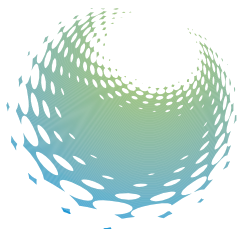


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**Sun.King Technology Group Limited**  
**賽晶科技集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 580)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020,  
DECLARATION OF FINAL DIVIDEND,  
AND CLOSURE OF REGISTER OF MEMBERS**

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately 12.9% to approximately RMB1,215.8 million.
- Gross profit decreased by approximately 2.4% to approximately RMB413.7 million.
- Gross profit margin increased from approximately 30.4% to approximately 34.0%.
- Profit attributable to owners of the Company amounted to approximately RMB177.2 million.
- Net profit after deducting non-recurring gains and losses increased by approximately 11.7% to RMB157.0 million.
- Earnings per share amounted to approximately RMB10.93 cents (basic) and RMB10.89 cents (diluted), respectively.

**ANNUAL RESULTS**

The board (the “**Board**”) of Directors (the “**Directors**”) of Sun.King Technology Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the audited annual results of the Group for the year ended 31 December 2020, with the comparative figures for the corresponding year in 2019, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
*Year ended 31 December 2020*

|                                                                                                 | <i>Notes</i> | <b>2020</b><br><b><i>RMB'000</i></b> | 2019<br><i>RMB'000</i> |
|-------------------------------------------------------------------------------------------------|--------------|--------------------------------------|------------------------|
| <b>REVENUE</b>                                                                                  | <b>4</b>     | <b>1,215,811</b>                     | 1,395,638              |
| Cost of sales                                                                                   |              | <u>(802,114)</u>                     | <u>(971,836)</u>       |
| Gross profit                                                                                    |              | <b>413,697</b>                       | 423,802                |
| Other income and gains, net                                                                     | <b>4</b>     | <b>44,907</b>                        | 101,320                |
| Selling and distribution expenses, net                                                          |              | <b>(60,078)</b>                      | (74,898)               |
| Administrative expenses                                                                         |              | <b>(108,083)</b>                     | (105,684)              |
| Research and development costs                                                                  |              | <b>(69,531)</b>                      | (61,757)               |
| Other expenses and losses, net                                                                  |              | <b>7,566</b>                         | (26,604)               |
| Finance costs                                                                                   | <b>5</b>     | <b>(20,813)</b>                      | (17,810)               |
| Share of profits and losses of:                                                                 |              |                                      |                        |
| A joint venture                                                                                 |              | <b>393</b>                           | (36)                   |
| Associates                                                                                      |              | <u><b>(4,240)</b></u>                | <u>(4,343)</u>         |
| <b>PROFIT BEFORE TAX</b>                                                                        | <b>6</b>     | <b>203,818</b>                       | 233,990                |
| Income tax expense                                                                              | <b>7</b>     | <u><b>(29,087)</b></u>               | <u>(33,962)</u>        |
| <b>PROFIT FOR THE YEAR</b>                                                                      |              | <u><b>174,731</b></u>                | <u>200,028</u>         |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                               |              |                                      |                        |
| Other comprehensive income that may be reclassified to<br>profit or loss in subsequent periods: |              |                                      |                        |
| Exchange differences on translation of foreign operations                                       |              | <u><b>436</b></u>                    | <u>883</u>             |
| <b>OTHER COMPREHENSIVE INCOME FOR THE<br/>YEAR, NET OF TAX</b>                                  |              | <u><b>436</b></u>                    | <u>883</u>             |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE<br/>YEAR</b>                                              |              | <u><b>175,167</b></u>                | <u>200,911</u>         |

|                                                    | <i>Note</i> | <b>2020</b><br><b><i>RMB'000</i></b> | 2019<br><i>RMB'000</i> |
|----------------------------------------------------|-------------|--------------------------------------|------------------------|
| Profit/(loss) attributable to:                     |             |                                      |                        |
| Owners of the parent                               |             | <b>177,235</b>                       | 195,643                |
| Non-controlling interests                          |             | <b>(2,504)</b>                       | 4,385                  |
|                                                    |             | <b><u>174,731</u></b>                | <u>200,028</u>         |
| Total comprehensive income/(loss) attributable to: |             |                                      |                        |
| Owners of the parent                               |             | <b>177,481</b>                       | 196,278                |
| Non-controlling interests                          |             | <b>(2,314)</b>                       | 4,633                  |
|                                                    |             | <b><u>175,167</u></b>                | <u>200,911</u>         |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO</b>          |             |                                      |                        |
| <b>ORDINARY EQUITY HOLDERS OF THE PARENT</b>       | <i>8</i>    |                                      |                        |
| Basic                                              |             | <b><u>RMB10.93 cents</u></b>         | <u>RMB12.15 cents</u>  |
| Diluted                                            |             | <b><u>RMB10.89 cents</u></b>         | <u>RMB12.05 cents</u>  |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

|                                                                 | Notes | 2020<br>RMB'000    | 2019<br>RMB'000 |
|-----------------------------------------------------------------|-------|--------------------|-----------------|
| <b>NON-CURRENT ASSETS</b>                                       |       |                    |                 |
| Property, plant and equipment                                   |       | 366,532            | 304,511         |
| Right-of-use assets                                             |       | 60,514             | 58,918          |
| Deposits for purchase of items of property, plant and equipment |       | 135                | 154             |
| Goodwill                                                        | 9     | 6,878              | 6,878           |
| Other intangible assets                                         |       | 47,657             | 32,731          |
| Investment in a joint venture                                   |       | 15,923             | 15,530          |
| Investments in associates                                       |       | 1,194              | 80,095          |
| Trade receivables                                               | 10    | 295                | 452             |
| Contract assets                                                 | 10    | 90,394             | 71,715          |
| Deferred tax assets                                             |       | 9,467              | 8,141           |
| Total non-current assets                                        |       | 598,989            | 579,125         |
| <b>CURRENT ASSETS</b>                                           |       |                    |                 |
| Inventories                                                     |       | 283,890            | 198,958         |
| Trade and bills receivables                                     | 10    | 790,257            | 878,772         |
| Contract assets                                                 | 10    | 95,960             | 103,835         |
| Prepayments, deposit and other receivables                      |       | 44,216             | 178,762         |
| Derivative financial instruments                                |       | –                  | 2,422           |
| Pledged deposits                                                |       | 23,136             | 31,709          |
| Cash and cash equivalents                                       |       | 678,367            | 592,748         |
| Assets classified as held for sale                              |       | 1,915,826<br>4,247 | 1,987,206<br>–  |
| Total current assets                                            |       | 1,920,073          | 1,987,206       |
| <b>CURRENT LIABILITIES</b>                                      |       |                    |                 |
| Trade and bills payables                                        | 11    | 183,199            | 275,852         |
| Other payables and accruals                                     |       | 58,121             | 59,713          |
| Contract liabilities                                            |       | 19,284             | 24,626          |
| Derivative financial instruments                                |       | 4,825              | 407             |
| Lease liabilities                                               |       | 2,644              | 1,424           |
| Interest-bearing bank borrowings                                |       | 364,902            | 452,839         |
| Tax payable                                                     |       | 11,678             | 22,361          |
| Total current liabilities                                       |       | 644,653            | 837,222         |
| <b>NET CURRENT ASSETS</b>                                       |       | 1,275,420          | 1,149,984       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                    |       | 1,874,409          | 1,729,109       |

|                                              | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|----------------------------------------------|------------------------|------------------------|
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> | <b>1,874,409</b>       | 1,729,109              |
| <b>NON-CURRENT LIABILITIES</b>               |                        |                        |
| Interest-bearing bank borrowings             | 19,000                 | 19,000                 |
| Lease liabilities                            | 12,502                 | 10,664                 |
| Deferred income                              | 65,725                 | 3,234                  |
| Deferred tax liabilities                     | 3,347                  | 7,708                  |
|                                              | <hr/>                  | <hr/>                  |
| Total non-current liabilities                | 100,574                | 40,606                 |
|                                              | <hr/>                  | <hr/>                  |
| Net assets                                   | 1,773,835              | 1,688,503              |
|                                              | <hr/> <hr/>            | <hr/> <hr/>            |
| <b>EQUITY</b>                                |                        |                        |
| Equity attributable to owners of the parent  |                        |                        |
| Issued capital                               | 139,944                | 136,996                |
| Treasury shares                              | –                      | (2,736)                |
| Reserves                                     | 1,618,568              | 1,537,680              |
|                                              | <hr/>                  | <hr/>                  |
|                                              | 1,758,512              | 1,671,940              |
| Non-controlling interests                    | 15,323                 | 16,563                 |
|                                              | <hr/>                  | <hr/>                  |
| Total equity                                 | 1,773,835              | 1,688,503              |
|                                              | <hr/> <hr/>            | <hr/> <hr/>            |

# NOTES TO FINANCIAL STATEMENTS

31 December 2020

## 1. CORPORATE AND GROUP INFORMATION

Sun.King Technology 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year’s financial statements.

|                                         |                                                          |
|-----------------------------------------|----------------------------------------------------------|
| Amendments to IFRS 3                    | <i>Definition of a Business</i>                          |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | <i>Interest Rate Benchmark Reform</i>                    |
| Amendments to IFRS 16                   | <i>Covid-19-Related Rent Concessions (early adopted)</i> |
| Amendments to IAS 1 and IAS 8           | <i>Definition of Material</i>                            |

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.
- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment which is principally engaged in the manufacturing and trading of power electronic components. All of 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 2020, revenue of approximately RMB187,825,000 and RMB182,453,000 were derived from sales to customers A and B, respectively.

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

#### 4. REVENUE, OTHER INCOME AND GAINS, NET

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

|                                     | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|-------------------------------------|------------------------|------------------------|
| <b>Revenue</b>                      |                        |                        |
| Sale of power electronic components | <u>1,215,811</u>       | <u>1,395,638</u>       |

98% (2019: 99%) of the Group's revenue from contracts with customers is related to sales of power electronic components in Mainland China.

|                                                | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|------------------------------------------------|------------------------|------------------------|
| <b>Other income</b>                            |                        |                        |
| Government grants*                             | 11,392                 | 9,776                  |
| Bank interest income                           | 5,128                  | 2,712                  |
| Other interest income                          | 1,288                  | 2,335                  |
| Interest income arising from revenue contracts | 3,868                  | 3,286                  |
| Others                                         | <u>1,992</u>           | <u>659</u>             |
|                                                | <u>23,668</u>          | <u>18,768</u>          |

|                                                        |               |                |
|--------------------------------------------------------|---------------|----------------|
| <b>Gains</b>                                           |               |                |
| Gain on disposal of property, plant and equipment, net | –             | 287            |
| Foreign exchange gains, net                            | –             | 4,763          |
| Gain on disposal of a subsidiary                       | –             | 77,502         |
| Gain on disposal of an associate                       | <u>21,239</u> | <u>–</u>       |
|                                                        | <u>21,239</u> | <u>82,552</u>  |
|                                                        | <u>44,907</u> | <u>101,320</u> |

\* 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:

|                               | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| Interest on bank loans        | 20,367                 | 17,570                 |
| Interest on lease liabilities | 446                    | 240                    |
|                               | <u>20,813</u>          | <u>17,810</u>          |

## 6. PROFIT BEFORE TAX

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

|                                                                                              | <i>Notes</i> | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|----------------------------------------------------------------------------------------------|--------------|------------------------|------------------------|
| Cost of inventories sold                                                                     |              | 797,938                | 968,705                |
| Write-down of inventories to net realisable value                                            |              | 4,176                  | 3,131                  |
| Cost of sales                                                                                |              | <u>802,114</u>         | <u>971,836</u>         |
| Auditor's remuneration                                                                       |              | 1,700                  | 1,800                  |
| Depreciation of property, plant and equipment                                                |              | 22,584                 | 22,664                 |
| Depreciation of right-of-use assets                                                          |              | 4,058                  | 2,760                  |
| Amortisation of other intangible assets                                                      |              | 4,023                  | 3,120                  |
| Impairment of other intangible assets*                                                       |              | –                      | 4,486                  |
| Impairment of goodwill*                                                                      | 9            | –                      | 1,514                  |
| Lease payments not included in the measurement of lease liabilities                          |              | 647                    | 851                    |
| Impairment of trade receivables and contract assets, net*                                    | 10           | (13,131)               | 1,035                  |
| Impairment of financial assets included in prepayments, deposits and other receivables, net* |              | 521                    | 356                    |
| Foreign exchange differences, net                                                            |              | 221                    | (4,763)                |
| Fair value loss on foreign currency forward contracts, net*                                  |              | 3,248                  | 17,659                 |
| Loss on disposal of property, plant and equipment, net*                                      |              | 328                    | –                      |
| Loss on disposal/write-off of club memberships*                                              |              | –                      | 1,554                  |
| Employee benefit expense (including directors' and chief executive's remuneration:           |              |                        |                        |
| Wages and salaries                                                                           |              | 70,667                 | 66,320                 |
| Share-based payment expense                                                                  |              | 2,195                  | 368                    |
| Pension scheme contributions**                                                               |              | 7,024                  | 9,279                  |
|                                                                                              |              | <u>79,886</u>          | <u>75,967</u>          |

\* These items are included in "Other expenses and losses" in the consolidated statement of profit or loss.

\*\* At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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%.

|                               | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| Current – Hong Kong           |                        |                        |
| Charge for the year           | 76                     | 528                    |
| Current – Elsewhere           |                        |                        |
| Charge for the year           | 36,706                 | 42,013                 |
| Overprovision in prior years  | (1,913)                | (2,156)                |
| Deferred                      | (5,782)                | (6,423)                |
|                               | <u>29,087</u>          | <u>33,962</u>          |
| Total tax charge for the year | <u>29,087</u>          | <u>33,962</u>          |

## 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 RMB177,235,000 (2019: RMB195,643,000), and the weighted average number of ordinary shares of 1,621,289,511 (2019: 1,610,574,693) 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:

|                                                                                                                   | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|-------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Earnings</b>                                                                                                   |                        |                        |
| Profit attributable to ordinary equity holders of the parent,<br>used in the basic earnings per share calculation | <u>177,235</u>         | <u>195,643</u>         |

|                                                                                                                      | Number of shares     |                      |
|----------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                                                      | 2020                 | 2019                 |
| <b>Shares</b>                                                                                                        |                      |                      |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 1,621,289,511        | 1,610,574,693        |
| Effect of dilution – weighted average number of ordinary shares:                                                     |                      |                      |
| Share options                                                                                                        | 6,651,860            | 13,282,223           |
|                                                                                                                      | <u>1,627,941,371</u> | <u>1,623,856,916</u> |

## 9. GOODWILL

|                                                    | 2020         | 2019          |
|----------------------------------------------------|--------------|---------------|
|                                                    | RMB'000      | RMB'000       |
| At 1 January:                                      |              |               |
| Cost                                               | 8,392        | 47,235        |
| Accumulated impairment                             | (1,514)      | (6,198)       |
| Net carrying amount                                | <u>6,878</u> | <u>41,037</u> |
| Cost at 1 January, net of accumulated impairment   | 6,878        | 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 | <u>6,878</u> | <u>6,878</u>  |
| At 31 December:                                    |              |               |
| Cost                                               | 8,392        | 8,392         |
| Accumulated impairment                             | (1,514)      | (1,514)       |
| Net carrying amount                                | <u>6,878</u> | <u>6,878</u>  |

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

|                              | Astrol       |              | morEnergy |          | Total        |              |
|------------------------------|--------------|--------------|-----------|----------|--------------|--------------|
|                              | 2020         | 2019         | 2020      | 2019     | 2020         | 2019         |
|                              | RMB'000      | RMB'000      | RMB'000   | RMB'000  | RMB'000      | RMB'000      |
| Cross amount                 | 6,878        | 6,878        | 1,514     | 1,514    | 8,392        | 8,392        |
| Less: accumulated impairment | –            | –            | 1,514     | 1,514    | 1,514        | 1,514        |
| Net carrying amount          | <u>6,878</u> | <u>6,878</u> | <u>–</u>  | <u>–</u> | <u>6,878</u> | <u>6,878</u> |

## Impairment testing of goodwill

### *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% (2019: 16%). The growth rate used to extrapolate the cash flows of Astrol cash-generating unit beyond the five-year period is 3% (2019: 3%).

Assumptions were used in the value in use calculation of Astrol cash-generating unit for 31 December 2020 and 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 and discount rates are consistent with external information sources.

## 10. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS

|                     | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|---------------------|------------------------|------------------------|
| Trade receivables   | 471,649                | 696,692                |
| Impairment          | (10,112)               | (22,898)               |
|                     | <hr/>                  | <hr/>                  |
|                     | 461,537                | 673,794                |
| Bills receivable    | 329,015                | 205,430                |
|                     | <hr/>                  | <hr/>                  |
|                     | 790,552                | 879,224                |
|                     | <hr/> <hr/>            | <hr/> <hr/>            |
| Analysed into:      |                        |                        |
| Current portion     | 790,257                | 878,772                |
| Non-current portion | 295                    | 452                    |
|                     | <hr/>                  | <hr/>                  |
|                     | 790,552                | 879,224                |
|                     | <hr/> <hr/>            | <hr/> <hr/>            |

|                                                                  | <b>31 December<br/>2020<br/>RMB'000</b> | 31 December<br>2019<br>RMB'000 | 1 January<br>2019<br>RMB'000 |
|------------------------------------------------------------------|-----------------------------------------|--------------------------------|------------------------------|
| Contract assets arising from sale of power electronic components | <b>187,224</b>                          | 176,765                        | 125,142                      |
| Impairment                                                       | <b>(870)</b>                            | (1,215)                        | (1,540)                      |
|                                                                  | <b><u>186,354</u></b>                   | <b><u>175,550</u></b>          | <b><u>123,602</u></b>        |
| Analysed into:                                                   |                                         |                                |                              |
| Current portion                                                  | <b>95,960</b>                           | 103,835                        | 86,067                       |
| Non-current portion                                              | <b>90,394</b>                           | 71,715                         | 37,535                       |
|                                                                  | <b><u>186,354</u></b>                   | <b><u>175,550</u></b>          | <b><u>123,602</u></b>        |

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.

At 31 December 2020, none of the Group's trade receivables was due from an associate (2019: RMB1,130,000 which were 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 2020 and 2019 are the result of the increase in the sales contract amounts at the end of the year.

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

|                       | <b>2020<br/>RMB'000</b> | 2019<br>RMB'000       |
|-----------------------|-------------------------|-----------------------|
| Within one year       | <b>95,960</b>           | 103,835               |
| More than one year    | <b>90,394</b>           | 71,715                |
| Total contract assets | <b><u>186,354</u></b>   | <b><u>175,550</u></b> |

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:

|                 | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| Within 3 months | 274,181                | 271,930                |
| 3 to 6 months   | 101,613                | 234,383                |
| 6 to 12 months  | 60,775                 | 77,617                 |
| Over 1 year     | 24,968                 | 89,864                 |
|                 | <u>461,537</u>         | <u>673,794</u>         |

At 31 December 2020, the Group's bills receivable would mature within twelve (2019: twelve) months.

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

|                                          | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|------------------------------------------|------------------------|------------------------|
| At beginning of year                     | 22,898                 | 44,940                 |
| Impairment losses, net ( <i>note 6</i> ) | (12,786)               | 1,231                  |
| Disposal of a subsidiary                 | –                      | (23,273)               |
|                                          | <u>10,112</u>          | <u>22,898</u>          |

The decrease in the loss allowance in 2020 was mainly due to the collection of long-aged trade receivables. 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 movements in the loss allowance for impairment of contract assets are as follows:

|                                          | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|------------------------------------------|------------------------|------------------------|
| At beginning of year                     | 1,215                  | 1,540                  |
| Impairment losses, net ( <i>note 6</i> ) | (345)                  | (196)                  |
| Disposal of a subsidiary                 | –                      | (129)                  |
|                                          | <u>870</u>             | <u>1,215</u>           |

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 after taking into consideration of forward-looking information. 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 2020

| <i>RMB'000</i>                              | Within<br>credit period | Past due            |                 |                 |                 | Total   |
|---------------------------------------------|-------------------------|---------------------|-----------------|-----------------|-----------------|---------|
|                                             |                         | Less than<br>1 year | 1 to 2<br>years | 2 to 3<br>years | Over<br>3 years |         |
| Gross carrying amount                       | 413,458                 | 227,397             | 9,157           | 2,340           | 6,521           | 658,873 |
| Amount from Tier 1 customers                | –                       | 24,179              | 51              | –               | –               | 24,230  |
| Carrying amount without<br>Tier 1 customers | 413,458                 | 203,218             | 9,106           | 2,340           | 6,521           | 634,643 |
| Expected credit loss rate (%)               | 0.45                    | 0.45                | 8.25            | 39.70           | 100.00          | 1.73    |
| Expected credit losses                      | 1,871                   | 910                 | 751             | 929             | 6,521           | 10,982  |

### 31 December 2019

| <i>RMB'000</i>                              | Within<br>credit period | Past due            |                 |                 |                 | Total   |
|---------------------------------------------|-------------------------|---------------------|-----------------|-----------------|-----------------|---------|
|                                             |                         | Less than<br>1 year | 1 to 2<br>years | 2 to 3<br>years | Over<br>3 years |         |
| 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<br>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  |

At 31 December 2020, certain bills receivable of the Group with an aggregate carrying amount of RMB3,071,000 (2019: RMB11,614,000) were pledged to secure certain of the Group's bills payable.

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “**Endorsed Bills**”) with a carrying amount of RMB15,721,000 (2019: RMB25,091,000) 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 2020, 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 RMB76,353,000 (2019: RMB61,433,000). 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:

|                   | 2020<br><i>RMB’000</i> | 2019<br><i>RMB’000</i> |
|-------------------|------------------------|------------------------|
| Within six months | 161,985                | 244,242                |
| Over six months   | <u>21,214</u>          | <u>31,610</u>          |
| At end of year    | <u><b>183,199</b></u>  | <u><b>275,852</b></u>  |

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

At 31 December 2020, none of the Group’s trade and bills payables were trade payables due to associates (2019: RMB658,000 which were repayable on credit terms similar to those offered by the associates to their major customers).

At 31 December 2020, certain of the Group’s bills payable are secured by the pledge of the Group’s bank deposits amounting to RMB18,000 (2019: RMB2,984,000) and the Group’s bills receivable amounting to RMB3,071,000 (2019: RMB11,614,000), respectively.

## 12. DIVIDENDS

|                                                                 | 2020<br><i>RMB’000</i> | 2019<br><i>RMB’000</i> |
|-----------------------------------------------------------------|------------------------|------------------------|
| Interim – HK2 cents (2019: HK2 cents) per ordinary share        | 27,701                 | 29,117                 |
| Proposed final – HK3 cents (2019: HK3 cents) per ordinary share | 41,205                 | 42,911                 |
| Proposed special – Nil (2019: HK3 cents) per ordinary share     | <u>–</u>               | <u>42,911</u>          |
| At end of year                                                  | <u><b>68,906</b></u>   | <u><b>114,939</b></u>  |

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

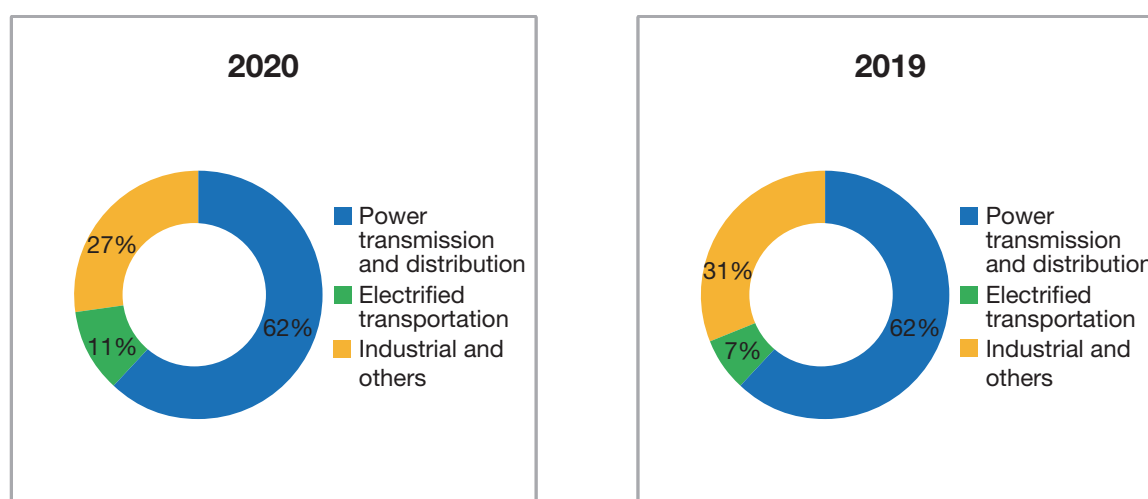
# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### 1. Performance by business sector

|                                     | For the year ended 31 December |                   |                |                   |
|-------------------------------------|--------------------------------|-------------------|----------------|-------------------|
|                                     | 2020                           |                   | 2019           |                   |
|                                     | Revenue                        | Gross profit      | Revenue        | Gross profit      |
|                                     | (RMB million)                  | margin            | (RMB million)  | margin            |
|                                     |                                | %                 |                | %                 |
| Power transmission and distribution | 756.1                          | 39                | 861.6          | 28                |
| Electrified transportation          | 131.9                          | 26                | 102.8          | 31                |
| Industrial and others               | 327.8                          | 26                | 431.2          | 35                |
| Total                               | <u>1,215.8</u>                 | <u>Average 34</u> | <u>1,395.6</u> | <u>Average 30</u> |

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



#### 1.1 Power transmission and distribution sector

- **Market review**

Benefiting from the increased investment of the Chinese government and grid companies in the field of power transmission and transformation, and the gradual implementation of 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》) of National Energy Administration and the Preliminary Working Plan for Ultra-high Voltage and Cross-Provincial Alternating Current (“AC”) and Direct Current (“DC”) Projects of 500 kV and Above in 2020 (《2020年特高壓和跨省500千伏及以上交直流項目前期工作計劃》) of State Grid Corporation of China, a number of ultra-high-voltage DC (“UHVDC”) transmission and flexible DC transmission projects were proceeded in an orderly manner.

In addition, according to the “14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of Long-term Goals for 2035” and the ““carbon peak and carbon neutrality” action plan of the State Grid Corporation”, the investment and construction scale of the high-voltage DC (“HVDC”) transmission sector during the “14th Five-Year” period will remain at a relatively high level, it is expected to add multiple domestic and cross-border  $\pm 800$  kV UHVDC transmission projects and HVDC projects.

- ***Operating results***

|                                                   | For the year ended 31 December |       |        |
|---------------------------------------------------|--------------------------------|-------|--------|
|                                                   | 2020                           | 2019  |        |
|                                                   | Revenue                        |       | Change |
|                                                   | (RMB million)                  |       | %      |
| <b>Power transmission and distribution sector</b> | <b>756.1</b>                   | 861.6 | -12    |
| UHVDC transmission                                | <b>288.1</b>                   | 102.2 | 182    |
| Flexible DC transmission                          | <b>390.2</b>                   | 676.6 | -42    |
| Other power transmission and distribution         | <b>77.8</b>                    | 82.8  | -6     |

#### ***UHVDC transmission***

In 2020, due to the delivery of batches of orders of the Wudongde Power Station Multi-terminal DC Demonstration Project for Power Transmission in Guangdong and Guangxi (the “**Wudongde 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, the Group’s revenue in this sector increased significantly.

#### ***Flexible DC transmission***

In 2020, the Group mainly delivered the remaining orders of the Wudongde Project and the related orders of the Rudong offshore wind power flexible DC transmission demonstration project, the products delivered has decreased compared with 2019, and the subsequent flexible DC transmission projects has not yet begun to sign orders and deliver. As a result, the Group’s revenue in this sector decreased significantly.

#### ***Other power transmission and distribution***

In 2020, due to the adverse impact of the COVID-19 epidemic, the Group’s revenue from online monitoring products in this sector decreased slightly.

## 1.2 Electrified transportation sector

|                                          | For the year ended 31 December |       |             |
|------------------------------------------|--------------------------------|-------|-------------|
|                                          | 2020                           | 2019  |             |
|                                          | Revenue<br>(RMB million)       |       | Change<br>% |
| <b>Electrified transportation sector</b> | <b>131.9</b>                   | 102.8 | 28          |
| Rail transportation vehicles             | <b>127.7</b>                   | 91.6  | 39          |
| Rail transportation power supply system  | <b>2.9</b>                     | 4.4   | -34         |
| New energy vehicles                      | <b>1.3</b>                     | 6.8   | -81         |

### ***Rail transportation vehicles***

The Group provides a wide range of power electronic components to rail transit vehicle equipment manufacturing enterprises such as CRRC Corporation Limited and its subsidiaries for the manufacturing of its traction converter system.

In 2020, due to the increase in revenue from the Group's products in the motor unit sector, the revenue from rail transportation vehicles subsector increased significantly.

### ***Rail transportation power supply system***

The technologies and products provided by the Group, including the power quality control devices, the electrified railway automatic passing intelligent switch, the rail transit solid state DC circuit breaker, etc., are important means to ensure the safety, and improve operational efficiency and intelligence of rail transit power supply systems.

As most of the above products are innovative and cutting-edge, they are still in the stage of market development and technology demonstration and experimentation, so business development is unstable. In 2020, the Group's orders and sales in such sector are relatively small.

## ***New energy vehicles***

The Group provides a variety of power electronic device products such as laminated busbars to the new energy vehicles sector.

In 2020, the decline of new energy vehicle policy subsidies resulted in a substantial decrease in the Group's revenue in this sector.

### **1.3 Industrial and others sector**

|                                           | <b>For the year ended 31 December</b>  |             |               |
|-------------------------------------------|----------------------------------------|-------------|---------------|
|                                           | <b>2020</b>                            | <b>2019</b> | <b>Change</b> |
|                                           | <b>Revenue</b><br><i>(RMB million)</i> |             |               |
| <b>Industrial and other section</b>       | <b>327.8</b>                           | 431.2       | -24           |
| Electrical equipment                      | <b>239.9</b>                           | 267.5       | -10           |
| New energy power generation               | <b>55.7</b>                            | 48.5        | 15            |
| Metal smelting                            | <b>26.7</b>                            | 105.7       | -75           |
| Scientific research institutes and others | <b>5.5</b>                             | 9.5         | -42           |

The Group provides a variety of power electronic devices and integrated technology products to various industrial and other electrical equipment fields such as new energy power generation, electrical equipment, metal smelting, scientific research institutes, etc.

In 2020, affected by the impact of the COVID-19, the revenue of the electrical equipment sector decreased slightly. Additionally, as the metal smelting sector no longer includes the revenue of the high-power rectifier business\*, the revenue in this sector has dropped significantly. Due to good performance of products such as laminated busbars in photovoltaic and wind power sectors, the Group's revenue in the new energy power generation sector increased slightly.

\* On 28 June 2019, upon the Group's disposal of 43% equity interests in Jiujiang Sun.King Technology Co., Ltd. ("**Jiujiang Sunking**"), which operates this business, the Group's equity interests in Jiujiang Sunking has correspondingly decreased from 62.25% to 19.25%, and Jiujiang Sunking has become an associate of the Group. On 23 July 2020, the Group disposed of the remaining 19.25% equity interests in Jiujiang Sunking.

## 2. Research and development (“R&D”)

The Group always adheres to the business philosophy of “motivating corporate development with scientific and technological innovation” and places great emphasis on the team building of technical talents and R&D of innovative technology. In 2020, a number of R&D of innovative technologies have achieved remarkable results.

### ***R&D of insulated gate bipolar transistor (“IGBT”)***

In 2020, the Group has achieved remarkable progress and results in its proprietary technology, IGBT chips and module R&D projects. The first product of the Group, 1200V/200A i20 chip and 1200V/600A ED-Type module was officially released on 28 September 2020.

The 1200V/200A i20 chip, embraced by international advanced design concepts of 3D structure design, low-voltage access, narrow platform, optimised P+ layer and enhanced N layer, and adopted advanced industry-leading technologies such as TAIKO ultra-thin base, field stop and laser annealing of anode, has excellent performance.

The 1200/600A ED-Type module, with its unique linear design, dramatically improves the equilibrium of current in the module. World-class supply chain and quality management bring excellent quality to the ED-Type module.

### ***R&D and promotion of the emerging electricity technology***

#### **(1) Marine solid-state DC switch**

This product not only equipped with the “microsecond” ultra-fast switching speed and digital intelligent control, but also adopted the “one-and-only” modular design in the world, which can easily match the different needs of customers and help customers achieve flexible, optimal system design. At present, the Group has developed a series of products ranging from 1500V/500A to 3000A.

The Group obtained the first marine market order, providing 1500V/500A products to European customers, and has become a strategic supplier of Siemens Industrial Digital Corporation in the marine field.

#### **(2) Smart grid 11kV ultra-fast AC switchgears**

The product is based on solid-state AC switch technology, which can realise fast and disturbance-free switching between different AC circuits, effectively improving the operating efficiency of the power grid, ensuring the safety of power supply, and significantly improving the intelligent level of the power grid.

The Group once again awarded an order for the British Smart Grid Technology Demonstration Project.

### (3) Commutation variable remote intelligent patrol system

This product is the latest R&D result of the Group's smart grid online monitoring technology. It is based on highly reliable smart equipment, using modern advanced sensing technology and information transmission technology to achieve full automatic inspection of converter transformer equipment, thereby realising information digitisation of the whole site, networking of communication platforms, standardisation of information sharing, and interaction of application functions.

The Group won the bid of the State Grid "Yazhong-Jiangxi" UHVDC Transmission Project, Zhangbei Renewable Energy 500kV Flexible DC Transmission Demonstration Project.

### (4) Pulsed power supply

In the United States Electricity Fish Barrier Project and the Eidgenössische Technische Hochschule Zürich High Voltage Laboratory Project, the Group's customised products developed according to its different application requirements have achieved outstanding results.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased by approximately 12.9% from approximately RMB1,395.6 million for the year ended 31 December 2019 to approximately RMB1,215.8 million for the year ended 31 December 2020 primarily due to the decrease in sales in flexible DC transmission and Jiujiang Sunking being no longer included in the consolidated scope after disposal in 2019.

### **Cost of sales**

The cost of sales decreased by approximately 17.5% from approximately RMB971.8 million for the year ended 31 December 2019 to approximately RMB802.1 million for the year ended 31 December 2020 primarily due to the decrease in revenue for the year ended 31 December 2020.

### **Gross profit and gross profit margin**

The gross profit decreased by approximately 2.4% from approximately RMB423.8 million for the year ended 31 December 2019 to approximately RMB413.7 million for the year ended 31 December 2020 primarily due to the decrease in revenue.

The gross profit margin increased from approximately 30.4% for the year ended 31 December 2019 to approximately 34.0% for the year ended 31 December 2020 primarily due to the increase in proportion of the Group's revenue contributed by sales of products with higher gross profit margin.

## **Selling and distribution expenses**

The selling and distribution expenses decreased by approximately 19.8% from approximately RMB74.9 million for the year ended 31 December 2019 to approximately RMB60.1 million for the year ended 31 December 2020 primarily due to the reduction in some of the marketing activities as a result of the epidemic.

## **Administrative expenses**

The administrative expenses increased by approximately 2.3% from approximately RMB105.7 million for the year ended 31 December 2019 to approximately RMB108.1 million for the year ended 31 December 2020 primarily due to the expansion of the Group's IGBT business.

## **R&D costs**

The R&D costs increased by approximately 12.5% from approximately RMB61.8 million for the year ended 31 December 2019 to approximately RMB69.5 million for the year ended 31 December 2020 primarily due to the increase in R&D activities for IGBTs, flexible DC support power capacitors and other products.

## **Other expenses and losses**

The other expenses and losses changed from approximately RMB26.6 million for the year ended 31 December 2019 to approximately RMB-7.6 million for the year ended 31 December 2020 primarily due to the reversal of impairment arising from the increase in collection of trade receivables.

## **Finance costs**

The finance costs increased by approximately 16.9% from approximately RMB17.8 million for the year ended 31 December 2019 to approximately RMB20.8 million for the year ended 31 December 2020 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 12.9% from approximately RMB234.0 million for the year ended 31 December 2019 to approximately RMB203.8 million for the year ended 31 December 2020 primarily due to the decrease in revenue and the decrease in the amount of income from the disposal of equity interests in Jiujiang Sunking.

## **Income tax expense**

The income tax expenses decreased by approximately 14.4% from approximately RMB34.0 million for the year ended 31 December 2019 to approximately RMB29.1 million for the year ended 31 December 2020 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, increased slightly from approximately 14.0% for the year ended 31 December 2019 to approximately 14.6% for the year ended 31 December 2020.

The total comprehensive income attributable to owners of the parent decreased by approximately 9.6% from approximately RMB196.3 million for the year ended 31 December 2019 to approximately RMB177.5 million for the year ended 31 December 2020 primarily due to the decrease in revenue and the decrease in the amount of income from the disposal of equity interests in Jiujiang Sunking.

## **Inventories**

The inventories increased by approximately 42.7% from approximately RMB199.0 million as at 31 December 2019 to approximately RMB283.9 million as at 31 December 2020 primarily due to the stocking of the Group's flexible DC transmission projects in 2021.

The average inventory turnover days increased from approximately 72 days for the year ended 31 December 2019 to approximately 116 days for the year ended 31 December 2020 primarily due to the stocking of the Group's flexible DC transmission projects in 2021.

## **Trade and bills receivables**

The trade and bills receivables decreased by approximately 10.1% from approximately RMB879.2 million as at 31 December 2019 to approximately RMB790.6 million as at 31 December 2020 primarily due to the increase in the collection of trade receivables.

The average trade and bills receivables turnover days decreased from approximately 224 days for the year ended 31 December 2019 to approximately 218 days for the year ended 31 December 2020 primarily due to the increase in the collection of trade receivables.

## **Trade and bills payables**

The trade and bills payables decreased by approximately 33.6% from approximately RMB275.9 million as at 31 December 2019 to approximately RMB183.2 million as at 31 December 2020 primarily due to the decrease in procurement volume during the year.

The average trade and bills payables turnover days decreased slightly from approximately 104 days for the year ended 31 December 2019 to approximately 103 days for the year ended 31 December 2020.

### **Liquidity and financial resources**

The Group's principal sources of working capital included cash flow generated from the sales of its products, bank borrowings and proceeds of issuing new shares.

The current ratio (current assets divided by current liabilities) increased from approximately 2.4 as at 31 December 2019 to approximately 3.0 as at 31 December 2020 primarily due to the decrease in trade payables and balance of bank borrowings.

The cash and cash equivalents increased by approximately 14.5% from approximately RMB592.7 million as at 31 December 2019 to approximately RMB678.4 million as at 31 December 2020 primarily due to the increase in collection of trade receivables and the collection of the disposal of equity interests in Jiujiang Sunking.

The interest-bearing bank borrowings decreased by approximately 18.6% from approximately RMB471.8 million as at 31 December 2019 to RMB383.9 million as at 31 December 2020 primarily due to the adjustment of the Group's capital structure.

The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity decreased from approximately 27.9% as at 31 December 2019 to approximately 21.6% as at 31 December 2020 primarily due to the decrease 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 People's Republic of China (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 2020, 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<br>(HK\$) | Utilisation<br>as at<br>31 December<br>2020<br>(HK\$) | Remaining<br>balance as at<br>31 December<br>2020<br>(HK\$) |
|-------------------------|----------------------|-------------------------------------------------------|-------------------------------------------------------------|
| R&D                     | 103,200,000          | 103,200,000                                           | —                                                           |
| Capital expenditure     | 103,200,000          | 103,200,000                                           | —                                                           |
| General working capital | 137,600,000          | 137,600,000                                           | —                                                           |
| Total                   | <u>344,000,000</u>   | <u>344,000,000</u>                                    | <u>—</u>                                                    |

## HUMAN RESOURCES

As at 31 December 2020, the Group employed 620 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, under the background of the Chinese government announcing to achieve the peak of carbon dioxide emission by 2030 (“**carbon peak**”) and achieve the carbon neutrality by 2060 (“**carbon neutrality**”) as well as the continuous promotion of the two major energy strategies of “replacement of other energy with clean energy” (清潔替代) and the “replacement of other energy with electricity” (電能替代), due to the changes in electric energy production methods and usage characteristics brought about by emerging industries such as electric vehicles, new energy power generation, energy storage, intelligent grid, etc., and the continuous upgrading of power grid technology, the development of energy technology is accelerating, and it drives a substantial growth in the demand in power semiconductor device technology and innovative systemic integration technology.

The Group will continue to base itself on technological innovation and continue to build internationally leading power semiconductors and supporting devices, and two main business clusters with innovative emerging power technologies.

In 2021, the Group will continue to promote the IGBT project: strive to complete the construction and commissioning of the first IGBT module production line and commence mass production in the middle of the year, and start the construction of the second IGBT module production line; continue to develop the i20 and i20+ series IGBT chip technology, and the R&D of ED-Type, ST-Type, EV-Type and other module technologies using i20 and i20+ chipsets; extensively carry out customer sample testing, and strive to secure the signing and delivery of batch product orders.

In 2021 and the “14th Five-Year Plan” period, the HVDC field is expected to maintain a good market situation. According to the “14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of Long-term Goals for 2035” and the ““carbon peak and carbon neutrality” action plan of the State Grid Corporation”, the investment and construction scale of the HVDC transmission sector during the “14th Five-Year” period will remain at a relatively high level, it is expected to add multiple domestic and cross-border  $\pm 800$  kV UHVDC transmission projects and HVDC projects. Among them, in 2021, a number of projects have been launched or are expected to be launched, including the projects that have already been launched – “Baihetan-Jiangsu” UHVDC transmission project, and the DC back-to-back project in the middle channel in the Greater Bay Area; and the projects expected to be launched – “Baihetan-Zhejiang”, “Longdong-Shandong” and other UHVDC transmission projects.

In 2021, the Group will continue to vigorously promote the development of emerging power technology business clusters: make effort to expand the influence and market scale in the electrified ship sector; strive to achieve breakthroughs in demonstration performance in electrified railways and high-speed maglev trains; and carry out technology R&D and application tests in the sectors of new energy power generation, medical equipment, etc.

In addition, the Group will consolidate and enhance its leading position in the industry by strengthening its team building of talents, product quality control, sales and service management, etc. Through continuous optimisation of management systems, enhancement of operational efficiency and implementation of sound financial policies, the Group will actively fulfil its corporate social responsibilities, thereby building the corporate's long-term growth in the value.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

There were 1,631,946,000 Shares in issue as at 31 December 2020.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

## **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 2020.

## **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 2020.

## **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 2020.

## **DIVIDENDS**

The Board proposed to recommend the payment of a final dividend of HK3 cents per Share for the year ended 31 December 2020 (2019: 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 Wednesday, 21 July 2021 to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 7 July 2021.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company is scheduled to be held on Tuesday, 22 June 2021 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 Wednesday, 16 June 2021. The register of members of the Company will be closed from Thursday, 17 June 2021 to Tuesday, 22 June 2021, both days inclusive, during which period no transfer of Shares will be registered. The Shareholders whose names appear on the register of members of the Company on Tuesday, 22 June 2021 are entitled to attend and vote at the forthcoming annual general meeting.

In order to establish the identity of the Shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the 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, 2 July 2021. The register of members of the Company will be closed from Monday, 5 July 2021 to Wednesday, 7 July 2021, 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 in the forthcoming annual general meeting, the final dividend is expected to be paid on or around Wednesday, 21 July 2021 to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 7 July 2021.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.sunking-tech.com](http://www.sunking-tech.com). The Company's annual report for the year 2020 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 2020 with the Shareholders and the potential investors of the Company on Wednesday, 24 March 2021 from 10:00 a.m. to 11:00 a.m. (Hong Kong time). The dial-in details are as follows:

Telephone number: 852 3018 6949  
86 4008096263 (Mainland China)

Conference code: 466951563

By Order of the Board  
**Sun.King Technology Group Limited**  
**Xiang Jie**  
*Chairman*

Hong Kong, 23 March 2021

*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 Ms. Gao Lei, 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.*