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 2019, DECLARATION OF FINAL DIVIDEND AND SPECIAL DIVIDEND, AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 8.1% to approximately RMB1,395.6 million.
- Gross profit decreased by approximately 2.7% to approximately RMB423.8 million.
- Gross profit margin decreased from approximately 33.7% to approximately 30.4%.
- Profit attributable to owners of the Company amounted to approximately RMB195.6 million.
- Earnings per share amounted to approximately RMB12.15 cents (basic) and RMB12.05 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 2019, with the comparative figures for the corresponding year in 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
REVENUE	*4*	**1,395,638**	1,290,490
Cost of sales		**(971,836)**	(855,128)
Gross profit		**423,802**	435,362
Other income and gains	*4*	**101,320**	41,396
Selling and distribution expenses		**(74,898)**	(72,630)
Administrative expenses		**(105,684)**	(83,624)
Research and development costs		**(61,757)**	(53,718)
Other expenses		**(26,604)**	(6,514)
Finance costs	*5*	**(17,810)**	(16,474)
Share of profits and losses of:			
A joint venture		**(36)**	(26)
Associates		**(4,343)**	1,490
PROFIT BEFORE TAX	*6*	**233,990**	245,262
Income tax expense	*7*	**(33,962)**	(35,107)
PROFIT FOR THE YEAR		**200,028**	210,155
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**883**	544
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**883**	544
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**200,911**	210,699

	Note	2019	2018
		RMB'000	*RMB'000*
Profit attributable to:			
Owners of the parent		**195,643**	183,301
Non-controlling interests		**4,385**	26,854
		200,028	210,155
Total comprehensive income attributable to:			
Owners of the parent		**196,278**	183,655
Non-controlling interests		**4,633**	27,044
		200,911	210,699
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB12.15 cents**	RMB11.34 cents
Diluted		**RMB12.05 cents**	RMB11.21 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**304,511**	318,924
Prepaid land lease payments		**–**	35,409
Right-of-use assets		**58,918**	–
Deposits for purchase of items of property, plant and equipment		**154**	8,795
Goodwill		**6,878**	41,037
Other intangible assets		**32,731**	40,844
Club memberships		**–**	1,554
Investment in a joint venture		**15,530**	15,566
Investments in associates		**80,095**	36,490
Trade receivables	*10*	**452**	745
Contract assets	*10*	**71,715**	37,535
Deferred tax assets		**8,141**	5,889
Total non-current assets		**579,125**	542,788
CURRENT ASSETS			
Inventories		**198,958**	154,343
Trade and bills receivables	*10*	**878,772**	859,768
Contract assets	*10*	**103,835**	86,067
Prepayments, deposit and other receivables		**178,762**	43,076
Prepaid land lease payments		**-**	952
Derivative financial instruments		**2,422**	218
Pledged deposits		**31,709**	35,040
Cash and cash equivalents		**592,748**	766,891
Total current assets		**1,987,206**	1,946,355
CURRENT LIABILITIES			
Trade and bills payables	*11*	**275,852**	285,646
Other payables and accruals		**59,713**	58,867
Contract liabilities		**24,626**	52,283
Derivative financial instruments		**407**	9,615
Lease liabilities		**1,424**	–
Interest-bearing bank borrowings		**452,839**	360,354
Tax payable		**22,361**	42,682
Total current liabilities		**837,222**	809,447

	2019	2018
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**1,149,984**	1,136,908
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,729,109**	1,679,696
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,729,109**	1,679,696
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**19,000**	–
Lease liabilities	**10,664**	–
Deferred income	**3,234**	4,422
Deferred tax liabilities	**7,708**	6,076
Total non-current liabilities	**40,606**	10,498
Net assets	**1,688,503**	1,669,198
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**136,996**	138,637
Treasury shares	**(2,736)**	(4,135)
Reserves	**1,537,680**	1,429,062
	1,671,940	1,563,564
Non-controlling interests	**16,563**	105,634
Total equity	**1,688,503**	1,669,198

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 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, 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 IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements* to *2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

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

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.

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 right. 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 a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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. 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:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

Financial impact at 1 January 2019

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

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	50,287
Decrease in prepaid land lease payments-non-current portion	(35,409)
Decrease in prepaid land lease payments-current portion	(952)
Increase in total assets	13,926
Liabilities	
Increase in lease liabilities	13,926
Increase in total liabilities	13,926

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

	RMB'000
Operating lease commitments as at 31 December 2018	16,146
Less: Commitments relating to short term leases and those lease with a remaining lease term ending on or before 31 December 2019	(1,336)
	14,810
Weighted average incremental borrowing rate as at 1 January 2019	2.46%
Discounted operating lease commitments as at 1 January 2019	13,926
Lease liabilities as at 1 January 2019	13,926

(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 continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(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 assessed its tax positions and concluded that the interpretation did not have any significant impact on the Group's consolidated financial statements.

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 are located 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 2019, revenue of approximately RMB322,902,000 and RMB211,519,000 were derived from sales to customers A and B, respectively.

In 2018, revenue of approximately RMB351,416,000 and RMB169,739,000 were derived from sales to customers C and A, respectively.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers, other income and gains is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Sale of power electronics components	**1,395,638**	1,290,490

	2019	2018
	RMB'000	*RMB'000*
Other income		
Government grants*	**9,776**	15,973
Bank interest income	**2,712**	3,423
Other interest income	**2,335**	–
Interest income arising from revenue contracts	**3,286**	5,509
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	**659**	686
	18,768	26,869
Gains		
Gain on disposal of items of property, plant and equipment, net	**287**	13,428
Foreign exchange gains, net	**4,763**	–
Fair value gains on foreign currency forward contracts, net	**–**	1,099
Gain on disposal of a subsidiary	**77,502**	–
	82,552	14,527
	101,320	41,396

* 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:

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank loans	**17,570**	16,474
Interest on lease liabilities	**240**	–
	17,810	16,474

6. PROFIT BEFORE TAX

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

	Notes	2019 *RMB'000*	2018 *RMB'000*
Cost of inventories sold		**968,705**	852,573
Write-down of inventories to net realisable value		**3,131**	2,555
Cost of sales		**971,836**	855,128
Auditor's remuneration		**1,800**	1,800
Depreciation of property, plant and equipment		**22,664**	21,273
Depreciation of right-of-use assets (2018: amortisation of land lease payments)		**2,760**	952
Amortisation of other intangible assets		**3,120**	2,569
Impairment of other intangible assets*		**4,486**	–
Impairment of goodwill*	*9*	**1,514**	–
Minimum lease payments under operating leases		**–**	2,718
Lease payments not included in the measurement of lease liabilities		**851**	–
Impairment of trade receivables and contract assets, net*	*10*	**1,035**	(1,066)
Impairment of financial assets included in prepayments, deposits and other receivables, net*		**356**	(212)
Foreign exchange differences, net		**(4,763)**	2,081
Fair value loss/(gain) on foreign currency forward contracts, net**		**17,659**	(1,099)
Loss on disposal/write-off of club membership*		**1,554**	–
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**66,320**	44,143
Share-based payment expense		**368**	1,448
Pension scheme contributions***		**9,279**	7,696
		75,967	53,287

* The impairment and loss amounts are included in "Other expenses and losses" in the consolidated statement of profit or loss.

** Fair value loss on foreign currency forward contracts for the year are included in "Other expenses and losses" in the consolidated statement of profit or loss.

*** At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

7. 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 year, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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.

	2019	2018
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**528**	316
Current – Elsewhere		
Charge for the year	**42,013**	34,054
Overprovision in prior years	**(2,156)**	(1,538)
Deferred	**(6,423)**	2,275
Total tax charge for the year	**33,962**	35,107

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 RMB195,643,000 (2018: RMB183,301,000), and the weighted average number of ordinary shares of 1,610,574,693 (2018: 1,615,736,321) 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:

	2019 *RMB'000*	2018 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**195,643**	183,301

	Number of shares 2019	 2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,610,574,693**	1,615,736,321
Effect of dilution – weighted average number of ordinary shares:		
Share options	**13,282,223**	20,056,763
	1,623,856,916	1,635,793,084

9. GOODWILL

	2019 *RMB'000*	2018 *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
Acquisition of a subsidiary	**1,514**	–
Disposal of a subsidiary	**(34,159)**	–
Impairment during the year	**(1,514)**	–
Cost at 31 December, net of accumulated impairment	**6,878**	41,037
At 31 December:		
Cost	**8,392**	47,235
Accumulated impairment	**(1,514)**	(6,198)
Net carrying amount	**6,878**	41,037

During the year ended 31 December 2019, due to unfavourable operating performance of morEnergy GmbH, an indirect non-wholly-owned subsidiary of the Company, principally engaged in research and development of emerging energy technologies, by discounting the future cash flows generated from morEnergy GmbH at the discount rate applied to cash flow projections of 16% to determine morEnergy GmbH's value in use, the directors of the Company considered that goodwill of approximately RMB1,514,000 was fully impaired.

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
- Astrol cash-generating unit; and
- morEnergy cash-generating unit.

Jiujiang Sunking cash-generating unit

The recoverable amount of Jiujiang Sunking cash-generating unit at 31 December 2018 had 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 was 15%. The growth rate used to extrapolate the cash flows of Jiujiang Sunking cash-generating unit beyond the five-year period was 3%.

Astrol cash-generating unit

The recoverable amount of Astrol cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% (2018: 15%). The growth rate used to extrapolate the cash flows of Astrol cash-generating unit beyond the five-year period is 3% (2018: 3%).

morEnergy cash-generating unit

The recoverable amount of morEnergy cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% (2018: Nil). The growth rate used to extrapolate the cash flows of morEnergy cash-generating unit beyond the five-year period is 3% (2018: Nil).

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

	Jiujiang Sunking		**Astrol**		**morEnergy**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Gross amount	**–**	40,357	**6,878**	6,878	**1,514**	–	**8,392**	47,235
Less: accumulated impairment	**–**	6,198	**–**	–	**1,514**	–	**1,514**	6,198
Net carrying amount	**–**	34,159	**6,878**	6,878	**–**	–	**6,878**	41,037

Assumptions were used in the value in use calculation of Astrol cash-generating unit for 31 December 2019 and 31 December 2018, and for morEnergy cash-generating unit for 31 December 2019. 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, adjusted for expected market development.

Discount rates – 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 discount rates are consistent with external information sources.

10. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**696,692**	774,601
Impairment	**(22,898)**	(44,940)
	673,794	729,661
Bills receivable	**205,430**	130,852
	879,224	860,513
Analysed into:		
Current portion	**878,772**	859,768
Non–current portion	**452**	745
	879,224	860,513

	31 December 2019	31 December 2018	1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from sale of industrial products	**176,765**	125,142	157,418
Impairment	**(1,215)**	(1,540)	–
	175,550	123,602	157,418
Analysed into:			
Current portion	**103,835**	86,067	157,418
Non–current portion	**71,715**	37,535	–
	175,550	123,602	157,418

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 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. 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.

Included in the Group's trade receivables are amount due from an associate of RMB1,130,000 (2018: Nil), which are repayable on credit terms similar to those offered to the major customers of the Group.

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 as the receipt of consideration is conditional on the successful expiry of warranty period. Upon the expiry of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 is the result of the increase in the sales contract amounts at the end of the year. The decrease in contract assets on 2018 was the results of the change in the time frame for a right to consideration to become unconditional (i.e. for contract assets to be reclassified to trade receivables).

The expected timing of recovery or settlement for contract assets as at the end of the reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one year	**103,835**	86,067
More than one year	**71,715**	37,535
Total contract assets	**175,550**	123,602

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 loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**271,930**	293,650
3 to 6 months	**234,383**	100,754
6 to 12 months	**77,617**	178,315
Over 1 year	**89,864**	156,942
	673,794	729,661

At 31 December 2019, the Group's bills receivable would mature within twelve (2018: twelve) months.

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**44,940**	47,546
Impairment losses, net	**1,231**	(2,606)
Disposal of a subsidiary	**(23,273)**	–
At end of year	**22,898**	44,940

The decrease in the loss of allowance in 2019 was mainly due to the disposal of Jiujiang Sunking with an aggregate gross carrying amount of trade receivables of RMB241,146,000 and corresponding loss allowance of RMB23,273,000. The decrease in the loss allowance in 2018 was mainly due to the decrease in trade receivables which are past due for over 3 years with an aggregate gross carrying amount of RMB2,606,000 and corresponding loss allowance of RMB2,606,000.

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**1,540**	–
Impairment losses, net	**(196)**	1,540
Disposal of a subsidiary	**(129)**	–
At end of year	**1,215**	1,540

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome and the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For trade receivables and contract assets due from some major customers (Tier 1 customers), the Group is of opinion that there will be no expected credit loss on these accounts even though these trade receivables and contract assets are overdue, based on their credit rating, no history of default on these accounts.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 December 2019

	Within	**Past due**				
RMB'000	**credit period**	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Gross carrying amount	**401,594**	**415,034**	**27,737**	**16,884**	**12,208**	**873,457**
Amount from Tier 1 customers	**3,773**	**44,996**	**11,913**	**6,457**	**210**	**67,349**
Carrying amount without Tier 1 customers	**397,821**	**370,038**	**15,824**	**10,427**	**11,998**	**806,108**
Expected credit loss rate (%)	**0.7**	**0.7**	**10.74**	**48.24**	**100.00**	**2.99**
Expected credit losses	**2,796**	**2,589**	**1,700**	**5,030**	**11,998**	**24,113**

31 December 2018

	Within	Past due				
RMB'000	credit period	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Gross carrying amount	400,013	368,363	84,989	27,149	19,229	899,743
Amount from Tier 1 customers	23,889	62,368	28,840	5,696	–	120,793
Carrying amount without Tier 1 customers	376,124	305,995	56,149	21,453	19,229	778,950
Expected credit loss rate (%)	1.20	1.20	13.42	53.69	100.00	5.97
Expected credit losses	4,534	3,665	7,534	11,518	19,229	46,480

At 31 December 2019, certain bills receivable of the Group with an aggregate carrying amount of RMB11,614,000 (2018: RMB10,548,000) were pledged to secure certain of the Group's bills payable.

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB25,091,000 (2018: RMB28,915,000) 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 2019, 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 RMB61,433,000 (2018: RMB56,193,000). 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:

	2019	2018
	RMB'000	*RMB'000*
Within six months	**244,242**	236,812
Over six months	**31,610**	48,834
	275,852	285,646

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

Included in the trade and bills payables are payable of RMB658,000 (2018: Nil) due to associates, which represents credit terms similar to those offered by the associates to their major customers.

At 31 December 2019, certain of the Group's bills payable are secured by the group of the Group's bank deposits amounting to RMB2,984,000 (2018: RMB9,899,000) and the Group's bills receivable amounting to RMB11,614,000 (2018: RMB310,548,000), respectively.

12. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Interim – HK2 cents (2018: HK2 cents) per ordinary share	**29,117**	28,557
Proposed final – HK3 cents (2018: HK3 cents) per ordinary share	**42,911**	42,425
Proposed special – HK3 cents (2018: Nil) per ordinary share	**42,911**	–
Total	**114,939**	70,982

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

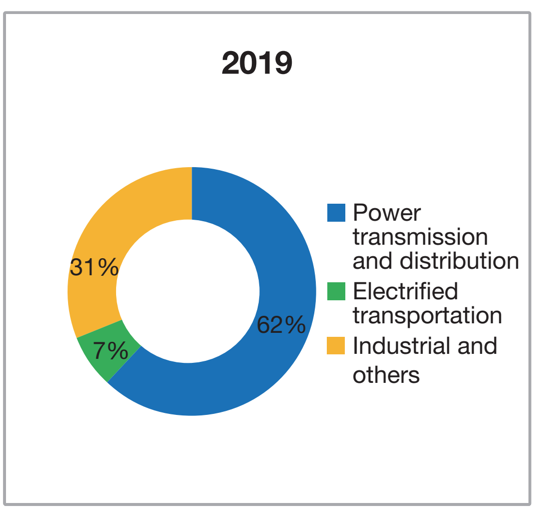
BUSINESS REVIEW

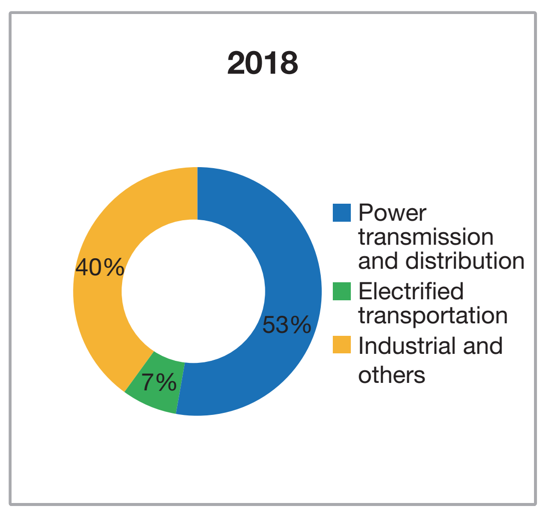
1. Performance by business sector

The Group's business performance by sector for the two years ended 31 December 2019 are as follows:

	For the year ended 31 December			
	2019		2018	
	Revenue *(RMB million)*	**Gross profit margin** %	Revenue *(RMB million)*	Gross profit margin %
Power transmission and distribution	**861.6**	**28**	687.0	35
Electrified transportation	**102.8**	**31**	91.3	34
Industrial and others	**431.2**	**35**	512.2	34
Total	**1,395.6**	**Average 30**	1,290.5	Average 34

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





1.1 Power transmission and distribution sector

- ***Market review***

Following the initiation of the "Qinghai-Henan" (青海－河南) and "Shaanbei-Wuhan" (陝北－武漢) ultra-high voltage direct current ("**UHVDC**") transmission projects at the end of 2018, the "Yazhong-Jiangxi" (雅中－江西) UHVDC transmission project and the "Yunnan-Guizhou Interconnection" (雲貴互聯) high voltage direct current ("**HVDC**") transmission project were initiated successively in the year of 2019.

Two key projects of flexible direct current ("**DC**") transmission – the experimental flexible DC grid demonstration project in Zhangbei (張北柔性直流電網實驗示範工程) (the "**Zhangbei Flexible Direct Project**") and the demonstration project on ultra-high voltage multi-terminal DC 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**") are progressing in an orderly manner.

In addition, offshore wind power has become a new hot spot for investment and construction in the wind power sector in the People's Republic of China (the "**PRC**") in the year of 2019. Flexible DC transmission technology is the key and first class technology for offshore wind power grid. In 2019, the PRC initiated a number of flexible DC transmission projects in the offshore wind power sector, such as the Rudong offshore wind power flexible DC transmission demonstration project (如東海上風電柔性直流輸電示範項目) and the Sheyang offshore wind farm flexible DC transmission project (射陽海上風電場柔性直流輸電項目).

In 2019, the State Grid Corporation of China proposed the comprehensive construction of the Ubiquitous Electric Power IoT, and key technologies represented by intelligent grid online monitoring have entered a period of rapid development.

- ***Operating results***

The power transmission and distribution sector consists of UHVDC transmission, flexible DC transmission, and other types of power transmission and distribution.

	For the year ended 31 December		
	2019	2018	
	Revenue *(RMB million)*		**Change** *%*
Power transmission and distribution sector	**861.6**	687.0	25
UHVDC transmission	**102.2**	142.3	-28
Flexible DC transmission	**676.6**	471.9	43
Other power transmission and distribution	**82.8**	72.8	14

UHVDC transmission

Benefiting from the initiation of the Wudongde Multi-terminal DC Project – transmitting end (UHVDC technology), the 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, the Group secured abundant orders at hand in the UHVDC transmission subsector. However, order deliveries were made in a small scale in this subsector in 2019 which led to the significant decrease in revenue from this subsector.

Flexible DC transmission

In 2019, orders signed under the Wudongde Multi-terminal DC Project – receiving end (flexible DC technology) and the Zhangbei Flexible Direct Project entered the stage of large-scale delivery, under which the Group delivered 55% of the total order amount of the Wudongde Multi-terminal DC Project – receiving end (flexible DC technology) in 2019, and accumulatively delivered 58% of the total order amount as of the end of December 2019. For the Zhangbei Flexible Direct Project, the Group delivered 42% of the total order amount in 2019, and accumulatively delivered 100% of the total order amount as of the end of December 2019. The Group's revenue in this subsector increased significantly as a result of the large-scale delivery.

Other power transmission and distribution

In 2019, businesses from the Group's other power transmission and distribution subsector (including intelligent grid online monitoring products) generally performed well and the Group's revenue increased slightly.

1.2 Electrified transportation sector

- ***Market review***

With the gradual implementation of the Action Plan on Freight Growth from 2018 to 2020 (《2018-2020 年貨運增量行動方案》), the bidding of passenger motor units for the PRC maintained at relatively high level and the rate of localisation increased gradually. In 2019 the rail transportation vehicles subsector maintained a good development trend.

In 2019, however, as affected by further decrease in government subsidy for new energy vehicles, the production and sales volume of new energy vehicles was approximately 1,200,000 units, representing a decrease of approximately 4% as compared with 2018, which had an adverse impact on both upstream and downstream of the industry chain of new energy vehicles.

- ***Operating results***

The electrified transportation sector consists of rail transportation vehicles, rail transportation power supply system and new energy vehicles.

	For the year ended 31 December		
	2019	2018	
	Revenue		**Change**
	(RMB million)		*%*
Electrified transportation sector	**102.8**	91.3	13
Rail transportation vehicles	**91.6**	75.8	21
Rail transportation power supply system	**4.4**	1.6	175
New energy vehicles	**6.8**	13.9	-51

Rail transportation vehicles

In 2019, the Group's sales order amount of the rail transportation vehicles subsector continued to grow and the Group's revenue in this subsector increased significantly, benefiting from the purchase volume of high-power electric locomotives and the purchase of passenger motor units maintained at high level.

Rail transportation power supply system

As this subsector is still at its demonstrative and experimental phase, the Group's sales orders in this subsector are unstable. In 2019, the Group's revenue in this sector increased significantly due to a significant development in the subsector during the year.

New energy vehicles

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

1.3 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.

	For the year ended 31 December		
	2019	2018	
	Revenue		**Change**
	(RMB million)		*%*
Industrial and other section	**431.2**	512.2	-16
Electrical equipment	**267.5**	221.3	21
New energy power generation	**48.5**	29.0	67
Metal smelting	**105.7**	138.1	-23
Scientific research institutes and others	**9.5**	123.8	-92

Electrical equipment

In 2019, due to the improvement in electrical equipment market environment and the increase in the Group's sales order amount, the Group's revenue in this subsector increased significantly.

New energy power generation

In 2019, the installed capacity of new energy power of the PRC reached approximately 0.82 billion kilowatt, representing an increase of 7.9% as compared with last year. The Group's revenue in this subsector increased significantly due to the increase in market size resulting from the Group's additional efforts in market expansion.

Metal smelting

On 28 June 2019, the Group completed the disposal 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**"), which then changed from a subsidiary to an associate of the Group. As a result, the Group's revenue in this subsector decreased significantly.

Scientific research institutes and others

The progress of business development of the scientific research institutes and others subsector is somewhat erratic, which together with the impact of the change of Jiujiang Sunking from a subsidiary to an associate of the Group, led to a significant decrease in the Group's revenue in this subsector.

2. Research and development ("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. Through innovation and R&D in two major fields, namely international leading power semiconductor and supporting device technologies, and international frontier new power technologies, we strive to promote the rapid enhancement of technological strength and business performance of the enterprise.

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

In 2019, the Group initiated an independent R&D project for the core device of power semiconductor – IGBT. The Group formed excellent international R&D team and domestic technology team. All members of the international R&D team come from renowned European enterprises. The Group will fully promote the R&D project of IGBT, and achieve the goal of establishing independent high-end IGBT technologies in the PRC.

Team building

In 2019, the Group further strengthened international R&D capability through measures such as acquiring morEnergy GmbH of Germany and establishing SwissSEM Technology AG in Switzerland. Currently, the Group has three international R&D teams, including a power electronics technology R&D team in Switzerland, a semiconductor technology R&D team in Switzerland and a bio-impedance measuring technology R&D team in Germany.

R&D achievements

2019 was a fruitful year for R&D and innovation of the Group, which mainly include:

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 alternating current switchgears: which won the bidding of the United Kingdom smart grid technology demonstration project.

3. 2kA bipolar energy extraction system: which won the bidding for the high luminosity-large hadron collider project of the European Organisation for Nuclear Research, the world's largest hadron collider.

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

5. Neutral-section passing devices with alternating current switches for electrified railways: which won the bidding for the scientific research demonstration project of a railway bureau in the PRC.

6. Marine solid DC circuit breakers: which passed the DNH GL certification.

7. DC support capacitor for flexible DC transmission: which passed all tests of the standards of International Electro technical Commission, a third party authoritative organisation.

8. Laminated busbars for communication: successfully researched and developed the laminated busbars for telecommunication.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately 8.1% from approximately RMB1,290.5 million for the year ended 31 December 2018 to approximately RMB1,395.6 million for the year ended 31 December 2019 primarily due to the increase in sales in flexible DC transmission and rail transportation vehicles.

Cost of sales

The cost of sales increased by approximately 13.6% from approximately RMB855.1 million for the year ended 31 December 2018 to approximately RMB971.8 million for the year ended 31 December 2019 primarily due to the increase in revenue for the year ended 31 December 2019.

Gross profit and gross profit margin

The gross profit decreased by approximately 2.7% from approximately RMB435.4 million for the year ended 31 December 2018 to approximately RMB423.8 million for the year ended 31 December 2019 primarily due to the decrease in gross profit margin.

The gross profit margin decreased from approximately 33.7% for the year ended 31 December 2018 to approximately 30.4% for the year ended 31 December 2019 primarily due to the increase in proportion of the Group's revenue contributed by sales of products with lower gross profit margin.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 3.2% from approximately RMB72.6 million for the year ended 31 December 2018 to approximately RMB74.9 million for the year ended 31 December 2019 primarily due to the increase in sales.

Administrative expenses

The administrative expenses increased by approximately 26.4% from approximately RMB83.6 million for the year ended 31 December 2018 to approximately RMB105.7 million for the year ended 31 December 2019 primarily due to the Group's acquisition of morEnergy GmbH of Germany and the establishment of SwissSEM Technology AG in 2019, as well as the increase in the Group's investment in human capital to attract and retain talents.

R&D costs

The R&D costs increased by approximately 15.1% from approximately RMB53.7 million for the year ended 31 December 2018 to approximately RMB61.8 million for the year ended 31 December 2019 primarily due to the increase in R&D activities for flexible DC support power capacitors, IGBTs and other products.

Other expenses

The other expenses increased significantly by approximately 309.2% from approximately RMB6.5 million for the year ended 31 December 2018 to approximately RMB26.6 million for the year ended 31 December 2019 primarily due to the increase in loss from the change in fair value of the Group's forward foreign currency contracts.

Finance costs

The finance costs increased by approximately 7.9% from approximately RMB16.5 million for the year ended 31 December 2018 to approximately RMB17.8 million for the year ended 31 December 2019 primarily due to the increase in average outstanding balance of the Group's bank loans.

Profit before tax

The profit before tax decreased by approximately 4.6% from approximately RMB245.3 million for the year ended 31 December 2018 to approximately RMB234.0 million for the year ended 31 December 2019 primarily due to the decrease in gross profit.

Income tax expense

The income tax expenses decreased by approximately 3.3% from approximately RMB35.1 million for the year ended 31 December 2018 to approximately RMB34.0 million for the year ended 31 December 2019 primarily due to the decrease in profit before tax.

Total comprehensive income for the year

The net profit margin, which is calculated as profit attributable to owners of the parent for the year divided by revenue, decreased slightly from approximately 14.2% for the year ended 31 December 2018 to approximately 14.0% for the year ended 31 December 2019.

The total comprehensive income attributable to owners of the parent increased by approximately 6.9% from approximately RMB183.7 million for the year ended 31 December 2018 to approximately RMB196.3 million for the year ended 31 December 2019 primarily due to the proceeds from the disposal of Jiujiang Sunking.

Inventories

The inventories increased by approximately 28.9% from approximately RMB154.3 million as at 31 December 2018 to approximately RMB199.0 million as at 31 December 2019 primarily due to the need to replenish the stock for the Group's sales orders in UHVDC transmission and flexible DC transmission projects in 2020.

The average inventory turnover days decreased from approximately 80 days for the year ended 31 December 2018 to approximately 72 days for the year ended 31 December 2019 primarily due to the strengthened management of inventories.

Trade and bills receivables

The trade and bills receivables increased by approximately 2.2% from approximately RMB860.5 million as at 31 December 2018 to approximately RMB879.2 million as at 31 December 2019 primarily due to the increase in the settlement of trade receivables by way of bills. Such increase was partially offset by the decrease in trade receivables as a result of the Group's efforts in collecting trade receivables.

The average trade and bills receivables turnover days decreased from approximately 235 days for the year ended 31 December 2018 to approximately 224 days for the year ended 31 December 2019 primarily due to the Group's increased efforts to collect trade receivables.

Trade and bills payables

The trade and bills payables decreased by approximately 3.4% from approximately RMB285.6 million as at 31 December 2018 to approximately RMB275.9 million as at 31 December 2019 primarily due to the shortened payment cycle with some of the Group's suppliers with which it maintained a cooperative and strategic relationship.

The average trade and bills payables turnover days decreased from approximately 111 days for the year ended 31 December 2018 to approximately 104 days for the year ended 31 December 2019 primarily due to the enhancement to the shortened payment cycle with some of the Group's suppliers.

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) remained relatively stable at approximately 2.4 as at both 31 December 2018 and 31 December 2019.

The cash and cash equivalents decreased by approximately 22.7% from approximately RMB766.9 million as at 31 December 2018 to approximately RMB592.7 million as at 31 December 2019 primarily due to the increase in net outflow of operating cash.

The interest-bearing bank borrowings increased by approximately 30.9% from approximately RMB360.4 million as at 31 December 2018 to RMB471.8 million as at 31 December 2019 primarily due to the significant capital injected for the construction of DC-link support capacitor for flexible DC transmission and IGBT manufacturing facilities and equipment.

The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity increased from approximately 21.6% as at 31 December 2018 to approximately 27.9% as at 31 December 2019 primarily due to the increase in outstanding balance of the Group's bank loans.

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 2019, the Group had no significant contingent liabilities.

Use of proceeds from subscription of shares of the Company (the "Share(s)")

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 Shares at the subscription price of HK$1.72 per Share; (b) the Company allotted and issued 200,000,000 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 (the "**Shareholders**") on 10 May 2017; and (c) the aggregate subscription price of HK$344 million shall be used for R&D, capital expenditure and general working capital of the Group.

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

Use	**Allocation** *(HK$)*	**Utilisation as at 31 December 2019** *(HK$)*	**Remaining balance as at 31 December 2019** *(HK$)*	**Expected time of full utilisation of remaining balance**
R&D	103,200,000	103,200,000	–	N/A
Capital expenditure	103,200,000	75,763,829	27,436,171	31 December 2020
General working capital	137,600,000	137,600,000	–	N/A
Total	344,000,000	316,563,829	27,436,171	

HUMAN RESOURCES

As at 31 December 2019, the Group employed 581 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 labour 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 ahead, the electric power industry of the PRC and across the world will continue to work toward the "replacement of other energy with clean energy" (清潔替代) and the "replacement of other energy with electricity" (電能替代), and the adjustment of energy infrastructure and the reform of energy technology will be accelerated. The strong emphasis on and widely use of power system sectors in new energy generation, UHVDC transmission, flexible DC transmission, intelligent grids, electrified rail transportation, new energy vehicles and electrified vessels will create unprecedented development opportunities for power electronics device and emerging power technology industries.

In 2020, the Group will promote the successful implementation of IGBT project with all-out effort and strive to launch the first batch of prototypes in the first half of 2020 and complete the construction of the first production line by the end of 2020. The Group will focus on the commercialisation of R&D achievements and the implementation of the development policy of "R&D-driven future".

In 2020, it is expected that the market of power transmission and distribution sector will remain good. Major projects in the flexible DC transmission sector – the Wudongde Multi-terminal DC Project, the 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 are expected to make large-scale order delivery in 2020. In addition, the HVDC transmission projects – "Baihetan-Jiangsu" (白鶴灘－江蘇), "Baihetan-Zhejiang" (白鶴灘－浙江), "Min-Guang Interconnection" (閩粵聯網), "Jin-Shang Water and Power Delivery" (金上水電外送), "Longdong-Shandong" (隴東－山東), "Hami-Chongqing" (哈密－重慶) 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》) and "2020 Cross-Province UHVDC Transmission Project Plan of 500KV and above" (《2020年特高壓和跨省500kv及以上直流項目前期工作計劃》) are expected to start in 2020 and 2021.

Offshore wind power has become a new hot spot for investment and construction in the wind power sector in the PRC, and flexible DC transmission technology is the key and first class technology for offshore wind power grid. In 2020, a number of flexible DC transmission projects for offshore wind power are expected to be initiated.

Benefiting from the gradual implementation of the Action Plan on Freight Growth from 2018 to 2020 (《2018-2020 年貨運增量行動方案》), the bidding of passenger motor units for the PRC maintained at relatively high level and the rate of localisation increased gradually, the rail transportation subsector is expected to maintain its good development trend in 2020.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,599,560,000 Shares in issue as at 31 December 2019.

During the year ended 31 December 2019, the Company purchased 20,002,000 Shares for an aggregate purchase price before expenses of HK$20,044,080 on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Details of the purchase of such Shares are as follows:

Month of purchase in 2019	**Number of Shares purchased**	**Price per Share**		**Aggregate purchase price**
		Highest	**Lowest**	
		(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
August	2,266,000	1.02	0.97	2,266,980.00
September	8,786,000	1.03	0.90	8,487,180.00
October	4,450,000	1.11	0.92	4,368,720.00
November	482,000	1.08	1.05	512,280.00
December	2,794,000	1.17	1.00	3,044,840.00

The 17,208,000 Shares purchased in January, June, August, September and November 2019 were cancelled during the year ended 31 December 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. 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 provisions of the Corporate Governance Code during the year ended 31 December 2019.

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 2019.

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 2019.

DIVIDENDS

The Board proposed to recommend the payment of a final dividend of HK3 cents per Share for the year ended 31 December 2019 (2018: HK3 cents) out of the share premium account of the Company. The aforesaid final dividend is subject to approval by the Shareholders in the forthcoming annual general meeting of the Company and will be paid on or around Monday, 22 June 2020 to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 8 June 2020.

In addition, in order to address Shareholders' expectations while retaining funds for future development, the Board proposed to recommend the payment of a special dividend of HK3 cents per Share out of the share premium account of the Company. The aforesaid special dividend is subject to approval by the Shareholders in the forthcoming annual general meeting of the Company and will be paid on or around Monday, 22 June 2020 to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 8 June 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Thursday, 21 May 2020 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 Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 15 May 2020. The register of members of the Company will be closed from Monday, 18 May 2020 to Thursday, 21 May 2020, both days inclusive, during which period no transfer of Shares will be registered. The Shareholders whose names appear on the register of members of the Company on Thursday, 21 May 2020 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 and special dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, 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, 3 June 2020. The register of members of the Company will be closed from Thursday, 4 June 2020 to Monday, 8 June 2020, 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 and special dividend at the annual general meeting to be held on Thursday, 21 May 2020, the final dividend and the special dividend are expected to be paid on or around Monday, 22 June 2020 to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 8 June 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This 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 2019 will be available at the same websites and despatched to the Shareholders in due course.

TELEPHONE CONFERENCE

The Company will host a telephone conference to discuss the annual results of the Group for the year ended 31 December 2019 with the Shareholders and the potential investors of the Company on Thursday, 26 March 2020 from 4:00 p.m. to 5:00 p.m. (Hong Kong time). The dial-in details are as follows:

Telephone number: 3027 6500 (Hong Kong)
400 821 0637/800 988 0563 (Mainland China)

Conference code: 91000425

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

Hong Kong, 25 March 2020

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.