large-scale order delivery. The Zhangbei Flexible Direct Project delivered approximately 29% of the total order amount in the first half of 2019 and accumulatively delivered approximately 86% of the total order amount as of the end of June 2019, and the Wudongde DC Project – receiving end (flexible direct current technology) delivered approximately 12% of the total order amount in the first half of 2019 and accumulatively delivered approximately 17% of the total order amount as of the end of June 2019. The Group's sales revenue in this subsector increased significantly, benefiting from the large-scale delivery. The remaining orders of the Wudongde Multi-terminal DC Project – receiving end (flexible direct current technology) and the Zhangbei Flexible Direct Project are expected to continue large-scale delivery in the second half of 2019.

Other power transmission and distribution

In the first half of 2019, 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 steadily as compared with the same period in 2018.

2.2 The electrified transportation sector

- **Market review**

The Action Plan on Freight Growth from 2018 to 2020 (《2018-2020年貨運增量行動方案》) proposed that railway cargo transport capacity shall be significantly increased along with the cargo volume. Benefiting from this, the purchase volume of high-power electric locomotives maintained at high level. In the first half of 2019, China State Railway Group Co., Ltd. (formerly known as China Railway Corporation) invited tender for 419 high-power electric locomotives in total.

In addition, the bidding of passenger motor units for China maintained at relatively high level and the rate of localisation improved gradually. For example, 84% of the awarded motor units were domestically-made standard "fuxing" model.

In the first half of 2019, the production and sales volume of new energy vehicles was approximately 610,000 units, representing an increase of nearly 50% as compared with the same period in 2018. However, a further decrease in government subsidy for new energy vehicles in 2019 had an adverse impact on the industry chain both upstream and downstream of new energy vehicles.

- **Operating results**

The electrified transportation sector consists of rail transportation vehicles, new energy vehicles and motor units.

	Sales revenue *(RMB million)*		
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Percentage change
Electrified transportation sector	**50.7**	46.3	10
Rail transportation vehicles	**47.3**	39.9	19
New energy vehicles	**3.4**	6.4	-47

Rail transportation vehicles

In the first half of 2019, the Group's sales revenue in this subsector increased slightly, benefiting from the increased purchase volume of high-power electric locomotives and the purchase of passenger motor units which maintained at high level.

New energy vehicles

In the first half of 2019, as one of the major suppliers in the sector of new energy vehicles using laminated busbars, the Group's sales revenue in this subsector declined due to a further decrease in government subsidy for new energy vehicles.

2.3 The industrial and others sector

- **Operating results**

The industrial and others sector comprises electrical equipment, new energy power generation, metal smelting, scientific research institutes and others.

	Sales revenue *(RMB million)*		
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Percentage change
Industrial and others sector	**199.5**	228.9	-13
Electrical equipment	**89.6**	98.3	-9
New energy power generation	**23.5**	10.1	133
Metal smelting	**77.4**	118.2	-35
Scientific research institutes and others	**9.0**	2.3	291

Electrical equipment

In the first half of 2019, due to the decrease in orders of agent sales products, the Group's sales revenue in the electrical equipment subsector decreased slightly.

New energy power generation

In the first half of 2019, installed capacity of new energy power of China reached 0.75 billion kilowatt, representing an increase of approximately 9.5% as compared with the same period in 2018. The Group's revenue in this subsector increased significantly, benefiting from the increase in market size and the Group's additional efforts in market expansion.

Metal smelting

In the first half of 2019, the metallurgical industry such as electrolytic aluminium was almost stagnant due to policy factors, and newly commissioned projects decreased significantly. The Group's sales revenue in this subsector therefore decreased 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 special applications to domestic universities, research institutes and other application fields. In the first half of 2019, the Group achieved encouraging results in the subsector of scientific research institutes and others and sales revenue increased significantly.

3. Research and Development (the "R&D")

The Group adheres to the business philosophy of "motivating corporate development with scientific and technological innovation" and places great emphasis on the R&D of new technologies and R&D team building. We strive to accelerate the exploration and the R&D of international leading power semiconductor and supporting device technologies and international frontier new power technologies, to promote rapid development of technological strength and business performance of the enterprise.

Self-initiated R&D of insulated gate bipolar transistor ("IGBT")

In the first half of 2019, the Group initiated an independent R&D project for the core device of power semiconductor-IGBT. First, the Group formed SwissSEM and an international R&D team with cutting-edge technologies and solid experience. Second, the Group started the IGBT production line construction project in the core area of Yangtze River Delta-Jiashan Economic and Technological Development Zone. With full confidence and determination, the Group will overcome the technical barriers of the core device of power semiconductor, achieve the strategic goal of building high-end IGBT with independent technologies, and strive to become one of the global mainstream suppliers within five years.

R&D team building

In the first half of 2019, the Group formed an R&D team with cutting-edge technologies comprising morEnergy GmbH of Germany, SwissSEM Technology AG and Astrol of Switzerland by taking steps including the acquisition of morEnergy GmbH of Germany, the establishment of SwissSEM Technology AG of Switzerland and the formation of an IGBT R&D team. In the future, the Group will continue to actively absorb international outstanding R&D talents, further increase its R&D investment, and strive to gain competitive advantages in domestic and foreign markets with its leading technological R&D capabilities.

R&D achievements

The Group made outstanding achievements in technological R&D in the first half of 2019:

1. The launch of bio-impedance measuring technology: the world's cutting-edge and the most convenient bio-impedance measuring technology, which has obtained international invention patent and can be widely used in many fields such as new energy power generation, rail transportation vehicles and new energy vehicle charging systems.

2. Smart grid 11kV ultra-fast AC switchgear: which won the bidding of the United Kingdom smart grid technology demonstration project order.

3. 2kA bipolar energy extraction system: which won the bid for the HI-LUMI LHC project of the European Organisation for Nuclear Research, the world's largest hadron collider.

4. Wireless passive temperature measurement: which won the bid for the UHVDC project and became the first enterprise in China to apply this technology to the UHVDC field.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 6.7% from approximately RMB587.9 million for the six months ended 30 June 2018 to approximately RMB627.4 million for the same period in 2019, mainly due to the increased sales revenue in Zhangbei Flexible Direct Project and Wudongde Multi-terminal DC Project.

Cost of sales

The Group's cost of sales increased by approximately 13.7% from approximately RMB380.1 million for the six months ended 30 June 2018 to approximately RMB432.3 million for the same period in 2019, mainly due to an increase in revenue.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 6.1% from approximately RMB207.8 million for the six months ended 30 June 2018 to approximately RMB195.0 million for the same period in 2019, mainly due to a decrease in gross profit margin.

The Group's gross profit margin decreased from approximately 35.3% for the six months ended 30 June 2018 to approximately 31.1% for the same period in 2019, mainly due to the increased proportion of products with low gross profit margin.

Other income and gains

The Group's other income and gains increased by approximately 299.1% from approximately RMB24.9 million for the six months ended 30 June 2018 to approximately RMB99.2 million for the same period in 2019, mainly due to the gain resulting from the disposal of 43% equity interests in Jiujiang Sun.King Technology Co., Ltd.

Selling and distribution costs

The Group's selling and costs decreased by approximately 1% from approximately RMB36.3 million for the six months ended 30 June 2018 to approximately RMB36.0 million for the same period in 2019.

Administrative expenses

The Group's administrative expenses increased by approximately 16% from approximately RMB50.0 million for the six months ended 30 June 2018 to approximately RMB58.0 million for the same period in 2019, mainly due to an increase in labor cost.

Finance costs

The Group's financial costs, which were made up of interests on bank loans wholly repayable within one year, increased from approximately RMB7.1 million for the six months ended 30 June 2018 to approximately RMB8.8 million for the same period in 2019, mainly due to an increase in loans.

Share of profits/(losses) of associates

The Group's share of profits/(losses) of associates decreased from a gain of approximately RMB0.9 million for the six months ended 30 June 2018 to a loss of approximately RMB0.03 million for the same period in 2019.

Profit before tax

The Group's profit before tax had increased from approximately RMB100.8 million for the six months ended 30 June 2018 to approximately RMB148.8 million for the same period of 2019, mainly due to the gain resulting from the disposal of 43% equity interests in Jiujiang Sun.king Technology Co., Ltd.

Income tax expenses

The Group's income tax expenses increased by approximately 109.4% from approximately RMB15.2 million for the six months ended 30 June 2018 to approximately RMB31.9 million for the same period in 2019, mainly due to the gain resulting from the disposal of 43% equity interests in Jiujiang Sun.King Technology Co., Ltd.

Total comprehensive income for the period attributable to owners of the parent

The Group's total comprehensive income for the period attributable to owners of the parent of the Group increased from approximately RMB81.8 million for the six months ended 30 June 2018 to approximately RMB113.5 million for the same period in 2019, mainly due to the gain resulting from the disposal of 43% equity interests in Jiujiang Sun.King Technology Co., Ltd.

Interim dividend

The Board has resolved to pay an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2019 (same period in 2018: HK2 cents per ordinary share) out of the share premium account of the Company. The interim dividend is expected to be paid on or around 15 October 2019 to the shareholders of the Company whose names appear on the Company's register of members on 27 September 2019. Assuming no further share will be issued or repurchased from the date of this interim results announcement up to the expected dividend payment date, a total amount of HK$32,305,880 (same period in 2018: HK$32,313,220) will be absorbed.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from sales of its products and bank borrowings. As at 30 June 2019, the Group's current ratio (current assets divided by current liabilities) was approximately 2.5 (as at 31 December 2018: approximately 2.4). As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB629.3 million (as at 31 December 2018: approximately RMB766.9 million) and interest-bearing bank loans of approximately RMB327.2 million (as at 31 December 2018: approximately RMB360.4 million).

As at 30 June 2019, the Group's gearing ratio measured on the basis of total interest-bearing bank loans to total equity was approximately 19.8% (as at 31 December 2018: approximately 21.6%).

As at 30 June 2019, the Group's bank loans were mainly denominated in Renminbi with the contractual maturity being within one year from the end of the reporting period. The effective interest rate on the Group's bank borrowings (equivalent to the weighted average contracted interest rates) decreased from approximately 4.66% as at 31 December 2018 to approximately 4.47% as at 30 June 2019. In 2019, there was no material movement in the Group's funding and treasury policy.

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

Interests and foreign currency exposures

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

Contingent liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities (as at 31 December 2018: Nil).

Charges on Group's assets

As at 30 June 2019, 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 RMB30.9 million (as at 31 December 2018: approximately RMB32.0 million) and approximately RMB12.6 million (as at December 2018: approximately RMB12.8 million), respectively.

At 30 June 2019, certain of the Group's bills receivables of approximately RMB19.2 million (as at 31 December 2018: approximately RMB10.5 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 a 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 of the Company on 10 May 2017; and (c) the aggregate subscription amount of HK$344 million shall be used for R&D, capital expenditure and general working capital of the Group.

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

Use	**Allocation** *(HK$)*	**Utilisation as at 30 June 2019** *(HK$)*	**Remaining balance as at 30 June 2019** *(HK$)*	**Expected time of full utilisation of remaining balance**
Research and development	103,200,000	83,383,086	19,816,914	31 December 2020
Capital expenditure	103,200,000	27,041,103	76,158,897	31 December 2020
General working capital	137,600,000	137,600,000	–	N/A
Total	344,000,000	248,024,189	95,975,811	

HUMAN RESOURCES

As at 30 June 2019, the Group had 691 employees (as at 31 December 2018: 636 employees). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group regularly evaluates job performance of its employees to determine their salary and bonus. The Group has neither experienced any significant issues with its employees or disruptions in its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees.

PROSPECTS

Looking forward, China's electric power industry will continue to work towards the development directions of "replacement of other energy with clean energy and replacement of other energy with electricity". It will expedite the adjustment of its energy infrastructure and the reform of energy technologies. As a focus of the development and application of emerging power technologies, power electronics technologies are 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 technologies, power electronics technologies and industry as represented by UHVDC transmission, flexible direct current transmission and intelligent grids, will continue its rapid development. The fast growth of electric energy consumption scale and electric energy application technologies in the electrified rail transportation, new energy vehicle and electrified vessel sectors will also create unprecedented development opportunities for power electronics technologies and related industry.

As the IGBT project becomes the top priority of the Group's technological R&D and future development, the Group will accelerate the implementation of the project and strive to launch the first batch of test products in the first half of 2020 and complete the construction of the first production line by the end of 2020. We will complete the strategic goal of building high-end IGBT products with self-owned technologies as soon as we can and make it a new driving force for the long-term development of the Group.

Outlook for the second half of 2019

Major projects in the flexible direct current transmission sector-Zhangbei Flexible Direct Project and Wudongde Multi-terminal DC Project are expected to continue their large-scale delivery. In addition, the UHVDC transmission projects-Qinghai-Henan (青海－河南), Shaanbei-Wuhan (陝北－武漢) and Yangzhong-Jiangxi (雅中－江西) as planned in 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》), as well as the Yunnan-Guizhou Interconnection (雲貴互聯) HVDC transmission project were launched in the first half of 2019 and received orders in succession, and are expected to enter the stage of large-scale delivery in the second half of 2019. The HVDC transmission projects-"Baihetan-Jiangsu" (白鶴灘－江蘇), "Baihetan-Zhejiang" (白鶴灘－浙江) and "Min-Guang Interconnection" (閩粵聯網) are expected to start in the second half of 2019.

In addition, benefiting from the implementation of the Action Plan on Freight Growth from 2018 to 2020 (《2018-2020年貨運增量行動方案》), the Group is expected to maintain sound development momentum in the rail transportation business sector.

The Group will continue to adhere to its business strategy of regarding technology leadership as the core of its competitiveness, strengthen management, adopt a sound financial policy and focus on independent technological R&D, and promote the advancement of energy technologies through continuous introduction of high-end power electronic devices, innovative technologies and solutions that spur rapid growth of corporate and social values.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,616,322,000 shares of the Company in issue as at 30 June 2019.

For the six months ended 30 June 2019, the Company purchased 1,224,000 shares of the Company at an aggregate purchase price (excluding expenses) of HK$1,364,080 on The Stock Exchange of Hong Kong Limited. Details of the purchase of such shares were as follows:

Month of purchase in 2019	Number of shares purchased	Price per share Highest	Lowest	Aggregate purchase price
		(HK$)	*(HK$)*	*(HK$)*
January	196,000	1.21	1.17	231,220.00
June	1,028,000	1.15	1.04	1,132,860.00

The 196,000 shares purchased in January 2019 were cancelled during the first half of 2019.

The aforementioned purchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the market price per share and to improving the confidence of investors in the Company.

MATERIAL ACQUISITIONS AND DISPOSALS

On 4 March 2019, Sunking Pacific Limited ("**Sunking Pacific**"), being a subsidiary of the Company, entered into an agreement with, among others, Thanh Trung Do, Hauke Christian Lothar Wilken and Michael Jordan (together with Thanh Trung Do and Hauke Christian Lothar Wilken are collectively referred to as the "**Vendors**") in relation to the acquisition by Sunking Pacific of approximately 29.25% of the shares in morEnergy GmbH from the Vendors and the subscription by Sunking Pacific of approximately 42.96% of the shares in morEnergy GmbH. morEnergy GmbH has become a subsidiary of the Company.

On 29 April 2019, Jiashan Sunking Power Equipment Technology Co. Ltd. (嘉善華瑞賽晶電氣設備科技有限公司) ("**Jiashan Sunking**"), being a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Shanghai Tanda Rolling Stock Seat System Co. Ltd. (上海坦達軌道車輛座椅系統有限公司) ("**Shanghai Tande**") in relation to the disposal by Jiashan Sunking of 43% equity interests in Jiujiang Sun.King Technology Co., Ltd. (九江賽晶科技股份有限公司) ("**Jiujiang Sunking**") to Shanghai Tanda. Jiujiang Sunking has ceased to be a subsidiary of the Group.

CORPORATE GOVERNANCE

As reported in the corporate governance report published in the 2018 annual report of the Company, the Group places high value in its corporate governance practice and the Board firmly believes that good corporate governance practice could improve accountability and transparency for the benefits of the shareholders of Company.

The Company had complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months ended 30 June 2019. The Board reviews and monitors the operations of the Group from time to time with the aim of maintaining high standards of corporate governance practice.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from Thursday, 26 September 2019 to Friday, 27 September 2019, both dates inclusive, during which no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 25 September 2019 for registration.

BOARD OF DIRECTORS AND BOARD COMMITTEES

There had been no substantial disclosable change in the information of the Directors since last disclosed in the 2018 annual report of the Company pursuant to Rule 13.51(B)(1) of the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The audit committee has reviewed the accounting principles and practice adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters, including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

The current members of the audit committee are Mr. Chen Shimin (chairman of the audit committee), Mr. Zhang Xuejun, Mr. Leung Ming Shu and Mr. Zhu Ming. At the Company's annual general meeting held on 20 June 2019, the shareholders of the Company approved the appointment of Ernst & Young as the Company's external auditors up to the conclusion of the annual general meeting to be held in 2020. The procedures in relation to the selection, appointment and determination of the audit fees of the Company's external auditors were reviewed by the audit committee and approved by the Board.

REMUNERATION COMMITTEE

The roles and functions of the remuneration committee are to make recommendations on the remuneration package of the Directors and senior management, the execution of which is subject to the approval of the Board. In addition, the remuneration committee also evaluates the performance of the senior management of the Group and determines its remuneration structure.

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

NOMINATION COMMITTEE

The roles and functions of the nomination committee are to formulate policies on the Director nomination for the Board's consideration and to implement the Director nomination policies as approved by the Board, including annual review of Board structure, identification of eligible persons for the position of Director, supervision of Directors' succession plans and assessment of the independence of the independent non-executive Directors.

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

INVESTMENT COMMITTEE

The investment committee is responsible for advising the Board on investment of fixed assets (both tangible and intangible), equity, debt, financial securities, restructuring and joint ventures.

The current members of the investment committee are Mr. Yan Fuquan (chairman of the investment committee), Mr. Chen Shimin, Mr. Leung Ming Shu, Mr. Xiang Jie, Mr. Zhang Xuejun and Ms. Zhang Ling.

CORPORATE CULTURE AND SOCIAL RESPONSIBILITY

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Board has made specific enquiry of all Directors and the Directors confirmed that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2019.

Save as disclosed herein, there had been no material change in the development or future development of the Group's business and financial position, and no important event affecting the Group had occurred since the publication of the 2018 annual report of the Company.

TELEPHONE CONFERENCE

The Company will host a telephone conference to discuss the interim results of the Group for the six months ended 30 June 2019 with shareholders of the Company and potential investors of the Company on Friday, 23 August 2019 from 9:30 a.m. to 10:30 a.m. (Hong Kong time). The dial-in details are as follows:

Telephone number: Hong Kong (852) 3027 6500
Mainland China 8009 880 563/400-821-0637

Conference code: 91000425

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

Hong Kong, 22 August 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.

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