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 2015, DECLARATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 51.2% to approximately RMB782.0 million.
- Gross profit increased by approximately 67.8% to approximately RMB266.9 million.
- Gross profit margin increased from approximately 30.8% to approximately 34.1%.
- Profit attributable to owners of the Company amounted to approximately RMB62.3 million.
- Earnings per share amounted to approximately RMB4.53 cents (basic) and RMB4.45 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 2015, with the comparative figures for the corresponding year in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
REVENUE	*4*	**781,993**	517,301
Cost of sales		**(515,064)**	(358,209)
Gross profit		**266,929**	159,092
Other income and gains	*4*	**29,513**	23,797
Selling and distribution expenses		**(63,318)**	(68,450)
Administrative expenses		**(75,389)**	(74,394)
Other expenses and losses		**(54,136)**	(51,663)
Finance costs	*6*	**(17,612)**	(15,995)
Share of losses of:			
Joint ventures		**(599)**	(1,398)
An associate		**(6,241)**	(3,232)
PROFIT/(LOSS) BEFORE TAX	*5*	**79,147**	(32,243)
Income tax expense	*7*	**(17,928)**	(6,357)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**61,219**	(38,600)
Attributable to:			
Owners of the parent		**62,272**	(32,138)
Non-controlling interests		**(1,053)**	(6,462)
		61,219	(38,600)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB4.53 cents**	RMB(2.36) cents
Diluted		**RMB4.45 cents**	RMB(2.36) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**360,279**	374,715
Prepaid land lease payments		**57,932**	59,333
Deposits for purchase of items of property, plant and equipment		**52**	156
Goodwill		**34,159**	34,159
Other intangible assets		**23,006**	24,053
Club memberships		**2,534**	2,534
Investments in joint ventures		**15,650**	16,507
Investments in an associate		**13,062**	20,958
Available-for-sale investments		**16,999**	16,800
Trade receivables	9	**89,553**	82,467
Deferred tax assets		**10,290**	10,838
Total non-current assets		**623,516**	642,520
CURRENT ASSETS			
Inventories		**175,053**	134,009
Trade and bills receivables	9	**589,807**	420,395
Prepayments, deposits and other receivables		**46,502**	48,694
Prepaid land lease payments		**1,401**	1,401
Derivative financial instruments		**488**	–
Available-for-sale investments		**10,000**	–
Pledged deposits		**13,464**	1,597
Cash and cash equivalents		**128,004**	113,558
Total current assets		**964,719**	719,654
CURRENT LIABILITIES			
Trade and bills payables	10	**186,629**	161,474
Other payables and accruals		**60,893**	75,848
Derivative financial instruments		**1,628**	6,922
Interest-bearing bank borrowings		**394,574**	229,000
Tax payable		**24,079**	22,829
Total current liabilities		**667,803**	496,073
NET CURRENT ASSETS		**296,916**	223,581
TOTAL ASSETS LESS CURRENT LIABILITIES		**920,432**	866,101

	2015	2014
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred income	**17,393**	21,746
Deferred tax liabilities	**12,068**	12,351
Total non-current liabilities	**29,461**	34,097
Net assets	**890,971**	832,004
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**118,775**	117,168
Reserves	**755,957**	677,376
	874,732	794,544
Non-controlling interests	**16,239**	37,460
Total equity	**890,971**	832,004

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 manufacturing of power electronic components.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to the disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combination:* Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property:* Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment property during the year.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment which is the manufacturing and trading of power electronic components.

Geographical information

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

Information about major customers

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

	2015	2014
	RMB'000	*RMB'000*
Customer A *	–	115,799
Customer B **	**97,932**	–
Customer C **	**85,203**	–
Total	**183,135**	115,799

* *The sales to customer A were less than 10% of the Group's revenue for the year ended 31 December 2015.*

** *The respective sales to customer B and customer C were less than 10% of the Group's revenue for the year ended 31 December 2014.*

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts during the year.

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**781,993**	517,301
Other income		
Government grants*	**16,438**	6,090
Interest income	**1,148**	2,182
Sale of scrap materials	**2,007**	1,643
Others	**897**	2,017
	20,490	11,932
Gains		
Gain on disposal of items of property, plant and equipment, net	–	11,865
Fair value gains on foreign currency forward contracts, net	**2,890**	–
Fair value gains on derivative financial instruments, net	**52**	–
Gain on disposal of a subsidiary	**6,081**	–
	9,023	11,865
	29,513	23,797

* *Various government grants have been received for investments in certain provinces in Mainland China in which the Company's subsidiaries operate. 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. PROFIT/(LOSS) BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**518,951**	354,407
Write-down/(reversal of write-down) of inventories to net realisable value	**(3,887)**	3,802
Cost of sales	**515,064**	358,209
Auditors' remuneration	**1,650**	1,650
Depreciation	**23,136**	19,134
Amortisation of other intangible assets	**1,071**	1,184
Amortisation of land lease payments	**1,401**	1,401
Impairment of goodwill*	**–**	3,000
Minimum lease payments under operating leases	**1,825**	2,945
Impairment of trade and other receivables*	**17,985**	16,644
Fair value losses on foreign currency forward contracts, net*	**–**	11,983
Loss on disposal of items of property, plant and equipment, net*	**178**	–
Foreign exchange differences, net*	**4,515**	539
Research and development costs*	**31,458**	19,497
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):		
Wages and salaries	**21,698**	23,785
Share-based payment expense	**14,275**	2,783
Pension scheme contributions**	**6,336**	6,206
	42,309	32,774

* *The impairment of goodwill, impairment of trade and other receivables, net fair value losses on foreign currency forward contracts, net loss on disposal of items of property, plant and equipment, net foreign exchange losses and research and development costs are included in" Other expenses and losses" in the consolidated statement of profit or loss and other comprehensive income.*

** *At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2014: Nil).*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans	**17,612**	15,995

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

Wuxi Zhuofeng Information Technology Co., Ltd., a subsidiary of the Company, was exempted from CIT for two years commencing from the first profit making year in 2012, followed by a 50% tax rate reduction for CIT for the subsequent three years.

Jiashan Sunking Power Equipment Technology Co., Ltd., a subsidiary of the Company, was registered as a new and high technology enterprise, and was subject to CIT at a rate of 15% for the three years ended 31 December 2015.

Jiujiang Sun.king Technology Co., Ltd. ("**Jiujiang Sunking**") and Wuhan Langde Electrics Co., Ltd., subsidiaries of the Company, were registered as new and high technology enterprises, and are subject to CIT at a rate of 15% for the three years ending 31 December 2016.

	2015	2014
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**300**	861
Current – Mainland China		
Charge for the year	**16,506**	10,963
Underprovision/(overprovision) in prior years	**857**	(511)
Deferred	**265**	(4,956)
Total tax charge for the year	**17,928**	6,357

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share (2014: loss per share) amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB62,272,000 (2014: loss of RMB32,138,000), and the weighted average number of ordinary shares of 1,374,971,595 (2014: 1,362,940,740) in issue during the year.

The calculation of the diluted earnings/loss per share amount is based on the profit/loss 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/loss 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.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2014 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2015	2014
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**62,272**	(32,138)

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,374,971,595**	1,362,940,740
Effect of dilution – weighted average number of ordinary shares:		
Share options	**24,816,167**	5,483,492
	1,399,787,762	1,368,424,232

9. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**557,537**	433,223
Impairment	**(49,865)**	(35,377)
	507,672	397,846
Bills receivable	**171,688**	105,016
Less: Amount shown as non-current	**(89,553)**	(82,467)
	589,807	420,395

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Concentration of credit risk is managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

For certain customers, the Group allows a percentage, ranging from 2% to 10%, of the contracted amount (the retention money) to be settled within six months to twenty-four months, as agreed between the Group and the respective customers on a case by case basis, subsequent to the fulfilment of certain conditions including delivery of goods or completion of installation as stipulated in the respective sales contracts.

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**228,470**	185,928
3 to 6 months	**107,086**	86,773
6 to 12 months	**81,812**	49,159
Over 1 year	**90,304**	75,986
	507,672	397,846

At 31 December 2015, the Group's bills receivable would mature within nine (2014: twelve) months.

At 31 December 2015, certain trade and bills receivables of the Group with an aggregate carrying amount of RMB35,550,000 (2014: RMB50,143,000) were pledged to banks to secure certain bank loans granted to the Group.

At 31 December 2015, certain bills receivable of the Group with an aggregate carrying amount of RMB24,000,000 (2014: RMB29,332,000) were pledged to secure certain of the Group's bills payable.

At 31 December 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB29,413,000 (2014: RMB6,979,000) to certain of its suppliers in order to settle the trade payables due to these suppliers. In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled.

At 31 December 2015, 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 RMB86,837,000 (2014: RMB47,343,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In opinion of the directors, 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.

10. 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:

	2015	2014
	RMB'000	*RMB'000*
Within six months	**154,561**	126,257
Over six months	**35,068**	35,217
	189,629	161,474

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

At 31 December 2015, certain of the Group's bills payable amounting to RMB17,545,000 (2014: RMB20,517,000) were secured by the pledge of the Group's bills receivable amounting to RMB24,000,000 (2014: RMB29,332,000).

11. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Proposed final – HK1 cent (2014: Nil) per ordinary share	**11,590**	–

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The products offered by the Group are divided into, in terms of their applied industries, power transmission sector, rail transportation sector and industrial sector.

Power transmission sector

The revenue generated by the power transmission sector increased by approximately 73.6% from approximately RMB172.1 million for the year ended 31 December 2014 to approximately RMB298.7 million for the year ended 31 December 2015. The gross profit margin remained stable at approximately 40.0% for each of the two years ended 31 December 2015.

The number of orders and sales of the Group of anode saturation resistors and high-voltage power capacitors increased significantly. For the year ended 31 December 2015, the Group completed the delivery for the Lingzhou-Shaoxing ultra-high voltage direct current transmission project of State Grid Corporation of China ("**State Grid**"). In addition, the Group entered into several sales contracts for the sales of the Group's anode saturation resistors and high-voltage power capacitors which were used in the ultra-high voltage transmission construction projects and the Group completed delivery of some of these sales. The Group also completed the delivery of the order for the Xiamen flexible direct current transmission project during the year ended 31 December 2015.

Rail transportation sector

The revenue generated by the rail transportation sector decreased by approximately 7.4% from approximately RMB128.1 million for the year ended 31 December 2014 to approximately RMB118.6 million for the year ended 31 December 2015. The decrease of revenue in the rail transportation sector was primarily due to the cessation of railway vehicles repair business. The gross profit margin increased from approximately 23.0% for the year ended 31 December 2014 to approximately 31.0% for the year ended 31 December 2015.

The Group continued to supply products for high power locomotives, China standard electric multiple unit ("**CEMU**")（中國標準化動車組）and alpine electric multiple unit ("**AEMU**")（高寒動車組）including insulated gate bipolar transistors components and laminated busbars to CRRC Corporation Limited and its subsidiaries (the "**CRRC Group**").

The Group successfully completed the power quality management projects for electrified rails for, among others, Lanzhou Railway Bureau（蘭州鐵路局）and Tianping Railway Company Limited（天平鐵路有限公司）.

Industrial sector

The revenue generated by the industrial sector increased by approximately 68.0% from approximately RMB217.1 million for the year ended 31 December 2014 to approximately RMB364.7 million for the year ended 31 December 2015. The gross profit margin also increased from approximately 27.0% for the year ended 31 December 2014 to approximately 30.0% for the year ended 31 December 2015.

The Group maintained its position as the market leader of high power rectifier products for the electrolytic aluminum industry in terms of market share. In addition, the Group benefited from the increasing demand of energy-saving electric equipment. As a result, the revenue for the industry sector increased substantially.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately 51.2% from approximately RMB517.3 million for the year ended 31 December 2014 to approximately RMB782.0 million for the year ended 31 December 2015 primarily due to the substantial increase in orders and sales of the power transmission sector and the industrial sector for the year ended 31 December 2015.

Cost of sales

The cost of sales increased by approximately 43.8% from approximately RMB358.2 million for the year ended 31 December 2014 to approximately RMB515.1 million for the year ended 31 December 2015 primarily due to the substantial increase in sales revenue for the year ended 31 December 2015.

Gross profit and gross profit margin

The gross profit increased by approximately 67.8% from approximately RMB159.1 million for the year ended 31 December 2014 to approximately RMB266.9 million for the year ended 31 December 2015 primarily due to the substantial increase in revenue for the year ended 31 December 2015.

The gross profit margin increased from approximately 30.8% for the year ended 31 December 2014 to approximately 34.1% for the year ended 31 December 2015 primarily due to the decrease in production costs of each product as a result of economies of scale.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately 7.6% from approximately RMB68.5 million for the year ended 31 December 2014 to approximately RMB63.3 million for the year ended 31 December 2015 primarily due to the strict control of selling and distribution expenses.

Administrative expenses

The administrative expenses increased slightly by approximately 1.3% from approximately RMB74.4 million for the year ended 31 December 2014 to approximately RMB75.4 million for the year ended 31 December 2015.

Other expenses

The other expenses increased by approximately 4.6% from approximately RMB51.7 million for the year ended 31 December 2014 to approximately RMB54.1 million for the year ended 31 December 2015 primarily due to the increase in expenses related to impairment of trade and other receivables, foreign exchange differences, and research and development of new products.

Interest on bank loans wholly repayable within five years

The interest on bank loans wholly repayable within five years increased by approximately 10.0% from approximately RMB16.0 million for the year ended 31 December 2014 to approximately RMB17.6 million for the year ended 31 December 2015.

Profit before tax

The loss before tax turned into the profit before tax from approximately RMB32.2 million for the year ended 31 December 2014 to approximately RMB79.1 million for the year ended 31 December 2015 primarily due to the significant increase in sales revenue for the year ended 31 December 2015.

Income tax expenses

The income tax expenses increased by approximately 182.0% from approximately RMB6.4 million for the year ended 31 December 2014 to approximately RMB17.9 million for the year ended 31 December 2015 primarily due to the significant increase in revenue for the year ended 31 December 2015.

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

The profit and total comprehensive income for the year attributable to owners of the parent increased significantly from approximately RMB32.1 million for the year ended 31 December 2014 to approximately RMB62.3 million for the year ended 31 December 2015.

The Group's net gain margin, which is calculated as gain attributable to owners of the parent for the year divided by revenue, increased from a net loss margin of approximately 6.2% for the year ended 31 December 2014 to a net gain margin of approximately 8.0% for the year ended 31 December 2015.

Inventories

The inventories increased by approximately 30.7% from approximately RMB134.0 million as at 31 December 2014 to approximately RMB175.1 million as at 31 December 2015 primarily due to the significant increase in orders and sales.

The average inventory turnover days decreased from approximately 129 days for the year ended 31 December 2014 to approximately 119 days for the year ended 31 December 2015 primarily due to the enhancement in management of inventories.

Trade receivables

The trade receivables increased by approximately 27.6% from approximately RMB397.8 million as at 31 December 2014 to approximately RMB507.7 million as at 31 December 2015 primarily due to the increase in revenue for the year ended 31 December 2015.

The average trade receivables turnover days decreased from approximately 320 days for the year ended 31 December 2014 to approximately 228 days for the year ended 31 December 2015 primarily due to the increase in revenue for the year ended 31 December 2015 primarily due to the strict measures taken to improve the management of trade receivables.

Trade and other payables

The trade and other payables increased by approximately 4.3% from approximately RMB237.3 million as at 31 December 2014 to approximately RMB247.5 million as at 31 December 2015.

The average trade and other payables turnover days decreased from approximately 227 days for the year ended 31 December 2014 to approximately 169 days for the year ended 31 December 2015 primarily due to the enhancement in the Group's procurement management.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of products and bank borrowings. The current ratio (current assets divided by current liabilities) decreased slightly from approximately 1.5 as at 31 December 2014 to approximately 1.4 as at 31 December 2015. The cash and cash equivalents increased from approximately RMB113.6 million as at 31 December 2014 to approximately RMB128.0 million as at 31 December 2015. The interest-bearing bank borrowings increased from RMB229.0 million as at 31 December 2014 to approximately RMB394.6 million as at 31 December 2015. The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity increased from approximately 27.5% as at 31 December 2014 to approximately 44.3% as at 31 December 2015.

As at 31 December 2015, the Group's bank loans were mainly denominated in Renminbi ("**RMB**"), and had contractual maturity within one year from the end of the reporting year. The effective interest rate on bank borrowings as at 31 December 2015, which were also equal to the weighted average contracted interest rate, amounted to approximately 5.0%. During the year under review, there was no material change to the Group's funding and treasury policy.

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

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 such units' functional currencies. In order to minimise the impact of foreign exchange exposures, the Group has entered into forward currency contracts with creditworthy banks to manage its exchange rate exposures.

The carrying amount of the outstanding foreign currency forward contracts decreased from approximately RMB6.9 million as at 31 December 2014 to approximately RMB1.6 million as at 31 December 2015.

Contingent liabilities

As at 31 December 2015, the Group had no significant contingent liabilities.

Charges on group assets

As at 31 December 2015, certain of the Group's bank loans were secured by pledge of certain of the Group's trade and bills receivables amounting to approximately RMB35.6 million (as at 31 December 2014: approximately RMB50.1 million). At 31 December 2015, certain of the Group's bills receivables of RMB24.0 million (as at 31 December 2014: RMB29.3 million) were pledged to secure certain of the Group's bills payables.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HK$593.0 million were raised from the listing of the Company's shares on the Stock Exchange in October 2010.

As at 31 December 2015, the total net proceeds from the listing of the Company had been fully utilised for repayment of bank borrowings, land acquisition and construction of buildings for expansion of production capacity, building construction for research and development, and working capital and general corporate expenses.

HUMAN RESOURCES

As at 31 December 2015, the Group employed 592 employees. Key components of the Group's remuneration packages included basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews on the performance of its employees and their salaries and bonuses are performance-based. The Group did not experience any significant problems with its employees or disruptions to its operations due to labor disputes, nor did it experience any difficulty in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees.

PROSPECTS

Looking forward into 2016, the Group will continue to adhere to the target of being the industry leading electric power system solution integrator. The Group will also continue to strengthen its independent research and development in technology and product innovation, improve product quality, reinforce personnel training and talent introduction, develop diversified products and improve operational efficiency in order to realise the sustainable and rapid development of the Group.

The PRC government is dedicated to build high-voltage direct current ("**HVDC**") and flexible direct current transmission lines to form part of the global power network. State Grid announced that the grid construction investment for 2016 is approximately RMB439.0 billion, and such investment amount increased by 4.5% over the year. State Grid will accelerate the construction of five alternating current and eight direct current (五交八直) HVDC transmission lines and will also strive to obtain approval for the construction of seven HVDC transmission lines. In addition, flexible direct current transmission is a key technology in the construction of global power network in achieving clean and efficient energy transmission and distribution. As a result, the Group is confident in its business development within the abovementioned areas.

In line with the Group's development strategy, the Group will continue to reinforce its product diversification in the rail transportation sector. In 2016, the Group will continue to maintain long term cooperation with the CRRC Group and will also actively participate the development of CEMU and AEMU. At the same time, the Group will develop the market of products for electrified rail substation power quality management. Furthermore, the Group will continue to devote effort to the research and development of new products to achieve product diversification and increase in business scale in the rail transportation sector.

In 2016, under the favourable condition for energy saving-related modifications and power efficiency enhancement of industrial catalogues in the PRC, the Group will continue to promote its power-related electrical components and equipment with high effectiveness and efficiency, and leverage the research and development of new technologies such as the isolated operation project, in order to assist its industrial customers to realise safe and efficient power usage.

The Group will seize opportunities for growth in terms of market share and revenue through various channels such as strategic alliance with strategic partners, mergers and acquisitions and formation of long term business collaboration with large customers and will gradually explore both regional and overseas markets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the year ended 31 December 2015.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company (the "**Shareholders**"). The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with the aim of maintaining and improving the standard of corporate governance practices. The Company continued to apply the Corporate Governance Code during the year ended 31 December 2015.

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 2015.

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, internal controls and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2015.

DIVIDENDS

The Board proposed to recommend the payment of a final dividend of HK1 cent per Share for the year ended 31 December 2015 (2014: nil). Details of the dividends for the year ended 31 December 2015 are set forth in note 11 to the consolidated statement of profit or loss and other comprehensive income. The aforesaid final dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Wednesday, 15 June 2016 to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 31 May 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Wednesday, 18 May 2016 at 10:00 a.m. A notice convening the annual general meeting of the Company will be issued in due course.

CLOSURE OF REGISTER

In order to establish the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 13 May 2016. The register of members of the Company will be closed from Monday, 16 May 2016 to Wednesday, 18 May 2016, both days inclusive, during which period no transfer of Shares will be registered.

In order to establish the identity of the Shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 27 May 2016. The register of members of the Company will be closed from Monday, 30 May 2016 to Tuesday, 31 May 2016, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the Shareolders of the proposed final dividend at the annual general meeting to be held on Wednesday, 18 May 2016, the final dividend will be paid on or around Wednesday, 15 June 2016 to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 31 May 2016.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.speg.hk. The Company's annual report for the year 2015 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 on 31 December 2015 with the Shareholders and the potential investors of the Company on Wednesday, 23 March 2016 from 10:00 a.m.to 11:00 a.m. (Hong Kong time). The dial-in details are as follows:

Telephone number: 86-21-60845858

Conference code: 641996#

Participants should press *8# before asking questions during the telephone conference.

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

Hong Kong, 22 March 2016

As at the date of this announcement, the executive Directors are Mr. Xiang Jie, Mr. Gong Renyuan, Mr. Yue Zhoumin and Mr. Jin Jiafeng; the non-executive Director is Mr. Ye Weigang Greg; and the independent non-executive Directors are Mr. Wang Yi, Mr. Li Fengling and Mr. Chen Shimin.