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

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

(a) Revenue increased by approximately 0.5% to approximately RMB401.0 million.

(b) Gross profit increased by approximately 9.4% to approximately RMB137.9 million.

(c) Gross profit margin increased from approximately 31.6% to approximately 34.4%.

(d) Profit and total comprehensive income for the period attributable to owners of the parent was approximately RMB55.1 million.

(e) Basic earnings per share attributable to ordinary equity holders of the parent were approximately RMB3.98 cents.

(f) Diluted earnings per share attributable to ordinary equity holders of the parent were approximately RMB3.90 cents.

(g) The Board has resolved to pay an interim dividend of HK1 cent per ordinary share.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "**Board**") of directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2016, with the comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**401,028**	399,058
Cost of sales		**(263,142)**	(273,038)
Gross profit		**137,886**	126,020
Other income and gains	*4*	**19,826**	16,466
Selling and distribution costs		**(37,481)**	(33,137)
Administrative expenses		**(38,751)**	(38,457)
Research and development costs		**(13,272)**	(5,469)
Other expenses and losses		**(5,790)**	(7,510)
Finance costs	*6*	**(8,300)**	(7,888)
Share of profits/(losses) of:			
A joint venture		**(22)**	(450)
An associate		**12,457**	(3,218)
PROFIT BEFORE TAX	*5*	**66,553**	46,357
Income tax expense	*7*	**(11,514)**	(11,701)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**55,039**	34,656
Attributable to:			
Owners of the parent		**55,129**	31,381
Non-controlling interests		**(90)**	3,275
		55,039	34,656
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB3.98 cents**	RMB2.29 cents
Diluted		**RMB3.90 cents**	RMB2.25 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**324,016**	360,279
Prepaid land lease payments		**55,796**	57,932
Deposits for purchase of items of property, plant and equipment		**175**	52
Goodwill		**34,159**	34,159
Other intangible assets		**22,473**	23,006
Club memberships		**1,554**	2,534
Investments in a joint venture		**15,628**	15,650
Investment in an associate		**25,739**	13,062
Available-for-sale investment		**16,999**	16,999
Trade receivables	*10*	**109,928**	89,553
Deferred tax assets		**9,136**	10,290
Total non-current assets		**615,603**	623,516
CURRENT ASSETS			
Inventories		**175,938**	175,053
Trade and bills receivables	*10*	**679,743**	589,807
Prepayments, deposits and other receivables		**45,653**	46,502
Prepaid land lease payments		**1,362**	1,401
Derivative financial instruments		**4,831**	488
Available-for-sale investments		**–**	10,000
Pledged deposits		**27,597**	13,464
Cash and cash equivalents		**183,922**	128,004
Total current assets		**1,119,046**	964,719
CURRENT LIABILITIES			
Trade and bills payables	*11*	**237,295**	186,629
Other payables and accruals		**85,419**	60,893
Derivative financial instruments		**–**	1,628
Interest-bearing bank borrowings		**420,944**	394,574
Tax payable		**24,340**	24,079
Total current liabilities		**767,998**	667,803
NET CURRENT ASSETS		**351,048**	296,916
TOTAL ASSETS LESS CURRENT LIABILITIES		**966,651**	920,432

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2016

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**966,651**	920,432
NON-CURRENT LIABILITIES		
Deferred income	**15,007**	17,393
Deferred tax liabilities	**12,014**	12,068
Total non-current liabilities	**27,021**	29,461
Net assets	**939,630**	890,971
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**119,014**	118,775
Reserves	**804,467**	755,957
	923,481	874,732
Non-controlling interests	**16,149**	16,239
Total equity	**939,630**	890,971

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent									
	Share capital *RMB'000* (Unaudited)	Share premium account *RMB'000* (Unaudited)	Employee share-based compensation reserve *RMB'000* (Unaudited)	Capital redemption reserve *RMB'000* (Unaudited)	Deemed contribution reserve *RMB'000* (Unaudited) *(note a)*	Other reserve *RMB'000* (Unaudited) *(note b)*	Retained profits/ (accumulated losses) *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)	Non-controlling interests *RMB'000* (Unaudited)	Total equity *RMB'000* (Unaudited)
At 1 January 2016	**118,775**	**411,695**	**26,451**	**288**	**14,765**	**244,978**	**57,780**	**874,732**	**16,239**	**890,971**
Profit and total comprehensive income for the period	–	–	–	–	–	–	**55,129**	**55,129**	**(90)**	**55,039**
Exercise of share options	**239**	**1,949**	**(640)**	–	–	–	–	**1,548**	–	**1,548**
Share-based payments	–	–	**3,761**	–	–	–	–	**3,761**	–	**3,761**
2015 Final dividend	–	**2,297**	–	–	–	–	**(13,986)**	**(11,689)**	–	**(11,689)**
At 30 June 2016	**119,014**	**415,941***	**29,572***	**288***	**14,765***	**244,978***	**98,923***	**923,481**	**16,149**	**939,630**
At 1 January 2015	117,168	400,196	15,843	288	14,765	250,776	(4,492)	794,544	37,460	832,004
Profit and total comprehensive income for the period	–	–	–	–	–	–	31,381	31,381	3,275	34,656
Acquisition of non-controlling interests	–	–	–	–	–	(5,820)	–	(5,820)	(20,030)	(25,850)
Exercise of share options	1,278	8,738	(2,784)	–	–	–	–	7,232	–	7,232
Share-based payments	–	–	8,882	–	–	–	–	8,882	–	8,882
At 30 June 2015	118,446	408,934	21,941	288	14,765	244,956	26,889	836,219	20,705	856,924

Notes:

(a) Deemed contribution reserve represents share-based payment expense incurred and recognised by the Group as settled by issue of shares of Sun.King Group Limited (賽晶集團有限公司) ("**Sunking BVI**"), a former shareholder of the Company.

(b) Other reserve mainly represents a certain waiver of loans and/or advances by Sunking BVI to the Group in prior years and the reserve arose from acquisition of non-controlling interests.

* These reserve accounts comprise the consolidated reserves of RMB804,489,000 (31 December 2015: RMB755,957,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**66,553**	46,357
Adjustments for:			
Finance costs	6	**8,300**	7,888
Share of losses/(profits) of a joint venture and an associate		**(12,435)**	3,668
Interest income	4	**(826)**	(891)
Gain on disposal of items of property, plant and equipment, net	4	**(11,255)**	(16)
Depreciation	5	**11,668**	11,014
Amortisation of other intangible assets	5	**533**	534
Impairment of trade and other receivables	5	**468**	4,357
Fair value gains on foreign currency forward contracts, net	4	**(2,816)**	(2,080)
Amortisation of prepaid land lease payments	5	**691**	700
Write-down of/(reversal of write-down of) inventories to net realisable value	5	**1,673**	(121)
Government grants		**(3,644)**	(12,341)
Share-based payment expense		**3,761**	8,882
		62,671	67,951
Increase in inventories		**(2,558)**	(27,362)
Increase in trade and bills receivables		**(109,453)**	(154,483)
Decrease/(increase) in prepayments, deposits and other receivables		**11,413**	(4,557)
Increase in trade and bills payables		**50,666**	52,015
Increase in other payables and accruals		**24,526**	4,619
Decrease in derivative financial instruments		**(3,155)**	(5,953)
Cash generated from/(used in) operations		**34,110**	(67,770)
Interest paid		**(8,300)**	(7,888)
Income taxes paid		**(10,153)**	(9,312)
Net cash flows from/(used in) operating activities		**15,657**	(84,970)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash flows from/(used in) operating activities	**15,657**	(84,970)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**605**	891
Purchases of items of property, plant and equipment	**(4,292)**	(5,067)
Proceeds from disposal of items of property, plant and equipment	**29,232**	250
Decrease/(increase) in deposits for purchase of items of property, plant and equipment	**(123)**	128
Additions to other intangible assets	**–**	(13)
Proceeds from disposal of prepaid land lease payments	**1,485**	–
Proceeds from disposal of available-for-sale investments	**10,000**	–
Increase in pledged deposits	**(14,133)**	(14,927)
Receipt of government grants	**1,258**	10,499
Net cash flows from/(used in) investing activities	**24,032**	(8,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	**1,548**	7,232
New bank loans	**368,959**	268,500
Repayment of bank loans	**(342,589)**	(201,500)
Acquisition of non-controlling interests	**–**	(25,850)
Dividends paid	**(11,689)**	–
Net cash flows from financing activities	**16,229**	48,382
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**55,918**	(44,827)
Cash and cash equivalents at beginning of period	**128,004**	113,558
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**183,922**	68,731
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**183,922**	68,731

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2016

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the trading and manufacturing of power electronic components.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the following revised standards as of 1 January 2016:

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

The adoption of the above revised standards has no material impact on the accounting policies 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.

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.

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of the Group's revenue, other income and gains, is as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**401,028**	399,058
Other income		
Government grants*	**3,644**	12,341
Sale of scrap materials	**559**	905
Interest income	**826**	891
Others	**726**	232
	5,755	14,369
Gains		
Gain on disposal of items of property, plant and equipment, net	**11,255**	16
Fair value gains on foreign currency forward contracts, net	**2,816**	2,080
Others	**–**	1
	14,071	2,097
	19,826	16,466

* 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 condensed consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**261,469**	273,159
Write-down of/(reversal of write-down of) inventories to net realisable value	**1,673**	(121)
Cost of sales	**263,142**	273,038
Depreciation	**11,668**	11,014
Amortisation of other intangible assets	**533**	534
Amortisation of prepaid land lease payments	**691**	700
Minimum lease payments under operating leases for land and buildings	**945**	1,020
Impairment of trade and other receivables	**468**	4,357
Foreign exchange differences, net	**5,322**	3,153

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**8,300**	7,888

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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

Wuxi Zhuofeng Information Technology Co., Ltd.* (無錫卓峰信息科技有限公司), a subsidiary of the Company, was recognised as a wholly–foreign–owned enterprise and was entitled to tax exemption 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.

Jiujiang Sun.King Technology Co., Ltd.* (九江賽晶科技股份有限公司) and Wuhan Langde Electrics Co., Ltd.* (武漢朗德電氣有限公司), 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.

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	**1,156**	374
Current – Mainland China		
Charge for the period	**10,203**	10,295
Underprovision/(overprovision) in prior periods	**(945)**	(20)
Deferred	**1,100**	1,052
Total tax charge for the period	**11,514**	11,701

* *For identification purpose only*

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB55,129,000 (six months ended 30 June 2015: RMB31,381,000), and the weighted average number of ordinary shares of 1,384,801,000 (six months ended 30 June 2015: 1,367,802,884) in issue during the period.

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

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**55,129**	31,381

	Number of shares For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,384,801,000**	1,367,802,884
Effect of dilution – weighted average number of ordinary shares:		
Share options	**29,298,600**	26,297,164
	1,414,099,600	1,394,100,048

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment at a total cost of RMB4,292,000 (six months ended 30 June 2015: RMB5,067,000) and disposed of items of property, plant and equipment with a total net carrying amount of RMB28,887,000 (six months ended 30 June 2015: RMB234,000).

As at 30 June 2016, the Group's property, plant and equipment and prepaid land lease payment with a carrying value of approximately RMB37,750,000 and RMB13,560,000, respectively, were pledged to secure bank loans of RMB22,000,000.

10. TRADE AND BILLS RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**701,652**	557,537
Impairment	**(46,770)**	(49,865)
	654,882	507,672
Bills receivable	**134,789**	171,688
Less: Amount shown as non-current	**(109,928)**	(89,553)
	679,743	589,807

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 thirty-six months, as agreed between the Group and the respective customers on a case by case basis, subsequent to the fulfillment of certain conditions including delivery of goods or completion of installation as stipulated in the respective sales contracts.

10. TRADE AND BILLS RECEIVABLES (continued)

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**298,640**	228,470
3 to 6 months	**111,338**	107,086
6 to 12 months	**180,325**	81,812
Over 1 year	**64,579**	90,304
	654,882	507,672

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**134,367**	167,688
6 to 12 months	**422**	4,000
	134,789	171,688

At 30 June 2016, certain trade and bills receivables of the Group with an aggregate carrying amount of RMB55,668,000 (31 December 2015: RMB35,550,000) were pledged to banks to secure certain bank loans granted to the Group.

At 30 June 2016, certain bills receivables of the Group with an aggregate carrying amount of RMB10,000,000 (31 December 2015: RMB24,000,000) were pledged to secure certain of the Group's bills payable.

11. TRADE AND BILLS PAYABLES

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**144,748**	154,561
Over 6 months	**92,547**	35,068
	237,295	189,629

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

At 30 June 2016, certain of the Group's bills payable amounting to RMB8,338,000 (31 December 2015: RMB17,545,000) were secured by the pledge of the Group's bills receivable amounting to RMB10,000,000 (31 December 2015: RMB24,000,000).

12. CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

13. OPERATING LEASE ARRANGEMENTS AS LESSEE

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**1,290**	1,468
In the second to fifth years, inclusive	**2,061**	2,667
	3,351	4,135

14. CAPITAL COMMITMENTS

Capital Commitments

In addition to the operating lease arrangements detailed in note 13 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**2,503**	1,021

Other Commitments

Commitments under foreign currency forward contracts and commodity futures contracts:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Purchase of Swiss Franc ("CHF")	**147,550**	151,111
Purchase of copper	**4,139**	1,761
	151,689	152,872

15. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
An associate:			
Interest income	*(i)*	**301**	718
A joint venture:			
Service income	*(ii)*	**–**	167

Notes:

(i) The interest income arose from a loan to an associate which was interest-bearing at a rate of 15% per annum.

(ii) The service income arose from the consulting service provided to a joint venture. The consulting service fee was determined according to the mutually agreed terms.

(b) Outstanding balances with related parties

		30 June	31 December
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Prepayments, deposits and other receivables			
Due from an associate	*(i)*	**–**	11,694

Notes:

(i) As at 31 December 2015, included in the amount due from an associate was a loan to the associate and interest receivable from the associate of RMB9,517,000 and RMB2,177,000, respectively. The loan to the associate was unsecured, interest-bearing at the rate of 15% per annum and was repayable within one year.

15. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**3,762**	4,033
Post-employment benefits	**291**	272
Share-based payment expense	**2,828**	6,817
Total compensation paid to key management personnel	**6,881**	11,122

16. FAIR VALUE AND FAIR VALUE HIERARCHY

At the end of the reporting period, management has assessed that the fair values of the Group's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group enters into derivative financial instruments with various counterparties. Derivative financial instruments, mainly including forward currency contracts, are measured using quoted prices in active markets. The carrying amounts of forward currency contracts are the same as their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2016				
Derivative financial instruments	**4,831**	**–**	**–**	**4,831**
As at 31 December 2015				
Derivative financial instruments	488	–	–	488

16. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2016				
Derivative financial instruments	–	–	–	–
As at 31 December 2015				
Derivative financial instruments	1,628	–	–	1,628

During the period, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 December 2015: Nil).

17. EVENTS AFTER THE REPORTING PERIOD

(1) Subsequent to the end of the reporting period, in July 2016, the Group acquired 65% of the issued shares capital of Astrol electronic AG (the "Target Company") with a cash consideration of no more than CHF3.9 million and no less than CHF2.6 million. The Target Company is a company incorporated in Switzerland with limited liability and engaged in the business of manufacturing and sales of pulsed power equipment, IGBT gate units and other electronic components.

(2) Subsequent to the end of the reporting period, the Board declared an interim dividend of HK1 cent per share for the six month ended 30 June 2016 (six months ended 30 June 2015: Nil).

18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 23 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue, which was generated from sales of goods, was approximately RMB401.0 million for the six months ended 30 June 2016 which was a slight increase as compared to the revenue recorded for the corresponding period in 2015.

Cost of sales

The Group's cost of sales decreased by approximately 3.6% from approximately RMB273.0 million for the six months ended 30 June 2015 to approximately RMB263.1 million for the corresponding period in 2016. The decrease in cost of sales was mainly due to the stringent control in procurement costs and the increased proportion of sales in products with higher gross profit margin during the period.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 9.4% from approximately RMB126.0 million for the six months ended 30 June 2015 to approximately RMB137.9 million for the corresponding period in 2016. The increase in gross profit was mainly due to the stringent control in procurement costs and the increased proportion of sales in products with higher gross profit margin during the period.

The Group's gross profit margin increased from approximately 31.6% for the six months ended 30 June 2015 to approximately 34.4% for the corresponding period in 2016. The increase in gross profit margin was mainly attributable to the stringent control in procurement costs and the increased proportion of sales in products with higher gross profit margin during the period.

Share of profits/(losses) of an associate

The Group's share of profits/(losses) of an associate increased from a loss of approximately RMB3.2 million for the six months ended 30 June 2015 to a gain of approximately RMB12.5 million for the corresponding period in 2016. The increase was mainly attributable to the gains from Jiashan Henghua Real Estate Co., Ltd.* (嘉善恒華房地產開發有限公司).

Other income and gains

The Group's other income and gains increased by approximately 20.4% from approximately RMB16.5 million for the six months ended 30 June 2015 to approximately RMB19.8 million for the corresponding period in 2016. The increase in other income and gains was mainly due to gains on disposal of items of property, plant and equipment.

* *For identification purpose only*

Selling and distribution costs

The Group's selling and distribution costs increased by approximately 13.1% from approximately RMB33.1 million for the six months ended 30 June 2015 to approximately RMB37.5 million for the corresponding period in 2016. The increase in selling and distribution costs was mainly due to the increase in sales orders, thereby leading to the increase in selling expenses.

Administrative expenses

The Group's administrative expenses were approximately RMB38.8 million for the six months ended 30 June 2016. The Group's administrative expenses remained relatively stable.

Research and development costs

The Group's research and development costs increased by approximately 142.7% from approximately RMB5.5 million for the six months ended 30 June 2015 to approximately RMB13.3 million for the corresponding period in 2016. The increase in research and development costs was mainly due to the increased research and development efforts in technology and products.

Other expenses and losses

The Group's other expenses and losses decreased by approximately 22.9%, from approximately RMB7.5 million for the six months ended 30 June 2015 to approximately RMB5.8 million for the corresponding period in 2016. There was a decrease in other expenses and losses mainly due to the decrease in the impairment of trade and other receivables.

Finance costs

The Group's financial costs, which were made up of interests on bank loans wholly repayable within five years, increased by 5.2% from approximately RMB7.9 million for the six months ended 30 June 2015 to approximately RMB8.3 million for the corresponding period in 2016. The Group's finance costs basically remained stable.

Profit before tax

As a result of the foregoing, the Group's profit before tax had increased from approximately RMB46.4 million for the six months ended 30 June 2015 to approximately RMB66.6 million for the corresponding period in 2016.

Income tax expenses

The Group's income tax expenses decreased by approximately 1.6% from approximately RMB11.7 million for the six months ended 30 June 2015 to approximately RMB11.5 million for the corresponding period in 2016. There was a decrease in income tax expenses as the investment gain in the profit before tax was not included as part of taxable income for the six months ended 30 June 2016.

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

The Group's profit and total comprehensive income for the period attributable to owners of the parent increased from approximately RMB31.4 million for the six months ended 30 June 2015 to approximately RMB55.1 million for the corresponding period in 2016.

Interim dividend

The Board has resolved to pay an interim dividend of HK1 cent per ordinary share for the six months ended 30 June 2016 (corresponding period in 2015: Nil). The interim dividend is expected to be paid on or around 14 October 2016 to the shareholders of the Company whose names appear on the Company's register of members on 28 September 2016. Assuming no further share will be issued or repurchased from the date of this announcement up to the expected dividend payment date, this will absorb a total amount of HK$13,873,530 (corresponding period in 2015: Nil).

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from sales of its products and bank borrowings. As at 30 June 2016, the Group's current ratio (current assets divided by current liabilities) was approximately 1.5 (31 December 2015: approximately 1.4). As at 30 June 2016, the Group had cash and cash equivalents of approximately RMB183.9 million (31 December 2015: approximately RMB128.0 million) and interest-bearing bank loans of RMB420.9 million (31 December 2015: RMB394.6 million).

As at 30 June 2016, the Group's gearing ratio measured on the basis of total interest-bearing bank loans to total equity was approximately 44.8% (31 December 2015: approximately 44.3%).

As at 30 June 2015, all the Group's bank loans were denominated in RMB with the contractual maturity being within one year from the end of the reporting period. The RMB effective interest rate on the Group's bank borrowings (equivalent to the weighted average contracted interest rates) was approximately 5.0% as at 31 December 2015. As at 30 June 2016, majority of the Group's bank loans were denominated in RMB with the contractual maturity being within one year from the end of the reporting period. The effective interest rate on the Group's abovementioned bank borrowings (equivalent to the weighted average contracted interest rates) was approximately 4.6%. Furthermore, as at 31 December 2015 and 30 June 2016, the effective interest rate of the Group's other bank loans which were denominated in other currencies was approximately 2.8%. During the period under review, there was no material movement in the Group's funding and treasury policy.

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

Foreign currency exposures

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

The carrying amount of foreign currency forward contracts outstanding as at 30 June 2016 was approximately RMB4.2 million (asset) (31 December 2015: approximately RMB1.6 million (liability)).

Contingent liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

Charges on Group assets

As at 30 June 2016, certain of the Group's bank loans were secured by (a) mortgages over the Group's property, plant and equipment and prepaid land lease payments with aggregate carrying amounts at the end of the reporting period of approximately RMB37.8 million (as at 31 December 2015: approximately RMB38.9 million) and RMB13.6 million (as at 31 December 2015: approximately RMB13.7 million), respectively; and (b) pledge of certain of the Group's trade and bills receivables amounting to approximately RMB55.7 million (as at 31 December 2015: approximately RMB35.6 million). As at 30 June 2016, certain of the Group's bills receivables of RMB10.0 million (as at 31 December 2015: RMB24.0 million) were pledged to secure certain of the Group's bills payables.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HKD593.0 million were raised from the listing (the "**Listing**") of the Company's shares on the Stock Exchange in October 2010. As at 30 June 2016, the entire amount of the net proceeds of the Listing had been utilised in 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 30 June 2016, the Group had 627 employees (31 December 2015: 592 employees). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group regularly evaluates the job performance of its employees which is used to determine their salary and bonus. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees.

PROSPECTS

Looking forward, in view of the revolutionary change in the energy sector and the urgent need of direct current transmission technology for the development of power electronics technology, the Group will continue to actively engage in the human resources recruitment for power electronics technology, research and development in technology and marketing. The Group will strive to develop leading technology as its key competitiveness, in order to realise the rapid development of the Group.

Based on the development plan of the State Grid Corporation of China and China Southern Power Grid, it is anticipated that relatively higher investment scale and construction speed on projects of ultra-high voltage direct current transmission would be maintained. The four construction projects on ultra-high voltage direct current transmission awarded to the Group in 2015 are expected to be completed within the second half of 2016, and the Group had been undergoing negotiation and contract execution for three new construction projects on ultra-high voltage direct current transmission in the first half of 2016.

In respect of flexible direct current transmission, the back-to-back direct current network project in Yu E, Chongqing, the PRC (渝鄂直流背靠背聯網工程), had commenced in the first half of 2016. It is expected that the relevant products to be supplied by the Group would be delivered gradually starting from the second half of 2016 to 2017.

In the second half of 2016, it is expected that the positive development of the Group in the first half of 2016 will be maintained. Furthermore, 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.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

None of the Company nor its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed herein, the Group had no material acquisition and disposal during the six months ended 30 June 2016.

CORPORATE GOVERNANCE

As reported in the corporate governance report published in the 2015 annual report of the Company, the Company places high value in its corporate governance practice and the Board firmly believes that good corporate governance practice could improve accountability and transparency for the benefit of the shareholders of Company.

The Company had complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the six months ended 30 June 2016. The Board reviews and monitors the practices of the Company from time to time with the aim of maintaining high standards of corporate governance practice.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from Tuesday, 27 September 2016 to Wednesday, 28 September 2016, both dates inclusive, during which no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 26 September 2016 for registration.

BOARD OF DIRECTORS AND BOARD COMMITTEES

With effect from 1 April 2016, Mr. Jin Jiafeng had tendered his resignation as an executive Director and the chief financial officer of the Group in order to pursue other personal commitments; and Mr. Ye Weigang Greg ("**Mr. Ye**") had also tendered his resignation as a non-executive Director and a member of each of the audit committee and the investment committee of the Board in order to pursue other personal commitments. In view of the resignation of Mr. Ye as a member of the audit committee of the Board (the "**Audit Committee**"), Mr. Li Fengling, being an independent non-executive Director, had been appointed as a member of the Audit Committee with effect from 1 April 2016. Upon resignation of Mr. Ye as a member of the investment committee of the Board, the number of members of such committee was reduced to four.

Furthermore, Mr. Chen Shimin, being an independent non-executive Director, was appointed on 22 June 2016 as an independent non-executive director of Hailan Holdings Limited (stock code: 2278).

Save as disclosed herein, there had been no substantial change in the information on the Directors since last disclosed in the 2015 annual report of the Company.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practice adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters, including the review of the condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

The Audit Committee comprises Mr. Chen Shimin (chairman of the Audit Committee), Mr. Wang Yi and Mr. Li Fengling. At the Company's annual general meeting held on 18 May 2016, the shareholders of the Company approved the appointment of Ernst & Young as the Company's external auditor up to the conclusion of the annual general meeting to be held in 2017. The procedures in relation to the selection, appointment and determination of the audit fees of the Company's external auditor were reviewed by the Audit Committee and approved by the Board.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Board has made specific enquiry of all Directors and the Directors confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 30 June 2016.

Save as disclosed herein, there had been no material change in the development or future development of the Group's business and financial position, and no important event affecting the Group had occurred since the publication of the 2015 annual report of the Company.

TELEPHONE CONFERENCE

The Company will host a telephone conference to discuss the interim results of the Group for the six months ended on 30 June 2016 with the shareholders of the Company and the potential investors of the Company on Wednesday, 24 August 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, 23 August 2016

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

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