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 Report 2016

CONTENTS

CORPORATE INFORMATION

Executive Directors
Mr. Xiang Jie *(chairman of the Board)*
Mr. Gong Renyuan *(chief executive officer)*
Mr. Yue Zhoumin
Mr. Jin Jiafeng (resigned on 1 April 2016)

Non-executive Director
Mr. Ye Weigang Greg (resigned on 1 April 2016)

Independent non-executive Directors
Mr. Wang Yi
Mr. Li Fengling (resigned on 19 December 2016)
Mr. Chen Shimin
Mr. Zhang Xuejun (appointed on 19 December 2016)

Authorised representatives
Mr. Yue Zhoumin
Mr. Lau Lap Kwan (resigned on 1 April 2016)
Ms. He Lina (appointed on 1 April 2016)

Audit committee
Mr. Chen Shimin *(chairman of the audit committee)*
Mr. Wang Yi
Mr. Ye Weigang Greg (resigned on 1 April 2016)
Mr. Li Fengling (resigned on 19 December 2016)
Mr. Zhang Xuejun (appointed on 19 December 2016)

Remuneration committee
Mr. Wang Yi *(chairman of the remuneration committee)*
Mr. Li Fengling (resigned on 19 December 2016)
Mr. Chen Shimin
Mr. Zhang Xuejun (appointed on 19 December 2016)

Nomination committee
Mr. Zhang Xuejun *(chairman of the nomination committee, appointed on 19 December 2016)*
Mr. Li Fengling (resigned on 19 December 2016)
Mr. Gong Renyuan
Mr. Chen Shimin

Investment committee
Mr. Zhang Xuejun *(chairman of the investment committee, appointed on 19 December 2016)*
Mr. Wang Yi
Mr. Chen Shimin
Mr. Li Fengling (resigned on 19 December 2016)
Mr. Xiang Jie
Mr. Ye Weigang Greg (resigned on 1 April 2016)

Joint Company Secretaries
Mr. Lau Lap Kwan (resigned on 1 April 2016)
Ms. Mok Ming Wai (appointed on 1 April 2016)
Ms. He Lina (appointed on 1 April 2016)

Legal adviser
Loeb & Loeb LLP

Auditors
Ernst & Young

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Principal place of business in Hong Kong
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Principal share registrar and transfer office
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Hong Kong

Principal bankers
Bank of China Limited, Jiashan branch
China Construction Bank Corporation, Jiashan branch
China Construction Bank Corporation, Wuxi Xishan sub-branch

Listing exchange information
Place of listing: Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")
Stock code: 580

Company's website
www.speg.hk

Dear shareholders,

I am pleased to present on behalf of the Board (the "**Board**") of directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**") the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016.

China, and even the world, is undergoing a structural reform in energy with large-scale development of clean energy as its key component. The Chinese government has undertaken that clean energy will account for 20% of the primary energy consumption by 2030 and has promoted two major approaches, namely "replacement of other energy with clean energy" and "replacement of other energy with electricity". Among such approaches, power electronics play an important role in enhancing high-voltage direct current (HVDC) transmission technology for distribution capacity of clean energy, intelligent grid effective power distribution and efficient application of electricity in various sectors across the country, and has become the focus of energy development in China.

In 2016, China achieved remarkable results in the HVDC transmission sector over the world: (i) the construction of "Zhundong-Wannan" ±1100 kv HVDC transmission project, which has the highest voltage, the largest transmission capacity, the longest transmission path and the most advanced technological standard commenced; (ii) the first circuit breaker applied to a construction project among the world was put into operation in the "Zhoushan five-terminal" flexible direct current power transmission construction project; and (iii) the back-to-back direct current network project in "Yu E", which represents the most advanced technology in the world officially commenced.

In addition, power electronics have been widely applied in electricity-application sectors such as electricity generation from clean energy, electric rail transportation and electric vehicles. Meanwhile, there are more and more new technologies and equipment being developed and promoted, prompting wider and broader applications of power electronics in different sectors of society.

Along with the trend of power electronic technology being largely promoted in electric power systems, the Group, as a leading domestic and international enterprise for power electronic technology research and development (R&D), leveraging its technologies accumulated in the power electronics sector over the years and its continuous innovation in technologies, is able to capture unprecedented opportunities for development.

REVIEW

In 2016, due to the urgent demand on environmental pollution control, new energy transmission and power internet establishment, China maintained its leading position in the investment magnitude of the HVDC sector. Various ultra-high voltage direct current (UHVDC) transmission projects have commenced, driving significant growth in orders and cost of sales of the UHVDC transmission sector. Moreover, the Group reached a breakthrough in grid monitoring products and won its first tender contract of UHVDC transmission projects.

In 2016, flexible power transmission became a hot issue in China's grid technology development and projects planning. China's first self-developed HVDC circuit breaker and 500 kv Unified Power Flow Controller were successfully applied to the power electronics related products supplied by the Group. In addition, the Group gradually secured orders from its customers for commencing the construction of the back-to-back direct current network project in "Yu E", a flexible direct current transmission project, in 2016.

With technology R&D as a driving force in its corporate sustainable development, the Group acquired Astrol Electronic AG, a Swiss company, in July 2016 and established a research and development center in Europe, which has world-leading R&D capabilities in pioneering technologies. Moreover, the Group cooperated with Tsinghua-Smart China Energy Network Research Institute (清華智中能源互聯網研究院) for developing micro-grid technology. Such measures have contributed significantly to enhancing the foresight of the Group in market research and further strengthening the R&D capabilities of power electronics, intelligent technology for electrical equipment and micro-grid technology so as to consolidate the leading position of the Company in such sectors.

The Group adopts a prudent financial management policy. During the year under review, visible results were achieved in the management of accounts receivable. Due to the increase in sales, cash receipts increased by 11% as compared with the same period of last year, which enabled the Group to record positive operating cash flow. At the same time, the Group continued to enhance operating efficiency by optimising the production process and strengthening cost-control measures, resulting in a significant increase in gross profit margin and net profit margin.

PROSPECTS

Looking forward, China will adhere to the two major developing approaches of "replacement of other energy with clean energy" and "replacement of other energy with electricity", and accelerate the construction of the global power network. Against this backdrop, the Group not only foresees the development opportunities brought by the use of UHVDC grid network and flexible direct current technology, but also the enormous business prospects brought by the extensive use of micro-grid technology and power electronic technology in the medium to long term.

In the power transmission and distribution sector, the UHVDC transmission-oriented long-distance transmission of clean energy projects will continue to enjoy large-scale capital investment. During the "Thirteenth Five-year Plan" period, the UHVDC transmission projects will continue to attract substantial investments. First, China will strive to construct the UHVDC transmission-oriented grid lines for the "West-to-East Power Transmission", with an addition of 130 million kW capacity. Second, to cope with China's "One Belt and One Road" strategy, the domestic grid companies have planned for the construction of a number of cross-border UHVDC transmission grid lines. Last, the expansion to the overseas grid market by domestic grid companies will be beneficial to the promotion of China's UHVDC transmission technology to overseas markets.

Flexible direct current transmission is highly regarded by the government as an efficient solution for grid connection and the consumption of clean energy. Under the national energy technical development outlines including "Made in China 2025", "Energy Sector Development in the Thirteenth Five-year Plan (《電力發展「十三五」規劃》)", and "The Action Plan for Energy Technical Reform and Innovation" (《能源技術革命創新行動計劃》), focuses are placed on the commencement of R&D and promotion of flexible direct current transmission and direct current grid technology. As such, flexible direct current transmission projects are expected to bring substantial increase in the investment scale during the "Thirteenth Five-year Plan" period.

During the "Thirteenth Five-year Plan" period, the intelligent reform in grids as represented by micro grids will offer huge room for development for the Group's power-distribution network business. At the end of 2016, 105 pilot schemes of incremental power-distribution network were approved. We will pay close attention to the development of such market, enhance our technical backup and strengthen the business expansion in such sector so as to strive for making breakthroughs.

In respect of the power generation and application sector, the upgrading of existing electrical equipment by power electronic technology and the R&D and application of new power electronic technology will become a long-term direction for electric power generation and technology application in China, creating a favourable market environment for the sustainable development of the Group. The Group will emphasise on the research and development of power electronic technology as always, and is committed to contributing to each sector in society including new energy power, electrified rails, electrified vessels, large-scale electric equipment for medical use and electric vehicles, so as to actively contribute to the progress of China's technology for power energy.

In respect of internal management, we will recruit and train more talent and establish an incentive mechanism of good quality, increase our efforts on the refinement of production management and enhance operating efficiency so as to continue to improve profitability.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank our shareholders, stakeholders, members of the Board and all our staff for their support and contributions. Together with the management team, I will continue to strive to generate better returns for shareholders.

Xiang Jie
Chairman

Hong Kong, 14 March 2017

BUSINESS REVIEW

1. Performance of the Group:

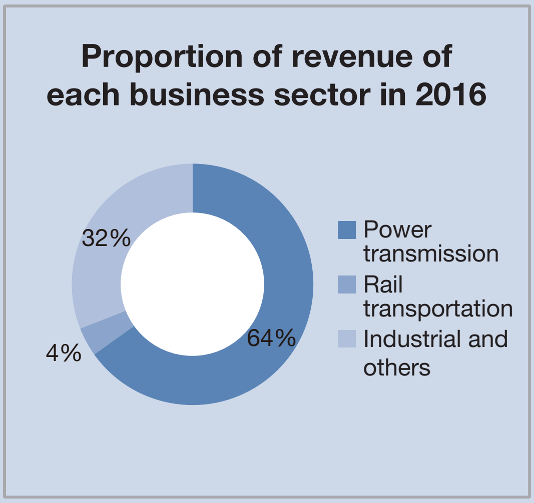
In 2016, the revenue of the Group amounted to RMB857.0 million, representing an increase of 9.6%. The revenue generated by the power transmission sector increased significantly while the revenues generated by the rail transportation sector and industrial and other sectors recorded declines to various extents, resulting in a slight increase in the overall revenue of the Group.

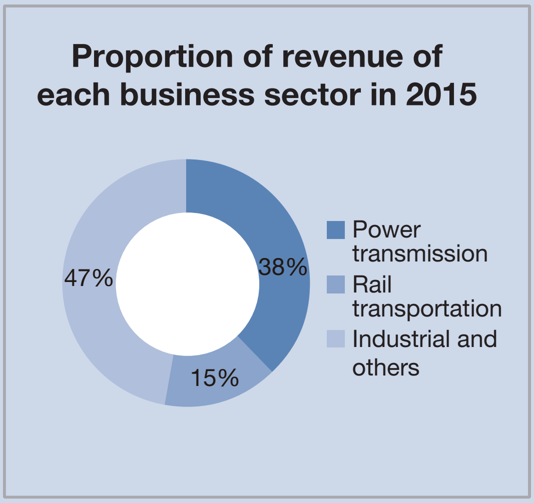
In 2016, net profit of the Group amounted to RMB146.9 million, representing an increase of 139.9%. The significant increase in net profit was mainly attributable to its continuous enhancement of operating efficiency, as well as the significant increase in the revenue of the power transmission sector.

2. Performance of each business sector:

In 2016, performance of each business sector of the Group was as follows:

	2016		2015	
	Revenue *(RMB million)*	**Gross profit margin %**	Revenue *(RMB million)*	Gross profit margin %
Power transmission	**549.8**	**44**	298.7	40
Rail transportation	**32.7**	**33**	118.6	31
Industrial and others	**274.5**	**31**	364.7	30
Total	**857.0**	**Average 39**	782.0	Average 34





2.1 Power transmission sector:

Market condition

Since 2015, investment in UHVDC transmission has increased rapidly. In 2016, a total of four UHVDC transmission projects were scheduled to be delivered and three additional UHVDC transmission projects commenced. Moreover, in accordance with the "Energy Sector Development in the Thirteenth Five-year Plan (《電力發展「十三五」規劃》)", the transmission capacity of the "West-to-East" power transmission strategy will increase by 130,000,000 kW by 2020. Meanwhile, the number of cross-border and overseas UHVDC transmission projects will also increase. As a result, it is expected that the scale of investment in UHVDC transmission projects will be maintained at a high level in the long term.

In 2016, China reached breakthroughs in flexible power transmission technology. The first Chinese-manufactured HVDC circuit breaker was developed and put into operation in the "Zhoushan" flexible direct current power transmission project; the Unified Power Flow Controller (UPFC), which has the highest voltage and the largest capacity, has also been put into operation in the Southern Suzhou 500 kv demonstration project in Jiangsu Province. The above equipment helped to improve the intellectual control and flexible distribution of flexible power transmission projects and reduce risks of system failure, which enhanced consumption capability for clean energy. The successful development of such equipment marked the international leading position of China's electric power technology, and also brought a new market for the sales of power and electrical component products supplied by the Group.

Flexible direct current power transmission has become the key of grid construction and new construction projects have been launched continuously. During 2016, the back-to-back direct current project in "Yu E" commenced. Moreover, the "Zhangbei-Beijing" direct current project, which increased transmission capability of wind power and photoelectricity in Zhangbei County, and the Jinsha River downstream mix direct current transmission project, which relied on hydropower transmission from Yunnan, are expected to be commenced in 2017.

Operating result

Power transmission sector mainly comprises three parts: UHVDC transmission; flexible direct current and alternating current (DC/AC) transmission; and other power transmissions. Results of each component of power transmission sector of the Group for 2016 were as follows:

Revenue (RMB million)	2016	2015	Percentage Change
Power transmission sector	**549.8**	**298.7**	**84%**
UHVDC transmission	294.2	143.0	106%
Flexible DC/AC transmission	169.4	76.3	122%
Others	86.2	79.4	9%

UHVDC transmission sector

During 2016, since UHVDC transmission projects of "Jinbei-Nanjing", "Jiuquan-Hunan", "Ximeng-Taizhou" and "Shanghai Temple-Shandong" were scheduled to start delivery, sales revenue of products such as anode saturation resistors and high-voltage power capacitors increased significantly. Meanwhile, the Group has also successively obtained UHVDC transmission projects of "Zhundong-Wannan", "Dianxibei-Guangdong" and "Jarud-Qingzhou". In addition, the market share of the Group's high-voltage power capacitors increased sharply.

Flexible DC/AC transmission sector

The products supplied by the Group to the flexible transmission sector are mainly IGBT products of ABB Switzerland Ltd. ("**ABB**"), a Swiss company, and IGBT drivers and laminated busbars which are self-owned products of the Group. The products above are core devices of new power electronic transmission equipment and are widely applied to flexible DC/AC transmission equipment.

During 2016, the significant growth in the revenue of such sector was mainly attributable to the increased sales in the relevant products manufactured by the Group applied to "Yu E" back-to-back direct current project, HVDC circuit breakers and UPFC.

Other businesses in the power transmission sector

Other businesses in the power transmission sector mainly include: high-voltage power capacitors for regular power grid; and intelligent grid monitoring products.

In 2016, the Group's high-voltage power capacitors continued to maintain a strong momentum of development in the regular power grid market and won four tenders in the State Grid's centralised procurement tender. Besides, due to the promotion of intelligent grid technology, grid monitoring products achieved remarkable results showing an upsurge in the revenue as compared with 2015.

2.2 Rail transportation sector:

Results of the rail transportation sector of the Group for 2016 were as follows:

Revenue (RMB million)	2016	2015	Percentage Change
Rail transportation sector	**32.7**	**118.6**	**-72%**
Rail transportation vehicle	21.7	117.8	-82%
Railway power supply system	11.0	0.8	1,275%

Market condition

In 2016, despite a continuous increase in rail mileage, demand in the electric rail vehicle market declined reversely. All rail vehicle manufacturers reduced production, leading to a substantial decrease in tender purchasing volumes. On the other hand, with continuous improvement in railway electrification system, reformation projects of the power supply system of each railway bureau have increased.

Operating results

Rail transportation vehicle: To mainly execute orders of high-powered electric locomotives obtained in 2015 and 2016. Given the sluggish market demand, the revenue dropped drastically.

Rail power supply system: To complete the railway electrification reformation projects of Nanning Railway Bureau, Chengdu Railway Bureau and Shenyang Railway Bureau. The revenue increased significantly.

2.3 Industrial and other sectors:

Industrial and other sectors mainly include: metal smelting, electric equipment, new energy, scientific research institutes and others. Results of industrial and other sectors of the Group for 2016 were as follows:

Revenue (RMB million)	2016	2015	Percentage Change
Industrial and other sectors	**274.5**	**364.7**	**-25%**
Metal smelting	151.3	178.5	-15%
Electric equipment	89.4	151.5	-41%
New energy	13.6	5.3	157%
Scientific research institutes and others	20.2	29.4	31%

Metal smelting

Although the metal smelting sector has currently still suffered from overcapacity, orders of metal smelting enterprises from the new established production line which is located in the western region in the PRC with a strong cost advantage increased continuously.

In 2016, due to the delivery delay of some orders in the non-ferrous metal smelting sector, the revenue decreased by 15% as compared with 2015.

Electric equipment

In respect of the electric equipment sector, the Group mainly relied on the sales of semiconductors of ABB. Semiconductors, including thyristors and diodes, were widely used in electric equipment such as converters, electric motors, welding machines, rectifiers and inverters. Being highly efficient and energy-saving, such electric equipment devices are important tools in saving electric energy and achieving flexible control for industrial enterprises. However, the overall growth of China's industrial sector slowed down and enterprises' investment was discouraged, resulting in a decline in the Group's business.

In 2016, the revenue in the electric equipment sector of the Group decreased by 41% as compared with 2015.

New energy

The Group supplies IGBT drivers and laminated busbars, its self-owned products, and semiconductors of ABB, to the new energy sector. The above products are core devices for wind power converters and photovoltaic inverters. Also, they are widely applied in new energy equipment such as electric vehicles.

In 2016, the revenue in the new energy sector of the Group increased by 157% as compared with 2015. The Group became one of the suppliers of BYD Company Limited, an electric vehicle manufacturer in Shenzhen, leading to a significant increase in the number of sales revenue.

Scientific research institutes and others

The Group supplies various power electronic products to renowned universities and research institutes in China for widespread application in R&D and experiments of new electric equipment. Subject to huge market fluctuations, the revenue for 2016 decreased by 31% as compared with 2015.

3. R&D

As the corporate mission of the Group is "to help enhance China's electric energy efficiency", the Group pays great attention to the R&D of new technologies and new products. At the current stage, the Group's strategy is to create advanced power electronic technology through self-research and self-development. In 2016, with further R&D on existing products as basis, the Group established a power electronic technology research and development centre in Europe and Wuhan Intelligent Power Grid Research Institute, and cooperated with China's famous scientific research institutes such as Tsinghua-Smart China Energy Network Research Institute, for the purpose of enhancing standards of power system design and capabilities of project execution.

Major progress:

Anode saturation resistor: To cater for the further improvement of UHVDC transmission projects, the Group developed two new anode saturation resistors, which ensure smooth implementation of key projects in China. New product 1, which is No. 6250 anode saturation resistor having a voltage of 800 kv and transmission capacity of 10 million kW, was used in two ±800 kv UHVDC transmission projects of "Ximeng-Taizhou" and "Shanghai Temple-Shandong"; while new product 2, which is an anode saturation resistor having a voltage of 1100 kv and transmission capacity of 12 million kW, was used in "Zhundong-Wannan" ±1100 kv UHVDC transmission project.

IGBT driver: To research and develop the first pushed-style IGBT driver and other IGBT driver products of various models which were applied to flexible direct current transmission products such as converter valves and circuit breakers.

Direct current circuit breaker: Through power electronic technological solutions, the Group successfully developed electronic direct current circuit breakers which overcome the challenge of breaking the fault current which traditional mechanical direct current circuit breakers fail to do thereby maintaining a safe and stable operation of the direct current power system. The breaker is expected to be widely used in direct current power systems such as micro-grid direct current transmission system, electric shipping direct current power system and power supply system of urban rail transportation vehicle.

Grid online monitoring product: "An online monitoring product of 1000 kv GIS partial discharges" of the Group which won its first tender of UHVDC transmission project and is the first product in China winning a tender in such an area.

One power supply device of electric railways between regions: To provide smooth power supply to the electric railways between phases instead of supplying power through more than one circuit from different regions, which is the past practice in the world, so as to maintain safe operation of vehicles' electric equipment. Currently, such device has been put into operation in overseas projects and the Group is expected to make preliminary preparation for its promotion in China in 2017.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately 9.6% from approximately RMB782.0 million for the year ended 31 December 2015 to approximately RMB857.0 million for the year ended 31 December 2016 primarily due to the increase in sales of the power transmission sector.

Cost of sales

The cost of sales increased by approximately 1.6% from approximately RMB515.1 million for the year ended 31 December 2015 to approximately RMB523.2 million for the year ended 31 December 2016 primarily due to the increase in sales revenue for the year ended 31 December 2016.

Gross profit and gross profit margin

The gross profit increased by approximately 25.0% from approximately RMB266.9 million for the year ended 31 December 2015 to approximately RMB333.7 million for the year ended 31 December 2016 primarily due to an increase in revenue and an improvement in gross profit margin for the year ended 31 December 2016.

The gross profit margin increased from approximately 34.1% for the year ended 31 December 2015 to approximately 38.9% for the year ended 31 December 2016 due to sales increase in power transmission sector, which has higher gross profit margin.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 23.7% from approximately RMB63.3 million for the year ended 31 December 2015 to approximately RMB78.3 million for the year ended 31 December 2016 primarily due to the increase in selling expenses for the market development of certain products.

Administrative expenses

The administrative expenses increased by approximately 5.8% from approximately RMB75.4 million for the year ended 31 December 2015 to approximately RMB79.8 million for the year ended 31 December 2016.

Research and development costs

The research and development costs increased by approximately 8.0% from approximately RMB31.5 million for the year ended 31 December 2015 to approximately RMB34.0 million for the year ended 31 December 2016.

Other expenses

The other expenses decreased by approximately 78.5% from approximately RMB22.7 million for the year ended 31 December 2015 to approximately RMB4.9 million for the year ended 31 December 2016 primarily due to the decrease in expenses related to impairment of trade and other receivables.

Interest on bank loans wholly repayable within five years

The interest on bank loans wholly repayable within five years decreased slightly by approximately 4.0% from approximately RMB17.6 million for the year ended 31 December 2015 to approximately RMB16.9 million for the year ended 31 December 2016.

Profit before tax

The profit before tax increased from approximately RMB79.1 million for the year ended 31 December 2015 to approximately RMB171.1 million for the year ended 31 December 2016 primarily due to increase in revenue and improvement of gross profit margin and gains from investment.

Income tax expenses

The income tax expenses increased by approximately 35.2% from approximately RMB17.9 million for the year ended 31 December 2015 to approximately RMB24.2 million for the year ended 31 December 2016 primarily due to increase in profit before tax.

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 RMB62.3 million for the year ended 31 December 2015 to approximately RMB143.8 million for the year ended 31 December 2016.

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 approximately 8.0% for the year ended 31 December 2015 to a net gain margin of approximately 16.8% for the year ended 31 December 2016.

Inventories

The inventories increased by approximately 44.1% from approximately RMB175.1 million as at 31 December 2015 to approximately RMB252.3 million as at 31 December 2016 primarily due to an increase in sales orders.

The average inventory turnover days increased from approximately 119 days for the year ended 31 December 2015 to approximately 157 days for the year ended 31 December 2016 primarily due to an increase in stock level.

Trade receivables

The trade receivables increased by approximately 30.1% from approximately RMB507.7 million as at 31 December 2015 to approximately RMB660.5 million as at 31 December 2016 primarily due to the increase in revenue for the year ended 31 December 2016.

The average trade receivables turnover days increased from approximately 226 days for the year ended 31 December 2015 to approximately 242 days for the year ended 31 December 2016, primarily due to the increase in revenue for the year ended 31 December 2016 and the delay of payment by customers.

Trade and bills payables

The trade and other payables increased by approximately 26.8% from approximately RMB186.6 million as at 31 December 2015 to approximately RMB236.6 million as at 31 December 2016.

The average trade and other payables turnover days increased from approximately 123 days for the year ended 31 December 2015 to approximately 148 days for the year ended 31 December 2016, primarily due to the enhancement in the Group's procurement management and the benefits from the increase in the Group's procurement from suppliers.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings. The current ratio (current assets divided by current liabilities) increased slightly from approximately 1.4 as at 31 December 2015 to approximately 1.7 as at 31 December 2016. The cash and cash equivalents decreased from approximately RMB128.0 million as at 31 December 2015 to approximately RMB103.0 million as at 31 December 2016. The interest-bearing bank borrowings decreased from approximately RMB394.6 million as at 31 December 2015 to RMB327.4 million as at 31 December 2016. The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity decreased from approximately 44.3% as at 31 December 2015 to approximately 31.8% as at 31 December 2016.

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

Foreign currency exposure

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

Contingent liabilities

As at 31 December 2016, the Group had no significant contingent liabilities.

Charges on group assets

As at December 2016, certain of the Group's bank loans were secured by mortgages over the Group's property, plant and equipment and prepaid land lease payments with aggregate carrying amounts at the end of the reporting period of approximately RMB36.6 million (as at December 2015: approximately RMB38.9 million) and RMB13.4 million (as at December 2015: approximately RMB13.7 million), respectively. In addition, certain of the Group's bank loans at 31 December 2015 were secured by the pledge of certain of the Group's trade and bills receivables amounting to approximately RMB35.5 million.

EXECUTIVE DIRECTORS

Mr. Xiang Jie, aged 43, is the founder, the chairman of the Board and an executive Director of the Group. Mr. Xiang is primarily responsible for the overall corporate strategy, planning and business development of the Group. After graduating from Shanghai Maritime University (上海海事大學) in the PRC in international shipping management in 1995, Mr. Xiang obtained a master's degree in business administration from Maastricht School of Management in the Netherlands in 1999. Mr. Xiang has over 10 years of experience in the trading and power electronic sectors.

Mr. Gong Renyuan, aged 46, is an executive Director, the president of the Group and the chief executive officer of the Company. Mr. Gong joined the Group in 2002, primarily responsible for overseeing the overall business of the Group, including devising and implementing business and development strategies and targets. In 1993, Mr. Gong completed the programme in business English (外貿英語專科) organised by the Beijing University of Technology (北京工業大學) in the PRC. Mr. Gong is the spouse of Ms. Ren Jie, a member of the senior management of the Company.

Mr. Yue Zhoumin, aged 46, is an executive Director and a vice president of the Group. Mr. Yue joined the Group in 2009. Mr. Yue is primarily responsible for the strategic planning and development of the Group. Mr. Yue graduated from the Shanghai Maritime University (上海海事大學) in the PRC with a bachelor's degree in economics in 1994. Mr. Yue has extensive experience in corporate project management and fund raising in the capital market. Mr. Yue is highly experienced in strategic management and has worked in the strategy division of China COSCO Holdings Company Limited, a company listed on the Stock Exchange (stock code: 1919).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yi, aged 74 joined the Group as an independent non-executive Director in July 2010. Mr. Wang graduated from the Beihang University (北京航空航天大學) in the PRC. Mr. Wang was the president of China Technology and Economy Investment Consulting Co., Ltd. (中技經投資顧問股份有限公司). Mr. Wang was the deputy director (副司長) of the Department of Foreign Economic Cooperation of the Office of the Economic and Trade of the State Council (國務院經濟貿易辦公室對外經濟合作司) and was also a director general (正司級巡視員) of the Department of Investment and Planning of the State Economic and Trade Commission of the PRC (國家經濟貿易委員會投資與規劃司). Mr. Wang was a general vice director (常務副主任委員) of the Enterprise Technology Improvement Working Committee of the China Enterprise Confederation (中國企業聯合會企業技術進步工作委員會). Mr. Wang has substantial working experience in the PRC government authorities including experience in policy planning and project approval.

Mr. Chen Shimin, aged 58, joined the Group as an independent non-executive Director in August 2010. Mr. Chen is a certified management accountant registered in the United States, a member of the Institute of Management Accountants of the United States and the American Accounting Association of the United States. Mr. Chen graduated from the Shanghai University of Finance and Economics (上海財經大學) in the PRC with a bachelor's degree and a master's degree in economics in 1983 and 1985, respectively. Mr. Chen then obtained a doctoral degree in philosophy from the University of Georgia in the United States in 1992. Mr. Chen is a professor of accounting, a director (主任) of the master's degree programme of business administration and a deputy registrar (副教務長) at China Europe International Business School (中歐國際工商學院) in the PRC. Mr. Chen has extensive research experience in domestic and overseas financial and management accounting, and teaching experience in numerous well-known universities. Mr. Chen is an independent non-executive director of Hailan Holdings Limited (海藍控股有限公司), being a company listed on the Stock Exchange (stock code: 2278), Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)股份有限公司), being a company listed on the Shanghai Stock Exchange (stock code: 600832), Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司), being a company listed on the Shanghai Stock Exchange (stock code: 600325), Zhejiang Wolwo Bio-Pharmaceutical Co., Ltd. (浙江我武生物科技股份有限公司), being a company listed on the Shenzhen Stock Exchange (stock code: 300357), and Hangzhou Shunwang Technology Co., Ltd. (杭州順網科技股份有限公司), being a company listed on the Shenzhen Stock Exchange (stock code: 300113), and an external supervisor of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司), being a company listed on the Shanghai Stock Exchange (stock code: 600000).

Mr. Zhang Xuejun, aged 51, joined the Group as an independent non-executive Director in December 2016. Mr. Zhang graduated from Capital Normal University (formerly known as Beijing Normal College) and obtained a bachelor's degree in philosophy. Mr. Zhang also completed an on-job postgraduate course at Chinese Academy of Social Sciences. Subsequently, Mr. Zhang obtained a master's degree in EMBA from Cheung Kong Graduate School of Business in 2006. Mr. Zhang taught at School of English and School of Political Science and Law in Beijing Normal College. Subsequently, Mr. Zhang successively assumed the position of deputy office head of the Municipal Party Committee of the Youth League in Beijing (北京團市委), secretary of the Committee of the Youth League in Chaoyang District in Beijing (北京市朝陽區團委), and director and secretary of the Party Work Committee (黨工委書記) of Heping Subdistrict Office in Chaoyang District in Beijing (北京市朝陽區和平街街道辦事處). Since 2000, Mr. Zhang has served in the Central Committee of the Chinese Communist Youth League (共青團中央). Mr. Zhang successively assumed the position of deputy director of Chinese Young Pioneers Business Development Centre (團中央中國少先隊事業發展中心副主任), deputy director of the Central Juvenile Department (團中央少年部) and Central Propaganda Department (團中央宣傳部), director of the Central Juvenile Department (團中央少年部) of the Chinese Communist Youth League, deputy director of the National Committee of Chinese Young Pioneers (全國少工委副主任) and member of the 16th Central Standing Committee of the Chinese Communist Youth League (十六屆團中央常委).

Mr. Zhang served as a deputy secretary (department level) at the Municipal Party Committee of Jiujiang in Jiangxi Province (江西省九江市委副書記(正廳級)) from 2008 to 2011 and a party secretary and director at the Foreign Affairs Office in Jiangxi Province (江西省外事僑務辦公室) from 2011 to 2014. Mr. Zhang has served as a party member and the Secretary-General of the Chinese Western Returned Scholars Association (歐美同學會) since February 2014. Mr. Zhang has been a co-chief executive officer of Hsin Chong Group Holdings Limited, being a company listed on the Stock Exchange (stock code: 404) from September 2016 where he is primarily responsible for the management of business in Mainland China.

JOINT COMPANY SECRETARIES

Ms. Mok Ming Wai, aged 45, was appointed as a joint company secretary in April 2016 and is a director of KCS Hong Kong Limited, being a company secretarial service provider. Ms. Mok has over 20 years of professional and in-house experience in the company secretarial field. Ms. Mok is a fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Ms. He Lina, aged 38, joined the Group as the legal manager in July 2008 and was appointed as a joint company secretary in April 2016. Ms. He graduated from China University of Political Science and Law with a bachelor's degree in economic law in June 2001. Ms. He is an affiliated person of the Hong Kong Institute of Chartered Secretaries. Ms. He has over eight years of experience in overseeing regulatory compliance issues of a listed company.

SENIOR MANAGEMENT

Mr. Li Jinyan, aged 38, joined the Group after graduating from University of Science and Technology Beijing (北京科技大學) in the PRC with a bachelor's degree in automation in 2004. Mr. Li is a vice president of the Group and is responsible for the sales and marketing of the Group's products.

Ms. Ren Jie, aged 39, is a vice president of the human resources and administration department of the Group, primarily responsible for the overall management of the department. Ms. Ren joined the Group in 2001 after graduating from Xi'an International Studies University (西安外國語學院) in the PRC with a major in English in 1998, Ms. Ren obtained a master's degree in business administration from Beijing Jiaotong University (北京交通大學) in the PRC in 2014. Ms. Ren is the spouse of Mr. Gong Renyuan, the president and chief executive officer of the Company.

Ms. Bai Xing, aged 36, is a vice president of the Group and is responsible for the Group's overall procurement process and daily operations of the procurement department. Ms. Bai joined the Group in 2002. Ms. Bai graduated from University of International Business and Economics (對外經濟貿易大學) in the PRC with a bachelor's degree in international business and trade in 2007 and has over eight years of experience in procurement. Ms. Bai is a national registered certified purchasing professional recognised by the China Federation of Logistics and Purchasing (中國物流與採購聯合會).

Mr. Bo Xiangpeng, aged 32, is the chief financial officer of the Company. Mr. Bo is a non-practising member of the Chinese Institute of Certified Public Accountants. Mr. Bo joined the Group in 2010 and was promoted as the financial controller in 2013. Mr. Bo was appointed as the chief financial officer in April 2016. Mr. Bo graduated from Shandong University of Finance and Economics with a bachelor's degree in business management in September 2006 and graduated from Nankai University with a master's degree in business administration in July 2008. Mr. Bo has eight years of experience working in the accounting and financing fields.

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 complied with all applicable code provision of the Corporate Governance Code during the year ended 31 December 2016.

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 2016.

BOARD

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and financial performances. The chairman of the Board is responsible for the overall corporate strategy, planning and business performance of the Group, and for the implementation of each resolution put forward at general meetings and Board meetings, while the chief executive officer is responsible for overseeing the overall business of the Group, including devising and implementing business and development strategies and targets. Major corporate matters which are specifically delegated by the Board to the senior management include preparation of interim and annual reports and announcements, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant laws, rules and regulations.

Composition

The composition of the Board reflects the necessary balance of skills and experience required for effective leadership and independence in the decision making of the Company. The Board currently comprises three executive Directors, namely Mr. Xiang Jie, Mr. Gong Renyuan and Mr. Yue Zhoumin; and three independent non-executive Directors, namely Mr. Wang Yi, Mr. Chen Shimin and Mr. Zhang Xuejun. The biographies of the Directors are set out under the section headed "Biographies of Directors and Senior Management" in this annual report.

During the year ended 31 December 2016, the Board at all times complied with the requirements relating to the respective retirement and re-election of one-third of the members of the board of listed companies. The Company appointed three independent non-executive Directors representing half of the Board members, including one independent non-executive Director who possesses appropriate professional qualifications, accounting and related financial management expertise. Therefore, the requirements under the Listing Rules were fully complied with.

The Directors are required to declare their underlying interests regularly and assess other Directors' personal interests in the Company to ensure that the members of the Board have no financial, business, family or other material/relevant relationship with each other, and to ensure that the independence of the independent non-executive Directors have fully complied with the requirements regarding the independence of an independent non-executive director as set out in Rule 3.13 of the Listing Rules.

Save as disclosed above and under the section headed "Biographies of Directors and Senior Management" in this annual report, there are no financial, business, family or other material/relevant relationships between the members of the Board and between the chairman of the Board and the chief executive officer of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors, including the independent non-executive Directors, are appointed for a term of three years and subject to retirement by rotation and eligible for re-election in accordance with the Company's articles of association (the "**Articles of Association**") and the Listing Rules. At each annual general meeting, not less than one-third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Board is mainly responsible for the overall corporate strategy, planning and business performance of the Group, and for the implementation of each resolution put forward at general meetings and Board meetings, while the chief executive officer of the Company is mainly responsible for overseeing the overall business of the Group, including devising and implementing business and development strategies and targets. Currently, Mr. Xiang Jie is the chairman of the Board, and Mr. Gong Renyuan is the chief executive officer of the Company. During the year of 2016, one meeting without the executive Directors was held between the chairman of the Board and the non-executive Directors (including the independent non-executive Directors).

NON-EXECUTIVE DIRECTORS

The non-executive Directors (including the independent non-executive Directors) bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking lead in management issues involving potential conflicts of interests and serving the committees of the Board as committee members, all non-executive Directors (including the independent non-executive Directors) make various contributions to the effective development direction of the Company. The terms of appointment of the non-executive Directors is set out under the section "Directors' Service Contracts" in this annual report.

MEETINGS

The Board holds meetings regularly to discuss the overall strategies, and operational and financial performance of the Group. The Directors can attend meetings in person or via electronic medium. During the year of 2016, a total of four meetings of Directors were held to review and approve the financial and operational results of the Group. The attendance record of the Directors at the Board meetings and Shareholders meetings during the year ended 31 December 2016 is set out below:

	Attended/Eligible to attend	
	Board Meeting	Shareholders Meeting
Executive Directors		
Mr. Xiang Jie	4/4	1/1
Mr. Gong Renyuan	3/4	1/1
Mr. Yue Zhoumin	4/4	1/1
Mr. Jin Jiafeng (resigned on 1 April 2016)	1/1	0/0
Non-executive Director		
Mr. Ye Weigang Greg (resigned on 1 April 2016)	1/1	0/0
Independent non-executive Directors		
Mr. Wang Yi	4/4	1/1
Mr. Li Fengling (resigned on 19 December 2016)	3/4	1/1
Mr. Chen Shimin	4/4	1/1
Mr. Zhang Xuejun (appointed on 19 December 2016)	0/0	0/0

In addition, five written resolutions were passed and three meetings of executive Directors were held during the year ended 31 December 2016.

At least 14 days' notice of convening the regular Board meeting is given to all the Directors to invite them to participate in the course of discussion. All the Directors are provided with relevant information on the matters to be discussed at the meeting no less than three days before the holding of the meeting, so as to guarantee that there is sufficient time for the Directors to review the information. The Directors have independent access to the senior management and the company secretary of the Company at any time, and are entitled to seek independent professional advice at the Company's expense. Material matters or matters which may lead to conflicts of interests will be dealt with during Board meetings instead of via circulation of written resolutions or by the Board committees.

BOARD COMMITTEES

The Board has established four committees, namely the audit committee, the remuneration committee, the nomination committee and the investment committee, to supervise various matters of the Group. To establish effective communication channels between each of the committees and the management of the Group, the Company has established an internal coordination and support team to facilitate access to more independent and objective information for the Directors.

(a) Audit committee

The audit committee was established on 19 August 2010 with written terms of reference in compliance with the Listing Rules. The audit committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any issues regarding the resignation or dismissal of such auditors; monitoring the integrity of financial statements, annual reports and accounts, interim reports and, (if prepared for publication) quarterly reports, and reviewing material financial reporting judgments therein; and reviewing the systems of financial control, internal control and risk management. The written terms of reference of the committee is in line with the Corporate Government Code and is published on the websites of the Company and the Stock Exchange.

The audit committee comprises three independent non-executive Directors, being Mr. Chen Shimin, Mr. Wang Yi and Mr. Zhang Xuejun. During the year ended 31 December 2016, Mr. Ye Weigang Greg and Mr. Li Fengling resigned as a member of audit committee and Mr. Zhang Xuejun was appointed as a member of the audit committee. The audit committee is chaired by Mr. Chen Shimin, who possesses the appropriate professional qualifications and extensive experience in and knowledge of finance and accounting as required under Rule 3.10 of the Listing Rules. All members of the audit committee hold the relevant industry and financial experience necessary to advise the Board on strategies and other related matters. None of the members of the audit committee is a former partner of or connected with the Company's existing external auditors.

The audit committee held four meetings during the year of 2016. During such meetings, the audit committee confirmed the appointment of Ernst & Young and fixed its remuneration, and reviewed the procedures of internal control of the Group. The audit committee also reviewed the interim and annual results of the Group for the year of 2016 and the auditors' report prepared by the external auditors in relation to accounting matters and any material findings during the audit. The audit committee was of the opinion that such financial statements and report complied with the applicable accounting policy standards and requirements and that adequate disclosures have been made. Please refer to the table below for the attendance record of the meetings of the audit committee during the year of 2016:

Directors	**Attended/Eligible to attend**
Mr. Chen Shimin *(Chairman of the audit committee)*	4/4
Mr. Wang Yi	4/4
Mr. Ye Weigang Greg (resigned on 1 April 2016)	1/1
Mr. Li Fengling (resigned on 19 December 2016)	3/3
Mr. Zhang Xuejun (appointed on 19 December 2016)	0/0

In addition, two meetings between the audit committee and auditors were held during the year ended 31 December 2016.

(b) Remuneration committee

The remuneration committee was established on 19 August 2010 with written terms of reference in accordance with the Listing Rules. The roles and functions of the remuneration committee are, among other things, to make recommendations on the remuneration package of the Directors and senior management, the execution of which is subject to the approval of the Board. In addition, the remuneration committee evaluates the performance of the senior management of the Company and determines the remuneration structure of the Company. The written terms of reference of the remuneration committee is in line with the Corporate Governance Code and is published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2016, Mr. Li Fengling resigned as a member of the remuneration committee and Mr. Zhang Xuejun was appointed as a member of the remuneration committee. The remuneration committee comprises three independent non-executive Directors, being Mr. Wang Yi, Mr. Chen Shimin and Mr. Zhang Xuejun. The remuneration committee is chaired by Mr. Wang Yi.

The remuneration committee held three meetings during the year of 2016. During such meetings, the remuneration committee determined the option incentive scheme, and made recommendations on the Directors' allowances, the remuneration of the senior management and assessment system, as well as the remuneration of the employees and employee reward scheme. Please refer to the table below for the attendance record of the meetings of the remuneration committee during the year of 2016:

Directors	**Attended/Eligible to attend**
Mr. Wang Yi *(Chairman of the remuneration committee)*	3/3
Mr. Li Fengling (resigned on 19 December 2016)	3/3
Mr. Chen Shimin	3/3
Mr. Zhang Xuejun (appointed on 19 December 2016)	0/0

In addition, one written resolution was passed by remuneration committee during the year ended 31 December 2016.

Remuneration payable to senior management of the Company (excluding Directors) for the year of 2016 falls within the following bands:

	Number of individuals	
	2016	2015
RMB200,000 – RMB300,000	**1**	0
RMB300,001 – RMB400,000	**0**	1
RMB400,001 – RMB500,000	**3**	3
Above RMB500,000	**1**	0

(c) Nomination committee

The nomination committee was established on 19 August 2010. The roles and functions of the nomination committee are, among other things, to formulate the policies for the nomination of Directors for the Board's consideration and to implement the Director nomination policies approved by the Board, including the review of Board composition annually, identification of eligible persons for the position of Director, monitoring of the Directors' succession plans and assessment of the independence of the independent non-executive Directors. The written terms of reference of the nomination committee is in line with the Corporate Governance Code and is published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2016, Mr. Li Fengling resigned as the chairman of the nomination committee and Mr. Zhang Xuejun was appointed as the chairman of the nomination committee. The nomination committee comprises two independent non-executive Directors, being Mr. Chen Shimin and Mr. Zhang Xuejun and one executive Director, being Mr. Gong Renyuan.

The nomination committee held two meetings during 2016. During such meetings, the nomination committee reviewed the independence of the independent non-executive Directors, composition of the Board and Board diversity policy. Please refer to the table below for the attendance record of the meetings of the nomination committee during the year of 2016:

Directors	Attended/Eligible
Mr. Zhang Xuejun *(Chairman of the nomination committee, appointed on 19 December 2016)*	0/0
Mr. Chen Shimin	2/2
Mr. Li Fengling (resigned on 19 December 2016)	2/2
Mr. Gong Renyuan	2/2

(d) Investment committee

The investment committee was established on 28 June 2011 and is responsible for advising the Board on investment of fixed assets (both tangible and intangible), equity, debt, financial securities, restructuring and joint ventures.

During the year ended 31 December 2016, Mr. Ye Weigang Greg resigned as a member of the investment committee, Mr. Li Fengling resigned as the chairman of the investment committee and Mr. Zhang Xuejun was appointed as the chairman of the investment committee. The investment committee comprises three independent non-executive Directors, being Mr. Zhang Xuejun (Chairman), Mr. Chen Shimin and Mr. Wang Yi; and one executive Director, being Mr. Xiang Jie.

The investment committee held two meetings during the year of 2016. During such meetings, the investment committee discussed the progress of important projects and the development prospect of major acquisition and joint venture. Please refer to the table below for the attendance record of the investment committee during the year ended 31 December 2016:

Directors	Attended/Eligible to attend
Mr. Zhang Xuejun *(Chairman of the investment committee, appointed on 19 December 2016)*	0/0
Mr. Chen Shimin	2/2
Mr. Ye Weigang Greg (resigned on 1 April 2016)	1/1
Mr. Li Fengling (resigned on 19 December 2016)	2/2
Mr. Wang Yi	2/2
Mr. Xiang Jie	2/2

In addition, one written resolution was passed by investment committee during the year ended 31 December 2016.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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 to pursue other personal commitments. In view of the resignation of Mr. Ye as a member of the audit committee of the Board, 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 the 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 (海藍控股有限公司), being a company listed on the Stock Exchange (stock code: 2278).

On 19 December 2016, the Board accepted the resignation of Mr. Li Fengling as the independent non-executive Director, the chairman of the investment committee, a member of the remuneration committee, the chairman of nomination committee and a member of the audit committee. At the same time, Mr. Zhang Xuejun was appointed as an independent non-executive Director, the chairman of investment committee, a member of audit committee, a member of remuneration committee, and the chairman of nomination committee. As disclosed herein, for the year ended 31 December 2016 and up to the date of this annual report, there were no changes to information required to be disclosed regarding the Directors pursuant to Rule 13.51B(1) of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The audit department of the Company conducted comprehensive audits annually on the risk management and internal control systems of the Group and submitted the "2016 Annual Report on Risk Management and Internal Control" for the Board's review. The Board is responsible for reviewing the effectiveness of the risk management and internal control systems of the Group, which covers all material controls including financial, operational and compliance controls and risk management functions, for the purpose of preventing unauthorised use or sale of assets and ensuring the proper filing of accounting records and provision of reliable financial information for internal use or for release, and ensuring that the applicable laws, rules and regulations are complied with. The procedure reasonably but not absolutely ensures the non-occurrence of significant error, loss or fraud and it is designed to manage, rather than eliminate the risk of failure to achieve business objectives. In the year of 2016, in addition to adhering to the existing stringent internal control, the Company made additional improvements as follows:

1. **Optimising the procurement processes to enhance the cost control efforts**

   In 2016, the Company regulated the procurement methods and processes to enhance the cost control efforts in procurement. The Company established a review and approval system for procurement application before entering to procurement and strictly implemented the management systems for procurement including the categorised management of procured raw materials, the collective tendering and procurement of bulk materials and the tendering and procurement of important materials so as to perform the cost control function of centralised control of procurement and reduce the procurement costs.

2. **Strictly implementing the control of expenses for continuous cost reduction and profit increasing**

   The Company continues to implement the management of finance control, adheres to the budget management and strictly implements the management systems including expense reimbursement and business trips. In 2016, the Company supplemented and revised the management system for expense reimbursement so as to simplify the processes for payment and reimbursement.

3. **Enhancing the management of receivables to reduce the risks of doubtful debts**

   The Company strictly implemented a management system for receivables which are the performance bonuses of sales personnel linked to the recovering amount of receivables so as to strengthen their responsibilities for receivables recovering and reduce doubtful debts. Meanwhile, the Company still adopts legal actions to ensure the reasonable recovering of the Company's receivables.

4. **Improving the management system of remuneration**

   In the year of 2016, the Company improved the management system for the performance and remuneration of the sales department. By specifying the scope and range of the distribution of performance bonuses, the level of sales management could be further increased so as to strengthen the incentive effect.

The audit department of the Company also conducts daily review and assessment of inside information, discusses with the management or authorised persons of the Company about disclosure of inside information, reports to the Board once identical any for dissemination.

Inside Information disclosure policies are formulated to provide employees with guidelines on reporting and disseminating inside information, confidentiality and compliance with restrictions on trading.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for fulfilling corporate governance duties and responsibilities including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and

(d) to review the Company's compliance with the code and disclosure in this corporate governance report.

In order to comply with the requirements of the code provision A.6.5 of the Corporate Governance Code, all the Directors have participated in training in relation to continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remains informed and relevant. To summarise, the Directors received training in the following areas to update and develop their skills and knowledge during the year of 2016:

	Training area	
	Companies Ordinance	**Listing Rules**
Executive Directors		
Mr. Xiang Jie	√	√
Mr. Gong Renyuan	√	√
Mr. Yue Zhoumin	√	√
Mr. Jin Jiafeng (resigned on 1 April 2016)	Not applicable	Not applicable
Non-executive Director		
Mr. Ye Weigang Greg (resigned on 1 April 2016)	Not applicable	Not applicable
Independent non-executive Directors		
Mr. Wang Yi	√	√
Mr. Chen Shimin	√	√
Mr. Li Fengling (resigned on 19 December 2016)	√	√
Mr. Zhang Xuejun (appointed on 19 December 2016)	√	√

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view of the state of affairs of the Company as at 31 December 2016 and of the Group's profit and cash flows for the year then ended and ensuring that such statements are prepared in accordance with the statutory requirements and applicable accounting standards.

AUDITORS' REMUNERATION

Ernst & Young have been appointed as the auditors of the Company since 2012. In 2016, the Company accepted the annual audit fee of RMB1.65 million proposed by Ernst & Young. The relevant selection, appointment and resignation procedures of accounting firms have been reviewed and approved by the audit committee and the Board.

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on page 42 in this annual report. During the year ended 31 December 2016, other than the audit fee, RMB0.55 million was paid to Ernst & Young for its performance of interim review.

JOINT COMPANY SECRETARIES

Ms. He Lina and Ms. Mok Ming Wai were appointed as the joint company secretaries to the Company in April 2016. Ms. He is an employee of the Company and reports to the chairman of the Board and is responsible for advising the Board on corporate governance matters. Ms. Mok works closely with Ms. He (the primary contact person) in discharging their duties and responsibilities as joint company secretaries to the Company. Ms. He and Ms. Mok have confirmed that they had taken not less than 15 hours on relevant professional training during the year of 2016.

CONSTITUTIONAL DOCUMENTS

There were no changes in the Company's constitutional documents during the year of 2016.

SHAREHOLDER'S RIGHTS

Pursuant to the Articles of Association, any Shareholder holding one-tenth or more of the paid up capital of the Company as at the date of putting forward requisition has rights to call for an extraordinary general meeting to address any issues as set out in the relevant requisition by sending to the Board or the company secretary of the Company at the address of Building 9-A, KongGangRongHuiYuan, Yuhua Road, Tianzhu Airport Industrial Zone B, Shunyi District, Beijing, PRC a written requisition any time and the extraordinary general meeting shall be held within two months of the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/itself (themselves) may convene such meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to hold such meeting shall be reimbursed to the requisitionist(s) by the Company.

MAKING ENQUIRIES TO THE BOARD

Shareholders who would like to make enquiries regarding the Company may send such enquiries by email to: ir@sunking-tech.com.

INVESTOR RELATIONSHIP

The Company encourages two-way communications with its institutional and private investors. Extensive information about the Group's business is provided in the annual report and the interim report sent to the Shareholders. The Company will meet with investors after the announcement of financial results to explain the business, performance and future plan of the Company in order to strengthen the public's understanding of the Company. The annual general meetings provide a platform for direct communication between the Board and the Shareholders. The Company communicates with the media regularly, discloses financial and other information of the Group and its operation to the public to promote effective communication.

OVERALL PERFORMANCE IN 2016

As a listed private enterprise, the Company has been actively undertaking corporate social responsibility behaviour, pursuing the humanistic concept of green development and striving to bring about positive impacts through green, energy-saving environmental protection and social responsibility. In 2016, the Company strengthened its management efforts on the research and development of new products, the quality management of products, the management of supply chains, the management of administration and personnel, public health and the utilisation of resources. Meanwhile, the Company laid emphasis on performing obligations of environmental protection and social responsibility, so as to guarantee our commitments made to the stakeholders including our shareholders, staff, customers and society.

According to the requirements of the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") in Appendix 27 of the Listing Rules, the Company issued an "Environmental, Social and Governance Report" (the "**Report**"), the content of which includes the two main subject areas (being Environmental (Main Subject Area A) and Social (Main Subject Area B)) among the subject areas of environmental, social and governance as required by the Guide. The period covered in the Report is the same as the period covered in the 2016 annual report.

The content of the Report combined the business advantages of the Company and followed the principles of importance, quantification, balance and consistency to disclose relevant statistics and information.

A. ENVIRONMENTAL RESPONSIBILITY

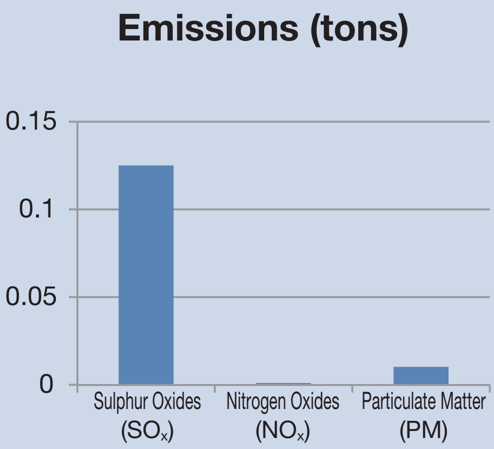
The environmental statistics contained in the Report mainly cover the plants, offices leased and vehicles for internal use of the subsidiaries of the Group located in mainland China, including Beijing, Wuxi, Jiashan, Wuhan and Jiujiang. In 2016, the Company firstly quantified certain key performance indicators and established a stable system for information statistics so as to compare with the reported information statistics of subsequent periods.

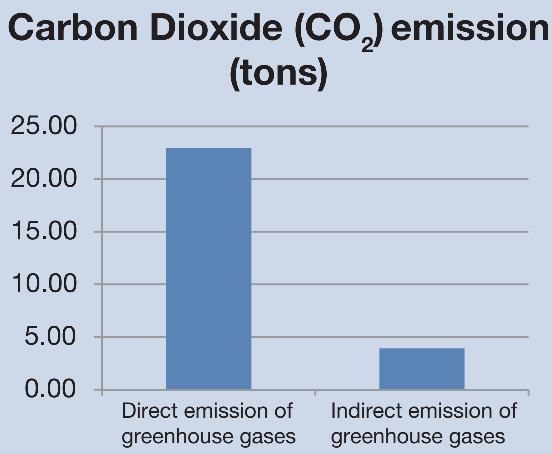
A1. Emissions

The Company is committed to the research and development and production of power electronics products of high-efficiency and energy-saving and the acceleration of the application and development of clean energy. No pollutants and hazardous wastes are produced during the production process of the Company. As such, no laws and regulations have a substantial impact on the Company in this regard.

The main emission sources of the Group's pollutants and particulate matter include the emission of the Company's self-used office vehicles and production vehicles. The main emission sources of greenhouse gases include the direct emission of the mobile sources of vehicles and the indirect emission of power consumption and plane travel for business trips by employees. The "Management System for Vehicles" established by the Company strengthens the management of the use of vehicles so as to reduce expenses and emissions. Non-hazardous wastes mainly include waste materials arising from the production process of the Group such as copper plates, cables and platinum plates. According to the "Selling and Management System for Waste Products" established by the Company, waste products would be disposed of by measures including recycling and selling. Meanwhile, the Company would strengthen the refined management of production process and increase the utilisation rate of raw materials.

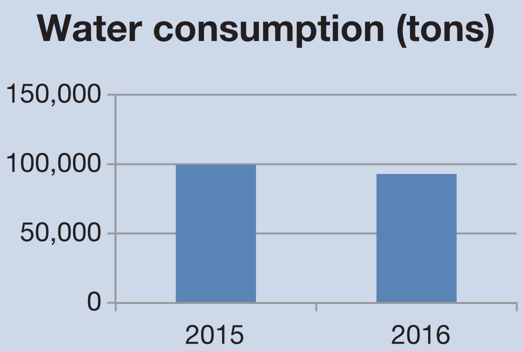
The following charts set out the categories and relevant statistics of pollutants in 2016:

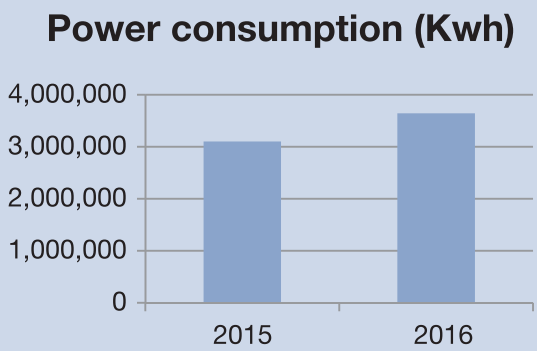




A2. Use of resources

The Company is actively strengthening the management of its consumption of water, power and other resources in all office premises and increasing the energy-saving and environmental protection awareness of its employees. The Company established the "Management System for Office Supplies" to regulate and promote reasonable use of office supplies and encourage paper reutilisation so as to reduce waste. The Company promotes a paperless office and adopts the OA Electronic Information System of Weaver to improve working efficiency and reduce the direct consumption of resources including paper, and the indirect energy consumption and emission of greenhouse gases during the business trips of employees. The Group's water consumption is household water consumption and its power consumption includes household and production power consumption. For household power consumption, we continuously improve the technologies to increase the efficiency of power consumption. For the Group's resources consumption in 2016, the power consumption increased by 17.39%, and the water consumption decreased by 6.57% as compared to the resources consumption in 2015 based on consistency. The Group's production materials management is conducted in strict compliance with the "Management System for Warehouse" of the Company to ensure good quality and accuracy in the amounts of materials so as to guarantee the safety of the Company's assets and enhance production efficiency. (As shown in the following charts)





A3. Environment and natural resources

The business nature of the Company has no substantial impact on the environment and natural resources. We strictly comply with the relevant laws and regulations of the "Environmental Protection Law of the PRC" (《中華人民共和國環境保護法》) and the "Energy Conservation Law of the PRC" (《中華人民共和國節約能源法》). The Company's resistors, capacitors and busbars, which are its principal products, have been accredited with the certification of ISO14001 Environmental Management System.

B. SOCIAL RESPONSIBILITY

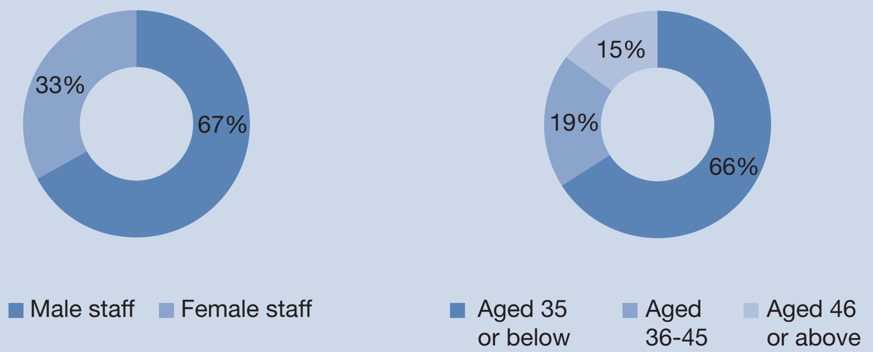
The Company regards its employees as the most important resources for the Company's development. The Group strictly complies with the relevant laws and regulations of the "Labor Law of the PRC" (《中華人民共和國勞動法》) and strives to strengthen its corporate management to encourage its motivation and innovation of employees, and effectively protect the interests of the Company and the legal rights of employees. By doing so, the Group hopes to achieve a convergence of interests of the Company and its employees, through which both development and growth of the Company and employees' individual value can be achieved.

Employment and labour regulations

B1. Employment

For the employment of employees, the Company adopts a hybrid of external recruitment, internal nomination and job rotation to recruit outstanding personnel and provide more promotion opportunities for employees. The Company developed systems including its "Staff Handbook" (the "**Handbook**") to define the principles and processes of recruitment and employment, such as the adoption of written tests and interviews in the selection of candidates for various types of work, functions and positions. The Company would enter into an employment contract with the selected employee to define the rights and obligations of both parties. The Handbook also includes detailed explanations on the arrangements regarding remuneration and termination of employment, working hours and leave. In addition, the "Management System for Remuneration" and the "System for Performance Appraisal" established by the Company provide a detailed remuneration system on which the remuneration of all the employees, including basic salaries and performance bonuses, is determined based on various evaluation factors including their abilities, experience and contribution. The Company also provides a benefits package including supplemental medical insurance, various kinds of subsidies, working lunches and body check-ups to employees. The Company prohibits child and forced labour in any workplace, and protects both applicants and regular staff from any form of discrimination. Female staff are entitled to benefits including leave for maternity check-ups and leave during pregnancy, and return to her pre-leave position. Currently, no laws and regulations have substantial impact on the Company regarding employment.

As at 31 December 2016, the Group had 664 staff in total, and the combination of the sex and ages of the staff is as follows:



B2. Health and safety

To ensure the health of the employees, the Company provides free body check-ups every year. Apart from the statutory insurance, the Company also provides supplemental medical insurance for the employees. According to its own situation, each subsidiary of the Group establishes a series of management requirements for safety in production including the "Management Requirements for Workshops" and the "Management System for Warehouse for Dangerous Materials" to define and determine the safety procedures and emergency plans. Each subsidiary has strictly implemented the requirements and has had no safety accidents. The Company also has had no casualties relating to occupational diseases and work-related injuries. Wuxi Sunking Power Capacitor Co. Ltd (無錫賽晶電力電容器有限公司) ("**Wuxi Sunking**"), the wholly-owned subsidiary of the Company, has been accredited with the certification of OHSAS18001 Occupational Safety and Health Management System. Currently, no relevant laws and regulations have substantial impact on the Company.

B3. Development and training

The Company provides various trainings for all employees in order to improve their skills and satisfy position needs. Through on-the-job trainings for newly recruited employees, on topics including the regulations of the Company and its departments, positions and responsibilities, working skills, safety in production and career development plans, they will be able to understand the Company earlier and adapt to their positions. For regular staff, the Company provides specific training courses for their career development. Meanwhile, the Company encourages employees to actively participate in position-related trainings organised by external institutions, the fees of which would be covered by the Company. The Company invites professionals including lawyers and accountants to provide trainings for Directors and senior management so as to update them on relevant information including the latest Companies Ordinance, regulatory policies, corporate governance, financial management and market trends, as well as arranges the company secretary and relevant personnel to participate in relevant professional trainings for not less than 15 hours. In 2016, the Company developed and implemented the "Training Program for Trainees of Middle and Senior Management of Sun.King Group" (《賽晶集團中高管理層後備幹部培養計劃》) and engaged professional training institutions to provide a one-year training for about 50 selected trainees in order to build a reserve pool of management elites for the continuous development of the Company.

B4. Labour standards

The "Staff Handbook" of the Company defines the protection for "children under the age of 18" and the legitimate and reasonable requirements by the employees including other employment conditions, regulations for working hours and leave system. The Company prohibits child and forced labour in any workplace.

Operating practices

B5. Management of supply chains

To strengthen the management of procurement and logistics and to reduce procurement costs, the Company regulates its internal management processes. For the internal process of the Group, a unified management system for procurement has been established regarding the conducting of reviews, approvals and control of procurement applications before the signing of contracts. For the external process of the Group, we adopt the ABC classification of raw materials, with Categories A and B as principal materials and accessories and Category C as auxiliary materials. We select qualified suppliers through collective tendering. We maintain a database for suppliers and the supply of quality products by such suppliers are safeguarded with a regular assessment on the suppliers of materials in Categories A and B.

B6. Product responsibility

The Group's product responsibility is of great importance as the products of the Group are mainly applied to the fields of power transmission and distribution and rail transit. The Company's resistors, capacitors and busbars, which are its principal products, have been accredited with the certification of ISO9001 Quality Management System. Each subsidiary of the Group implements strict quality control procedures and service systems for after-sales. For product quality, we also comply with the requirements of the latest "Reliability Assessment Programme for Power Transmission and Transformation" (《輸變電可靠性評價規程》) so as to ensure our products are in line with relevant quality standards and quick response to customers' needs. The Group's production materials management is conducted in strict compliance with the "Management System for Warehouse" of the Company to ensure good quality and accuracy in the amounts of materials so as to guarantee the safety of the Company's assets and enhance production efficiency. Currently, no relevant laws and regulations have substantial impact on the Company.

B7. Anti-corruption

For anti-corruption, no related laws and regulations have substantial impact on the Company.

The Company established the "Internal Whistle-blowing Policy" and the "Internal Audit System" under which the audit committee is authorised by the Board to create an environment of anti-fraud and conduct regular reviews on the internal control system so as to regulate the conduct of employees, create an atmosphere of integrity and dedication, and prevent prejudice to the Company's interests. The audit department is mainly responsible for accepting whistle-blowing and follow-up action regarding whistle-blowing, and directly reports to the audit committee. We believe that we could gain the confidence of the employees, customers, suppliers and other business parties by the establishment of a strict system for anti-corruption and anti-fraud and the regular implementation of internal control system, which have positive impacts on the continuous development of the Company's business.

B8. Community investment

In 2016, Jiashan Sunking donated RMB50,000 to the Charity Federation of Jiashan County to subsidise children from disadvantaged families to pursue education. Jiujiang Sunking Technology Co., Ltd. organised a group fund raising activity and raised a total of approximately RMB20,000 for offering financial assistance to hospitalised staff.

The Directors are pleased to present the annual report of the Company and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are trading and manufacturing of power electronic components.

Details of the principal activities of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

FAIR REVIEW OF BUSINESS

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year ended 31 December 2016 and the material factors underlying its financial performance are set out in the Chairman Statement on pages 3 to 4 of this annual report and the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report.

PRINCIPAL RISK AND UNCERTAINTIES

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term interest-bearing bank borrowings with floating interest rates. For the year ended 31 December 2016, the effective interest rates for unsecured bank loans is 0.50% to 5.00%.

Foreign currency risk

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 exposure.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentration of credit risk is managed by customer/counterparty, by geographical region and by industry sector.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. In addition, bank facilities have been put in place for use on a continuing basis.

For further details of the principal risks and uncertainties, please refer to note 40 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and its financial position as at that date are set out in the consolidated financial statements from pages 44 to 111 in this annual report.

The Board proposed to recommend the payment of a final dividend of HK$1.5 cent per Share for the year ended 31 December 2016 (corresponding period in 2015: HK$1 cent).

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 of Hong Kong Limited (the "**Stock Exchange**") in October 2010.

As at 31 December 2016, 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.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 112 in this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year of 2016 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's issued share capital during the year of 2016 are set out in note 29 to the consolidated financial statements.

Prior to the Listing, the Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 23 September 2010 which became effective and unconditional upon the Listing. The purpose of the Share Option Scheme is to enable the Group to grant options to the Eligible Participants (as defined in the section headed "Share Option Scheme" in the prospectus of the Company dated 30 September 2010) as rewards or incentives for their contributions to the Group.

The Board may, at its absolute discretion, offer an option to Eligible Participants to subscribe for the shares of the Company at an exercise price and subject to the terms of the Share Option Scheme. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 136,604,000 shares of the Company, being 10% of the total number of shares in issue at the time of the Listing.

The total number of shares of the Company issued and to be issued upon exercise of the options granted to or to be granted to each Eligible Participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue. The Share Option Scheme will remain in force for a period of 10 years. Under the Share Option Scheme, each option has a 10-year exercise period unless otherwise determined by the Board.

Details of movements in the share options under the Share Option Scheme for the year ended 31 December 2016 and share options outstanding as at the beginning and the end of the year are set out below:

		Number of share options									
Name of grantees	**Date of grant**	**As at 1 January 2016**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled/ Forfeited during the year**	**As at 31 December 2016**	**Exercise price per share** *(HK$)*	**Share price immediately before the grant date** *(HK$ per share)*	**Fair value of share options** *(HK$ per share)*	**Exercisable period**
Mr. Xiang Jie *(Chairman of the Board, executive Director and substantial shareholder of the Company)*	26 April 2012	12,000,000	–	–	–	–	12,000,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	1,350,000	–	–	–	–	1,350,000	0.68	0.64	0.27	28 May 2014 to 27 May 2019
	28 August 2014	20,000,000	–	–	–	–	20,000,000	0.69	0.61	0.88	28 August 2015 to 27 August 2020
Mr. Gong Renyuan *(Chief executive officer and executive Director)*	27 April 2011	1,350,000	–		–	–	1,350,000	1.83	1.79	0.83	27 April 2012 to 26 April 2017
	26 April 2012	1,500,000	–	–	–	–	1,500,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	750,000	–	–	–	–	750,000	0.68	0.64	0.27	28 May 2014 to 27 May 2019
	28 August 2014	10,000,000	–	–	–	–	10,000,000	0.69	0.61	0.33	28 August 2015 to 27 August 2020
Mr. Yue Zhoumin *(Executive Director)*	27 April 2011	420,000	–	–	–	–	420,000	1.83	1.79	0.83	27 April 2012 to 26 April 2017
	26 April 2012	1,000,000	–	–	–	–	1,000,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	600,000	–	–	–	–	600,000	0.68	0.64	0.27	28 May 2014 to 27 May 2019
	28 August 2014	2,000,000	–	–	–	–	2,000,000	0.69	0.61	0.33	28 August 2015 to 27 August 2020

Name of grantees	Date of grant	As at 1 January 2016	Number of share options Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ Forfeited during the year	As at 31 December 2016	Exercise price per share *(HK$)*	Share price immediately before the grant date *(HK$ per share)*	Fair value of share options *(HK$ per share)*	Exercisable period
Ms. Ren Jie *(senior management and the spouse of Mr. Gong Renyuan)*	27 April 2011	420,000	–	–	–	–	420,000	1.83	1.79	0.81	27 April 2012 to 26 April 2017
	26 April 2012	250,000	–	–	–	–	250,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	450,000	–	–	–	–	450,000	0.68	0.64	0.27	28 May 2014 to 27 May 2019
	28 August 2014	1,200,000	–	–	–	–	1,200,000	0.69	0.61	0.33	28 August 2015 to 27 August 2020
		53,290,000	–	–	–	–	53,290,000				
Mr. Jin Jiafeng *(Executive Director, resigned on 1 April 2016)*	27 April 2011	700,000	–	–	–	–	700,000	1.83	1.79	0.83	27 April 2012 to 26 April 2017
	26 April 2012	250,000	–	–	–	–	250,000	0.55	0.47	0.20	26 April 2013 to 25 April 2018
	28 May 2013	300,000	–	–	–	–	300,000	0.68	0.64	0.27	28 May 2014 to 27 May 2019
	28 August 2014	1,200,000	–	–	–	–	1,200,000	0.69	0.61	0.33	28 August 2015 to 27 August 2020
Employees in aggregates	27 April 2011	5,360,000	–	–	–	(80,000)	5,280,000	1.83	1.79	0.79	27 April 2012 to 26 April 2017
	26 April 2012	5,156,000	–	(1,908,000)	–	(90,000)	3,158,000	0.55	0.47	0.20	26 April 2013 to 25 April 2018
	28 May 2013	6,630,000	–	(1,632,500)	–	(217,000)	4,780,500	0.68	0.64	0.26	28 May 2014 to 27 May 2019
	28 August 2014	19,097,000	–	(2,453,000)	–	(302,000)	16,342,000	0.69	0.61	0.31	28 August 2015 to 27 August 2020
	24 August 2016	–	5,200,000	–	–	–	5,200,000	1.17	1.19	0.53	24 August 2016 to 23 August 2022
Other grantees	27 April 2011	4,000,000	–	–	–	–	4,000,000	1.83	1.79	0.83	27 April 2012 to 26 April 2017
Total		95,983,000	5,200,000	(5,993,500)	–	(689,000)	94,500,500				

Further details of the Share Option Scheme are disclosed in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 47 in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands (the "**Companies Law**"), amounted to approximately RMB418.1 million (2015: RMB411.7 million), of which final dividend has not been proposed for the year ended 31 December 2016. In addition, under the Companies Law, the share premium account of the Company of approximately RMB418.1 million as at 31 December 2016 (2015: RMB411.7 million) was distributable to the Shareholders (subject to the provisions of Articles of Association), provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the dividend, if any, is proposed to be paid. The Company's share premium account may be distributed in the form of fully paid bonus shares.

DIRECTORS

The following is a list of the Directors during the year of 2016 and up to the date of this annual report. Information about the Directors' appointments and resignations is set out in the Corporate Governance Report.

Executive Directors
Mr. Xiang Jie
Mr. Gong Renyuan
Mr. Yue Zhoumin
Mr. Jin Jiafeng (resigned on 1 April 2016)

Non-Executive Director
Mr. Ye Weigang Greg (resigned on 1 April 2016)

Independent Non-executive Directors
Mr. Wang Yi
Mr. Li Fengling (resigned on 19 December 2016)
Mr. Chen Shimin
Mr. Zhang Xuejun (appointed on 19 December 2016)

In accordance with articles 83(3) and 84(1) of the Articles of Association, Mr. Yue Zhoumin, Mr. Chen Shimin and Mr. Zhang Xuejun will retire by rotation and be eligible to offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each independent non-executive Director an annual confirmation of his independence from the Group, and as at the date of this annual report, the Company still considers them to be independent pursuant to Rule 3.13 of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out under the section headed "Biographies of Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has first been appointed for a term of three years commencing on the date of the Listing. Subsequently, Mr. Xiang Jie entered into supplemental service agreements dated 1 June 2012 and 1 June 2015 under which his term of office would be three years from the date of the respective supplemental agreement. Mr. Gong Renyuan entered into supplemental service agreements dated 1 June 2013 and 1 June 2016 under which his term of office would be three years from the date of the respective supplemental agreement. On 28 May 2014, Mr. Yue Zhoumin entered into a supplemental service agreement for a term of three years from the date of the said supplemental agreement.

The independent non-executive Directors, namely Mr. Wang Yi, Mr. Chen Shimin and Mr. Zhang Xuejun, have first been appointed for a term of three years commencing on 1 July 2010, 19 August 2010, and 19 December 2016, respectively. Subsequently, Mr. Wang Yi entered into a supplemental letter of appointment for a term of three years commencing on 1 June 2012 and 1 June 2015. Mr. Chen Shimin entered into a supplemental letter of appointment for a term of three years commencing on 28 May 2014.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the Shareholders at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the remuneration committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the non-executive Directors and the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee. Details of the emoluments of the Directors are set out in note 8 and the five highest paid individuals are set out in note 9 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

During the year of 2016, no Director had material beneficial interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which any member of the Group was a party.

PERMITTED INDEMNITY

Under the Articles of Association, the Directors are indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses whatsoever, which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any), that they may incur by reason of their own fraud or dishonesty. Such permitted indemnity provision has been in force for the year ended 31 December 2016. The Company has arranged appropriate liability insurance coverage for the directors.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**"), as recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company

Name of Director	Nature of interest	Number of ordinary shares	Number of underlying shares held under equity derivatives *(Note 4)*	Total	Approximate percentage of interests in the Company *(Note 5)*
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	446,182,347 *(Note 1)*	33,350,000	479,532,347	34.51%
Mr. Gong Renyuan	Beneficial owner and the interest of spouse	25,210,000 *(Note 2)*	15,920,000 *(Note 3)*	41,130,000	2.96%
Mr. Yue Zhoumin	Beneficial owner	4,000,000	4,020,000	8,020,000	0.58%

Notes:

1. As at 31 December 2016, among these 446,182,347 shares, 4,854,000 shares were directly held by Mr. Xiang Jie and the remaining 441,328,347 shares were directly held by Max Vision Holdings Limited ("**Max Vision**"). As at 31 December 2016, Max Vision was wholly owned by Jiekun Limited, which was in turn wholly owned by BNP Paribas Corporate Services Pte Ltd. As at 31 December 2016, BNP Paribas Corporate Services Pte Ltd. was wholly owned by BNP Paribas Singapore Trust Corporation Limited, which was the trustee of a private trust of which Mr. Xiang Jie was the settlor and his family members were the beneficiaries. Ms. Meng Fankun, being the spouse of Mr. Xiang Jie, was deemed under the SFO to be interested in the 479,532,347 shares in which Mr. Xiang Jie was interested.

2. As at 31 December 2016, out of these 25,210,000 underlying shares, 22,810,000 underlying shares were directly held by Mr. Gong Renyuan and the remaining 2,400,000 underlying shares were held by Ms. Ren Jie, the spouse of Mr. Gong Renyuan. Mr. Gong Renyuan was deemed under the SFO to be interested in the 2,400,000 underlying shares held by Ms. Ren Jie.

3. Among the 15,920,000 shares which may be issued upon the exercise of the share options, 13,600,000 shares represented the shares which may be issued upon the exercise of the share options granted to Mr. Gong Renyuan and the remaining 2,320,000 shares represented the shares which may be issued upon the exercise of the share options granted to Ms. Ren Jie, being the spouse of Mr. Gong Renyuan. Mr. Gong Renyuan was deemed under the SFO to be interested in the 2,320,000 shares which may be issued upon the exercise of the share options granted to Ms. Ren Jie.

4. These interests represented the interests in underlying shares in respect of share options granted by the Company to the relevant Directors as beneficial owners, the details of which are set out in the paragraph headed "Share Capital and Share Option Scheme".

5. There were 1,389,362,500 shares in issue as at 31 December 2016.

(b) Short position in the shares, underlying shares and debentures of the Company

None of the Directors or the chief executives of the Company had short positions in the shares, underlying shares and debentures of the Company or its associated corporations as at 31 December 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year of 2016 and up to the date of this annual report were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was any member of the Group a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, to the best knowledge of the Directors, the records of interests (being 5% or more of the issued share capital of the Company, other than the Directors or the chief executive of the Company) as registered in the register kept by the Company under section 336 of the SFO were as follows:

(a) Long positions in the shares and underlying shares of the Company

Name of substantial Shareholder	Nature of interest	Total number of shares held	Approximate percentage of interests in the Company *(Note 9)*
Max Vision	Beneficial owner	441,328,347 *(Notes 1 and 3)*	31.76%
Jiekun Limited	Interest in controlled corporation	441,328,347 *(Note 1)*	31.76%
BNP Paribas Corporate Service Pte Limited	Interest in controlled corporation	441,328,347 *(Note 1)*	31.76%
BNP Paribas Singapore Trust Corporation Limited	Interest in controlled corporation	441,328,347 *(Note 1)*	31.76%
Meng Fankun	Interest of spouse	479,532,347 *(Notes 1 and 2)*	34.51%
Sun Shui Investment Limited	Person having a security interest in share	175,000,000 *(Note 3)*	12.60%
Dong Ruiqin	Interest in controlled corporation	175,000,000 *(Note 3)*	12.60%
Artmia Limited	Beneficial owner	102,000,000	7.34%
Jin Hyenmi	Interest in controlled corporation	102,000,000 *(Note 4)*	7.34%
Common Goal Holdings Limited	Beneficial owner	89,570,000	6.45%
Peregrine Greater China Capital Appreciation Fund, L.P.	Interest in controlled corporation	89,570,000 *(Note 5)*	6.45%
Bull Capital Partners GP Limited	Interest in controlled corporation	89,570,000 *(Note 6)*	6,45%
Bull Capital Partners Ltd.	Interest in controlled corporation	89,570,000 *(Note 7)*	6.45%
Peace World Investments Limited	Interest in controlled corporation	89,570,000 *(Note 8)*	6.45%

Notes:

1. As at 31 December 2016, Max Vision, an investment holding company, was wholly owned by Jiekun Limited, which was in turn wholly owned by BNP Paribas Corporate Services Pte Ltd. As at 31 December 2016, BNP Paribas Corporate Services Pte Limited. was wholly owned by BNP Paribas Singapore Trust Corporation Limited, which was the trustee of a private trust of which Mr. Xiang Jie was the settlor and his family members were the beneficiaries. As such, Jiekun Limited, BNP Paribas Corporate Service Pte Ltd. and BNP Paribas Singapore Trust Corporation Limited were also deemed to be interested in the 441,328,347 shares owned by Max Vision by virtue of the SFO.

2. Ms. Meng Fankun, the spouse of Mr. Xiang Jie, was deemed under the SFO to be interested in the 479,532,347 shares in which Mr. Xiang Jie was interested.

3. On 12 November 2015 and 17 November 2015, Max Vision pledged an aggregate of 150,000,000 and 25,000,000 shares of the Company, respectively, in favour of a lender as security for a loan facility granted by the lender to Max Vision. For details, please refer to the announcements of the Company dated 13 November 2015 and 19 November 2015, respectively. As at 30 June 2016, Sun Shui Investment Limited was owned as to 60% by Dong Ruiqin. As such, Dong Ruiqin was deemed to be interested in the 175,000,000 shares which Sun Shui Investment Limited was deemed to have a security interest.

4. As at 31 December 2016, Jin Hyenmi held 100% equity interest in Artmia Limited. As such, Jin Hyenmi was deemed to be interested in the 102,000,000 shares held by Artmia Limited.

5. As at 31 December 2016, Peregrine Greater China Capital Appreciation Fund, L.P. held 100% equity interest in Common Goal Holdings Limited. As such, it was deemed to be interested in the 89,570,000 shares held by Common Goal Holdings Limited.

6. As at 31 December 2016, Bull Capital Partners GP was the general partner of Peregrine Greater China Capital Appreciation Fund, L.P. and held approximately 6.49% of its equity interests. As such, Bull Capital Partners GP Limited was deemed to be interested in the 89,570,000 shares held indirectly by Peregrine Greater China Capital Appreciation Fund, L.P. in Common Goal Holdings Limited.

7. As at 31 December 2016, Bull Capital Partners Ltd. held the entire equity interest in Bull Capital Partners GP Limited. As such, Bull Capital Partners Ltd. was deemed to be interested in the 89,570,000 shares held indirectly by Bull Capital Partners GP Limited and Peregrine Greater China Capital Appreciation Fund, L.P. in Common Goal Holdings Limited.

8. As at 31 December 2016, Peace World Investments Limited held the entire equity interest in Bull Capital Partners Ltd. which wholly owned Bull Capital Partners GP Limited as at the same date. As such, Peace World Investments Limited was deemed to be interested in the 89,570,000 shares held indirectly by Bull Capital Partners Ltd., Bull Capital Partners GP Limited and Peregrine Greater China Capital Appreciation Fund, L.P. in Common Goal Holdings Limited.

9. There were 1,389,362,500 Shares in issue as at 31 December 2016.

(b) Short position in the shares and underlying shares of the Company:

Save as disclosed above, as at 31 December 2016, the Company had not been notified of any interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO or required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling Shareholders, being Mr. Xiang and Max Vision, in respect of their compliance with the non-competition undertaking. The independent non-executive Directors have reviewed the aforesaid undertaking and are of the view that Mr. Xiang and Max Vision had complied with the non-competition undertaking during the year of 2016.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at 31 December 2016, none of the Directors or their close associates held any interests in any business which directly or indirectly competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,389,362,500 shares of the Company in issue as at 31 December 2016.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year of 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

Unless otherwise required by the Stock Exchange, there were no provisions under the Articles of Association or the laws of the Cayman Islands (being the jurisdiction in which the Company is incorporated) which would oblige the Company to offer any pre-emptive right of new shares on a pro-rata basis to the Shareholders.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Company are set out in note 37 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2016, the Group employed 664 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.

FOREIGN CURRENCY EXPOSURE

Details of the foreign currency exposure for the year ended 31 December 2016 are set out on page 11 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

According to information publicly available to the Company and to the knowledge of the Directors, as at the date of this annual report, at least 25% of the Company's total issued share capital was held by the public.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year of 2016 are set out in note 29 to the consolidated financial statements.

DONATIONS

For the year ended 31 December 2016, the Group had made charitable donation approximately amounting to RMB70,000 (31 December 2015: RMB52,500).

MAJOR SUPPLIERS AND CUSTOMERS

In the year of 2016, the Group's largest supplier accounted for approximately 37.9% (2015: 50.8%) of the Group's total purchases. The Group's five largest suppliers accounted for approximately 50.8% (2015: 63.2%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for approximately 44.5% (2015: 39.3%) of the Group's total sales. The Group's largest customer accounted for approximately 15.6% (2015: 12.5%) of the Group's total sales.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (who, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or five largest suppliers.

EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Company as disclosed in the section headed "Share Capital and Share Option Scheme" of this Report of the Directors, the Company has not entered into any equity-linked agreement for the year ended 31 December 2016.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee was established on 19 August 2010 with written terms of reference in compliance with the Listing Rules. The audit committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any issues regarding the resignation or dismissal of such auditors; monitoring the integrity of financial statements, annual reports and accounts, interim reports and, (if prepared for publication) quarterly reports, and reviewing material financial reporting judgments therein; and reviewing the systems of financial control, internal control and risk management.

The audit committee has reviewed with the management accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal controls and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2016. The consolidated financial statements for the year ended 31 December 2016 have been audited by the Company's external auditors, Ernst & Young.

CORPORATE GOVERNANCE

The Company has published its corporate governance report, which is set out from pages 14 to 21 in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. It is policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimising wastes and emission. The Group achieves this through actively re-designing its production activities and operation that encourage and promote recycling of resources, using environmental friendly raw materials and reviewing production operations constantly to ensure that the production processes are effective and efficient.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group adheres to people-oriented principle and offer reasonable treatment to employees. Meanwhile, it retains talents and constantly improves policies including remuneration and benefits, trainings and occupational health and safety with regular reviews and updates. The Group maintains sound relationship with customers. In order to perfect the service, the Group established a complaint management mechanism including complaints collection, analysis and research and improvement recommendation. The Group maintains sound relationship with suppliers, on which it conducts fair and strict inspection regularly.

COMPLIANCE WITH LAWS AND REGULATIONS

Established in the Cayman Islands, the Company operates its principal businesses in Mainland China, whereas its shares are listed on the Stock Exchange. Accordingly, our establishment and operations shall be subject to the relevant laws of the Cayman Islands, Mainland China and Hong Kong. During the year ended 31 December 2016 and as of the date of this annual report, we were in compliance with the relevant laws and regulations of the Cayman Islands, Mainland China and Hong Kong.

PROSPECTS

Looking forward, gradual replacement of traditional technological solutions with power electronic technological solutions is becoming the major strategy in achieving the two major developing approaches of “replacement of other energy with clean energy” and “replacement of other energy with electricity”. It is more suitable for power electronic technological solutions to be used in the future clean energy-oriented grid, which helps procure the production and application of clean energy, and enhances the efficiency and control of electrical system and equipment.

Due to the wide application of new energy generation, the rapid widespread of electric vehicles and charging piles as well as the establishment of future energy disperse system, regional grid and micro-grid, the existing grid pattern will be changed substantially. It is a consensus to build a safe, efficient and intelligent power grid through power electronic technology.

From energy development plans such as “Energy Sector Development in the Thirteenth Five-year Plan”, “Made in China 2025 Roadmap (《中國製造2025行動路線》)” and “Action plan for energy technology innovation (2016-2030) (《能源技術革命創新行動計劃（2016年-2030年）》)” implemented by the Chinese government, we can observe that China is speeding up its construction of a power network with ultra-high voltage transmission as its core, so as to vigorously promote the development of new energy and to build strong intelligent grids and a global energy network.

During the “Thirteenth Five-year Plan” period, the UHVDC transmission projects will continue to enjoy large-scale investments. First, China will strive to construct the UHVDC transmission-oriented grid lines for the “West-to-East Power Transmission”, with an addition of 130 million kW capacity. Second, to cope with China’s “One Belt and One Road” strategy, the domestic grid companies have planned for the construction of a number of cross-border UHVDC transmission grid lines. Last but not least, with the expansion to overseas grid market by the domestic grid companies, it will be beneficial to the promotion of China’s UHVDC transmission technology to overseas markets.

With flexible direct current transmission as a highly efficient way for grid connection and the consumption of clean energy, it is expected that the Group will achieve rapid growth in both the number and scale of relevant projects. Orders from the “Zhangbei-Beijing” flexible direct current transmission project, an innovative demonstration project of energy internet, and Jinsha River downstream mix direct current transmission project are expected during the year, and most of which are scheduled for delivery in 2018.

During the “Thirteenth Five-year Plan” period, various national energy technical development plans focus on the commencement of R&D and promotion of flexible direct current transmission and direct current grid technologies. In addition to the sector of highly efficient grid connection and transmission of clean energy, the sector of unsynchronised alternating current grids internet also has an extensive market demand for such technologies. With the increase in the proportion of clean energy power generation, electricity grids of each region have to face the decline in regulating peak capacity. Through flexible direct current transmission technology, the interconnection between the alternating current grids of the regions could be achieved, and power regulation becomes the main direction of development. In this regard, flexible direct current transmission projects are expected to bring substantial increase in investment during the “Thirteenth Five-year Plan” period.

We will put great effort in technical innovation as well as R&D, in particular technical R&D and business planning in the micro-grid market. Based on our thorough understanding and leading R&D capabilities in power electronic technology, we will continue to create and perfect our technology and product planning of the micro-grid direct current system.

Leveraging its world-leading R&D capabilities in power electronic technology, the Group will continue to actively explore the upgrading and reformation of power electronic technology in the existing electric technology sector and opportunities for applying our new power electronic technological solution. In 2017, the Group will focus on promoting its new power electronic technological solution, especially the application of the one power supply device of electric railways between regions and the application of direct current in large electric shipping power supply systems.

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 Tuesday, 2 May 2017. The register of members of the Company will be closed from Thursday, 4 May 2017 to Wednesday, 10 May 2017, 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 Wednesday, 10 May 2017, 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 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 Wednesday, 24 May 2017. The register of members of the Company will be closed from Thursday, 25 May 2017 to Friday, 26 May 2017, 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 at the annual general meeting to be held on Wednesday, 10 May 2017, the final dividend will be paid on or around Thursday, 15 June 2017 to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 26 May 2017.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Xiang Jie
Chairman

Hong Kong, 14 March 2017

EY 安永

To the shareholders of Sun.King Power Electronics Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sun.King Power Electronics Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 44 to 111, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and trademark	
Management performs impairment testing annually for the cash generating unit (the "**CGU**") to which the goodwill and trademark were allocated. The calculation of the CGU's net recoverable value is complex and involves significant management's judgement and estimation, such as the forecasted cash flows, revenue growth rates and discount rates, which are sensitive to expected future market conditions and the CGU's actual performance. Related disclosures are included in notes 15 and 16 to the financial statements.	Our audit procedures included the evaluation of key assumptions including those related to the growth rates of revenue, gross profit margin and discount rates applied. In performing our audit procedures, we involved our internal valuation specialists to assess the assumptions applied by benchmarking against independent data. We considered the historical financial performance of the business units and compared with the original forecasts to evaluate the accuracy of management's budgeting process.

To the shareholders of Sun.King Power Electronics Group Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
Trade receivables constituted a significant portion of total assets as at 31 December 2016 and the Group was exposed to credit risks thereof. When determining whether a trade receivable is collectable, significant management judgement is involved, taking into account various factors including the age of the balance, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of the customer. Relevant disclosures are included in note 21 to the financial statements.	Our audit procedures included the assessment of the Group's controls relating to the monitoring of trade receivables. We performed the ageing analysis, obtained direct external confirmations from customers to confirm the receivable balances on a sampling basis and considered the receipts from customers subsequent to the reporting date. We also evaluated the adequacy of the Group's provision for trade receivables by reference to the Group's debtor collection history.
Provision for inventories	
Inventories contributed a significant portion of total assets as at 31 December 2016 and the Group was exposed to inventory obsolete and excess risks as a result of the technology innovation and macroeconomic challenges. The determination of provision is accordingly complex because it depends on the future net recoverable amounts. The determination of the future recoverable amounts involves significant management judgements and estimates of the market condition, future sales and inventory liquidation plans and so on. Relevant disclosures are included in note 20 to the financial statements.	Our audit procedures included the understanding of the Group's accounting policy of provision for inventories. We performed the ageing analysis and considered the inventories usage and sale as well as turnover days during the year. We also re-calculated the impairment amounts of the inventories based on the management's methodology at year end.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

To the shareholders of Sun.King Power Electronics Group Limited
(Incorporated in the Cayman Islands with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

To the shareholders of Sun.King Power Electronics Group Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Siu Ki Ricky.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
14 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**856,952**	781,993
Cost of sales		**(523,249)**	(515,064)
Gross profit		**333,703**	266,929
Other income and gains	5	**33,393**	29,513
Selling and distribution expenses		**(78,291)**	(63,318)
Administrative expenses		**(79,771)**	(75,389)
Research and development costs		**(33,980)**	(31,458)
Other expenses and losses		**(4,874)**	(22,678)
Finance costs	7	**(16,860)**	(17,612)
Share of profits and losses of:			
Joint ventures		**(30)**	(599)
An associate		**17,814**	(6,241)
PROFIT BEFORE TAX	6	**171,104**	79,147
Income tax expense	10	**(24,230)**	(17,928)
PROFIT FOR THE YEAR		**146,874**	61,219
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**(25)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(25)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**146,849**	61,219
Profit attributable to:			
Owners of the parent		**143,856**	62,272
Non-controlling interests		**3,018**	(1,053)
		146,874	61,219
Total comprehensive income attributable to:			
Owners of the parent		**143,840**	62,272
Non-controlling interests		**3,009**	(1,053)
		146,849	61,219
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**RMB10.37 cents**	RMB4.53 cents
Diluted		**RMB10.13 cents**	RMB4.45 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**323,933**	360,279
Prepaid land lease payments	*14*	**55,115**	57,932
Deposits for purchase of items of property, plant and equipment		**300**	52
Goodwill	*15*	**41,037**	34,159
Other intangible assets	*16*	**36,302**	23,006
Club memberships		**1,554**	2,534
Investments in joint ventures	*17*	**15,620**	15,650
Investment in an associate	*18*	**23,297**	13,062
Available-for-sale investments	*19*	**199**	16,999
Trade receivables	*21*	**60,282**	89,553
Prepayment for an investment		**7,500**	–
Deferred tax assets	*28*	**10,079**	10,290
Total non-current assets		**575,218**	623,516
CURRENT ASSETS			
Inventories	*20*	**252,301**	175,053
Trade and bills receivables	*21*	**765,276**	589,807
Prepayments, deposits and other receivables	*22*	**69,875**	46,502
Prepaid land lease payments	*14*	**1,362**	1,401
Derivative financial instruments	*26*	**789**	488
Available-for-sale investments	*19*	**–**	10,000
Pledged deposits	*23*	**32,756**	13,464
Cash and cash equivalents	*23*	**103,023**	128,004
Total current assets		**1,225,382**	964,719
CURRENT LIABILITIES			
Trade and bills payables	*24*	**236,587**	186,629
Other payables and accruals	*25*	**146,386**	60,893
Derivative financial instruments	*26*	**–**	1,628
Interest-bearing bank borrowings	*27*	**327,357**	394,574
Tax payable		**25,733**	24,079
Total current liabilities		**736,063**	667,803
NET CURRENT ASSETS		**489,319**	296,916
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,064,537**	920,432

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,064,537**	920,432
NON-CURRENT LIABILITIES			
Other payables	*25*	**8,170**	–
Deferred income		**12,806**	17,393
Deferred tax liabilities	*28*	**14,435**	12,068
Total non-current liabilities		**35,411**	29,461
Net assets		**1,029,126**	890,971
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*29*	**119,283**	118,775
Reserves	*31*	**885,221**	755,957
		1,004,504	874,732
Non-controlling interests		**24,622**	16,239
Total equity		**1,029,126**	890,971

Xiang Jie
Director

Yue Zhoumin
Director

	Notes	Issued capital RMB'000	Share premium account RMB'000	Employee share-based compensation reserve RMB'000 (note a)	Capital redemption reserve RMB'000	Deemed contribution reserve RMB'000 (note b)	Other reserve RMB'000 (note c)	Retained profits/ (accumulated losses) RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity
		Attributable to owners of the parent										
At 1 January 2015		117,168	400,196	15,843	288	14,765	250,776	(4,492)	-	794,544	37,460	832,004
Loss and total comprehensive loss for the year		-	-	-	-	-	-	62,272	-	62,272	(1,053)	61,219
Acquisition of non-controlling interests		-	-	-	-	-	(5,798)	-	-	(5,798)	(20,052)	(25,850)
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	(116)	(116)
Exercise of share options	30	1,607	11,499	(3,667)	-	-	-	-	-	9,439	-	9,439
Share-based payments	30	-	-	14,275	-	-	-	-	-	14,275	-	14,275
At 31 December 2015 and at 1 January 2016		**118,775**	**411,695***	**26,451***	**288***	**14,765***	**244,978***	**57,780***	**-**	**874,732**	**16,239**	**890,971**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**143,856**	**-**	**143,856**	**3,018**	**146,874**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16)**	**(16)**	**(9)**	**(25)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**143,856**	**(16)**	**143,840**	**3,009**	**146,849**
Acquisition of a subsidiary	33	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,374**	**5,374**
Exercise of share options	30	**508**	**4,100**	**(1,346)**	**-**	**-**	**-**	**-**	**-**	**3,262**	**-**	**3,262**
Share-based payments	30	**-**	**-**	**6,374**	**-**	**-**	**-**	**-**	**-**	**6,374**	**-**	**6,374**
Final 2015 dividends		**-**	**2,297**	**-**	**-**	**-**	**-**	**(13,986)**	**-**	**(11,689)**	**-**	**(11,689)**
Interim 2016 dividends		**-**	**-**	**-**	**-**	**-**	**-**	**(12,015)**	**-**	**(12,015)**	**-**	**(12,015)**
At 31 December 2016		**119,283**	**418,092***	**31,479***	**288***	**14,765***	**244,978***	**175,635***	**(16)***	**1,004,504**	**24,622**	**1,029,126**

Notes:

(a) The employee share-based compensation reserve represents the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will be transferred to the share premium account when the related options are exercised.

(b) The 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.

(c) The other reserve mainly arose from certain waivers of loans and/or advances by Sunking BVI to the Group in prior years and from acquisitions of non-controlling interests.

* *These reserve accounts comprise the consolidated reserves of RMB885,221,000 (2015: RMB755,957,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**171,104**	79,147
Adjustments for:			
Finance costs	7	**16,860**	17,612
Share of profits and losses of joint ventures and an associate		**(17,784)**	6,840
Interest income	5	**(1,274)**	(1,148)
Loss/(gain) on disposal of items of property, plant and equipment	5, 6	**(10,941)**	178
Gain on disposal of a subsidiary	5	**–**	(6,081)
Gain on disposal of available-for-sale investments	5	**(5,780)**	–
Depreciation	6	**22,775**	23,136
Amortisation of other intangible assets	6	**1,822**	1,071
Impairment/(reversal of impairment) of trade and other receivables, net	6	**(4,249)**	17,985
Fair value gains on foreign currency forward contracts, net	5	**(2,800)**	(2,890)
Fair value gains on derivative financial instruments	5	**–**	(52)
Amortisation of prepaid land lease payments	6	**1,371**	1,401
Amortisation of deferred income		**(6,791)**	(16,438)
Write-down/(reversal of write-down) of inventories to net realisable value	6	**2,602**	(3,887)
Share-based payment expense	6	**6,374**	14,275
		173,289	131,149
Increase in inventories		**(71,569)**	(37,157)
Increase in trade and bills receivables		**(135,687)**	(191,546)
Increase in prepayments, deposits and other receivables		**(12,730)**	(1,094)
Increase in trade and bills payables		**48,147**	25,428
Increase/(decrease) in other payables and accruals		**74,193**	(14,934)
Increase/(decrease) in derivative financial instruments		**871**	(2,840)
Cash generated from/(used in) operations		**76,514**	(90,994)
Interest paid		**(16,860)**	(17,612)
Income taxes paid		**(22,707)**	(16,413)
Net cash flows from/(used in) operating activities		**36,947**	(125,019)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Net cash flows from/(used in) operating activities		**36,947**	(125,019)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,053**	2,803
Purchases of items of property, plant and equipment	*13*	**(15,534)**	(12,360)
Proceeds from disposal of items of property, plant and equipment		**40,592**	2,104
Decrease/(increase) in deposits for purchase of items of property, plant and equipment		**(248)**	104
Acquisition of a subsidiary	*33*	**(6,596)**	–
Additions to other intangible assets	*16*	**(5)**	(110)
Disposal of a subsidiary		**–**	7,543
Disposal of prepaid land lease payments		**1,485**	–
Disposal of club memberships		**980**	–
Increase in pledged deposits		**(19,292)**	(11,867)
Dividends received from an associate		**7,800**	–
Prepayment for an investment		**(7,500)**	–
Proceeds from disposal of available-for-sale investments		**22,291**	–
Purchases of available-for-sale investments		**–**	(10,000)
Receipt of government grants		**2,204**	12,085
Net cash flows from/(used in) investing activities		**27,230**	(9,698)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	*30*	**3,262**	9,439
New bank loans		**616,779**	563,578
Repayment of bank loans		**(685,491)**	(398,004)
Acquisition of non-controlling interests		**–**	(25,850)
Dividends paid		**(23,704)**	–
Net cash flows from/(used in) financing activities		**(89,154)**	149,163
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(24,977)**	14,446
Cash and cash equivalents at beginning of year		**128,004**	113,558
Effect of foreign exchange rate changes, net		**(4)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**103,023**	128,004
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**103,023**	128,004

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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued and paid-up capital	Percentage of equity attributable to the Company	Principal activities
Sunking Pacific Limited 賽晶亞太有限公司	Hong Kong	HK$1	100%	Investment holding
Jiashan Sunking Power Equipment Technology Co., Ltd.* 嘉善華瑞賽晶電氣設備科技有限公司	The PRC/ Mainland China	US$76,500,000	100%	Sale, research and development, after sales service and production of electrical/ electronic components and installation, including integrated gate bipolar transistors
Wuxi Sunking Power Capacitor Co., Ltd.* 無錫賽晶電力電容器有限公司	The PRC/ Mainland China	US$28,000,000	100%	Production of electrical capacitors and complete devices, amorphous alloy transformers, DC current anode saturable dry-type reactors, and FM voltage AC traction devices; trading agent of various products and technologies

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued and paid-up capital	Percentage of equity attributable to the Company	Principal activities
Jiujiang Sun.king Technology Co., Ltd.** 九江賽晶科技股份有限公司	The PRC/ Mainland China	RMB75,000,000	83%	Manufacture and sale of rectifiers
Beijing Sunking Power Electronic Technology Co., Ltd.* 北京賽晶電力電子科技有限公司	The PRC/ Mainland China	RMB5,000,000	100%	Technology research for electronic power device railway equipment, sale and distribution of power electronic components, import and export of goods and technologies
Astrol Electronic AG	Switzerland	CHF100,000	65%	Manufacture and sale of pulsed power equipment, insulated gate bipolar transistor gate units, and other electronic parts

* *Registered as a wholly-foreign-owned enterprise under PRC law.*

** *Registered as a limited liability company under PRC law.*

All the above investments in subsidiaries are indirectly held by the Company.

Except for Sunking Pacific Limited and Astrol Electronic AG, the English names of all the above companies are direct translations of their Chinese registered names.

The statutory financial statements of the above subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) promulgated by the International Accounting Standards Board (the "**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
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 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28 (2011), amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in IAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

   • IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of IFRSs[1,2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases – Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

The IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* in December 2016 in order to address how to determine "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset for non-monetary liability arising from the payment or receipt of advance consideration in the foreign. The Group expects to adopt the amendments from 1 January 2018.

Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements 2014-2016 Cycle has amendments to three Standards: the amendments to IFRS 12 Disclosure of Interests in Other Entities have clarified the scope of the disclosure requirements in IFRS 12; the amendments to IFRS 1 First-time Adoption of International Financial Reporting of Standards have deleted short-term exemptions for first-time adopters, and the amendments to IAS 28 Investments in Associates and Joint Ventures have made clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice. These amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of the associate and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's investments in the associate or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate or joint ventures is included as part of the Group's investments in the associate or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposal of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.9% to 19.0%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	4.8% to 31.7%
Furniture and fixtures	9% to 64.7%
Motor vehicles	10.0% to 24.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademark

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of a trademark with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Patents, technology know-how, customer relationship and computer software

Patents, technology know-how, customer relationship and computer software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of not exceeding ten years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses and losses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in other expenses and losses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed or unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses and losses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign currency forward contracts, to hedge its foreign currency risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The fair value of foreign currency forward contracts is determined using the rates quoted by the Group’s bankers to terminate the contracts at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which the services are recorded;

(c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share award scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the distribution plan of dividends.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was RMB41,037,000 (2015: RMB34,159,000). Further details are given in note 15.

Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of trade and other receivables and the timing of their recovery. The identification of impairment of receivables requires management judgement and estimation. Where the actual outcome or expectation in future is different from the original estimates, the differences will impact on the carrying value of trade and other receivables and the amount of impairment/write-back of impairment in the periods in which the estimates have been changed. At 31 December 2016, the carrying amounts of trade and bills receivables and other receivables were RMB825,558,000 (2015: RMB679,360,000) and RMB43,589,000 (2015: RMB41,422,000), respectively.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which the estimate has been changed. At 31 December 2016, the carrying amount of inventories was RMB252,301,000 (2015: RMB175,053,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets (2015: Nil) relating to tax losses were recognised at 31 December 2016. The amount of unrecognised tax losses at 31 December 2016 was RMB78,499,000 (2015: RMB144,069,000). Further details are contained in note 28 to the financial statements.

4. 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:

	2016 **RMB'000**	2015 RMB'000
Customer A	**134,020**	85,203
Customer B*	**–**	97,932
Total	**134,020**	183,135

* *The sales to customer B were less than 10% of the Group's revenue for the year ended 31 December 2016.*

5. 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:

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods	**856,952**	781,993
Other income		
Government grants*	**8,840**	16,438
Interest income	**1,274**	1,148
Sale of scrap materials	**1,946**	2,007
Others	**1,462**	897
	13,522	20,490
Gains		
Gain on disposal of items of property, plant and equipment, net	**10,941**	–
Fair value gains on foreign currency forward contracts, net	**2,800**	2,890
Fair value gains on derivative financial instruments, net	**–**	52
Gain on disposal of a subsidiary	**–**	6,081
Gain on disposal of available-for-sale investments	**5,780**	–
Others	**350**	–
	19,871	9,023
	33,393	29,513

* *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.*

6. PROFIT BEFORE TAX

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

	Notes	**2016 RMB'000**	2015 RMB'000
Cost of inventories sold		**520,647**	518,951
Write-down/(reversal of write-down) of inventories to net realisable value		**2,602**	(3,887)
Cost of sales		**523,249**	515,064
Auditor's remuneration		**1,750**	1,650
Depreciation	*13*	**22,775**	23,136
Amortisation of other intangible assets	*16*	**1,822**	1,071
Amortisation of land lease payments	*14*	**1,371**	1,401
Minimum lease payments under operating leases		**2,360**	1,825
Impairment/(reversal of impairment) of trade and other receivables, net*	*21, 22*	**(4,249)**	17,985
Loss on disposal of items of property, plant and equipment, net*		**–**	178
Foreign exchange differences, net*		**9,123**	4,515
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**30,460**	21,698
Share-based payment expense		**6,374**	14,275
Pension scheme contributions**		**7,340**	6,336
		44,174	42,309

* *The impairment/(reversal of impairment) of trade and other receivables, net loss on disposal of items of property, plant and equipment and net foreign exchange losses are included in "Other expenses and losses" in the consolidated statement of profit or loss and other comprehensive income.*

** *At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2015: Nil).*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 RMB'000	2015 RMB'000
Interest on bank loans	**16,860**	17,612

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 **RMB'000**	2015 RMB'000
Fees	**771**	836
Other emoluments:		
Salaries, allowances and benefits in kind	**1,915**	2,159
Share-based payment expense	**3,339**	7,834
Pension scheme contributions	**121**	152
	5,375	10,145
	6,146	10,981

During the year and in prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 **RMB'000**	2015 RMB'000
Mr. Wang Yi	**156**	130
Mr. Li Fengling*	**156**	130
Mr. Chen Shimin	**156**	130
Mr. Zhang Xuejun*	**–**	–
	468	390

* *Mr. Li Fengling resigned as an independent non-executive of the Company and Mr. Zhang Xuejun was appointed as an independent non-executive director of the Company on 19 December 2016.*

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016					
Executive directors:					
Mr. Xiang Jie	**87**	**779**	**2,051**	**36**	**2,953**
Mr. Gong Renyuan*	**87**	**600**	**1,035**	**36**	**1,758**
Mr. Yue Zhoumin	**87**	**420**	**218**	**36**	**761**
Mr. Jin Jiafeng**	**21**	**116**	**35**	**13**	**185**
	282	**1,915**	**3,339**	**121**	**5,657**
Non-executive director:					
Mr. Ye Weigang Greg**	**21**	**–**	**–**	**–**	**21**
	303	**1,915**	**3,339**	**121**	**5,678**

* *Mr. Gong Renyuan is also the chief executive of the Company.*

** *Mr. Jin Jiafeng resigned as an executive director of the Company and Mr. Ye Weigang Greg resigned as a non-executive director of the Company on 1 April 2016.*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payment expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015					
Executive directors:					
Mr. Xiang Jie	81	764	4,671	38	5,554
Mr. Gong Renyuan*	81	560	2,352	38	3,031
Mr. Yue Zhoumin	81	380	488	37	986
Mr. Jin Jiafeng	81	455	323	39	898
	324	2,159	7,834	152	10,469
Non-executive directors:					
Mr. Ye Weigang Greg	81	–	–	–	81
Mr. Wong Kun Kau**	41	–	–	–	41
	122	–	–	–	122
	446	2,159	7,834	152	10,591

* *Mr. Gong Renyuan is also the chief executive of the Company.*

** *Mr. Wong Kun Kau resigned as a non-executive director of the Company on 2 July 2015.*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors which included the chief executive (2015: four directors which included the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2015: one) highest paid employees who are neither directors nor chief executive of the Company are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,531**	460
Share-based payment expense	**291**	521
Pension scheme contributions	**486**	37
	2,308	1,018

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**–**	1
	3	1

During the year and in prior years, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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. and Zhejiang Saiying Power Technology Co., Ltd., subsidiaries of the Company, were registered as new and high technology enterprises, and were subject to CIT at a rate of 15% for the three years ending 21 November 2019.

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 ended 31 December 2016.

Wuxi Sunking Power Capacitor 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 ending 30 November 2019.

	2016 **RMB'000**	2015 RMB'000
Current – Hong Kong		
Charge for the year	**1,156**	300
Current – Elsewhere		
Charge for the year	**23,643**	16,506
Underprovision/(overprovision) in prior years	**(438)**	857
Deferred (note 28)	**(131)**	265
Total tax charge for the year	**24,230**	17,928

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2016

	Hong Kong		Switzerland		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	27,518		(200)		143,786		171,104	
Tax at the statutory tax rate	4,540	16.5	(36)	18.0	35,947	25.0	40,451	23.6
Lower tax rates for specific provinces or enacted by local authority	–	–	–	–	(17,646)	(12.3)	(17,646)	(10.3)
Losses attributable to joint ventures	–	–	–	–	8	0.1	8	0.1
Profits attributable to an associate	–	–	–	–	(4,454)	(3.1)	(4,454)	(2.6)
Income not subject to tax	(5,618)	(20.4)	(97)	48.5	–	–	(5,715)	(3.4)
Expenses not deductible for tax	19	0.1	–	–	13,154	9.1	13,173	7.7
Tax losses utilised from previous periods	–	–	–	–	(5,012)	(3.5)	(5,012)	(2.9)
Tax losses not recognised	1,157	4.2	–	–	1,550	1.1	2,707	1.6
Adjustments in respect of current tax of previous periods	–	–	–	–	(438)	(0.3)	(438)	(0.3)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	1,156	4.2	–	–	–	–	1,156	0.7
Tax charge at the Group's effective rate	1,254	4.6	(133)	66.5	23,109	16.1	24,230	14.2

2015

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(11,917)		91,064		79,147	
Tax at the statutory tax rate	(1,966)	16.5	22,766	25.0	20,800	26.3
Lower tax rates for specific provinces or enacted by local authority	–	–	(9,857)	(10.8)	(9,857)	(12.5)
Losses attributable to joint ventures	–	–	150	0.2	150	0.2
Losses attributable to an associate	–	–	1,560	1.7	1,560	2.0
Expenses not deductible for tax	–	–	2,571	2.8	2,571	3.2
Tax losses utilised from previous periods	–	–	(2,022)	(2.2)	(2,022)	(2.6)
Tax losses not recognised	2,288	(19.2)	1,581	1.7	3,869	4.9
Adjustments in respect of current tax of previous periods	–	–	857	0.9	857	1.1
Tax charge at the Group's effective rate	322	(2.7)	17,606	19.3	17,928	22.6

The share of tax attributable to an associate amounting RMB5,366,000 (2015: Nil) is included in "share of profits and losses of joint ventures and an associate" in consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Interim-HK1 cent (2015: Nil) per ordinary share	**12,015**	–
Proposed final – HK1.5 cent (2015: HK1 cent) per ordinary share	**18,642**	11,590
Total	**30,657**	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.

12. 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 RMB143,856,000 (2015: RMB62,272,000), and the weighted average number of ordinary shares of 1,386,651,288 (2015: 1,374,971,595) 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:

	2016 RMB'000	2015 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**143,856**	62,272

	Number of shares 2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,386,651,288**	1,374,971,595
Effect of dilution – weighted average number of ordinary shares:		
Share options	**32,852,408**	24,816,167
	1,419,503,696	1,399,787,762

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016							
At 31 December 2015 and at 1 January 2016:							
Cost	317,365	793	82,055	21,810	12,237	6,901	441,161
Accumulated depreciation and impairment	(27,003)	(389)	(30,158)	(15,785)	(7,547)	–	(80,882)
Net carrying amount	290,362	404	51,897	6,025	4,690	6,901	360,279
At 1 January 2016, net of accumulated depreciation and impairment	290,362	404	51,897	6,025	4,690	6,901	360,279
Additions	109	2	1,972	1,762	1,412	10,277	15,534
Acquisition of a subsidiary (note 33)	–	447	–	72	28	–	547
Disposals	(27,892)	–	(726)	(599)	(434)	–	(29,651)
Depreciation provided during the year	(10,024)	(356)	(7,562)	(2,912)	(1,921)	–	(22,775)
Transfers	2,629	–	2,734	225	–	(5,588)	–
Exchange realignment	–	(1)	–	–	–	–	(1)
At 31 December 2016, net of accumulated depreciation and impairment	255,184	496	48,315	4,573	3,775	11,590	323,933
At 31 December 2016:							
Cost	284,404	1,223	85,085	21,367	12,504	11,590	416,173
Accumulated depreciation and impairment	(29,220)	(727)	(36,770)	(16,794)	(8,729)	–	(92,240)
Net carrying amount	255,184	496	48,315	4,573	3,775	11,590	323,933

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 1 January 2015:							
Cost	253,380	1,023	78,713	19,855	12,227	68,767	433,965
Accumulated depreciation and impairment	(17,203)	(506)	(22,894)	(13,205)	(5,442)	–	(59,250)
Net carrying amount	236,177	517	55,819	6,650	6,785	68,767	374,715
At 1 January 2015, net of accumulated depreciation and impairment	236,177	517	55,819	6,650	6,785	68,767	374,715
Additions	192	180	2,133	2,929	679	6,247	12,360
Disposals	–	–	(500)	(1,527)	(255)	–	(2,282)
Disposal of a subsidiary	–	–	(693)	(10)	–	(675)	(1,378)
Depreciation provided during the year	(9,800)	(374)	(7,337)	(3,106)	(2,519)	–	(23,136)
Transfers	63,793	81	2,475	1,089	–	(67,438)	–
At 31 December 2015, net of accumulated depreciation and impairment	290,362	404	51,897	6,025	4,690	6,901	360,279
At 31 December 2015:							
Cost	317,365	793	82,055	21,810	12,237	6,901	441,161
Accumulated depreciation and impairment	(27,003)	(389)	(30,158)	(15,785)	(7,547)	–	(80,882)
Net carrying amount	290,362	404	51,897	6,025	4,690	6,901	360,279

At 31 December 2016, the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB36,602,000 (2015: RMB38,890,000) were pledged to banks to secure certain bank loans granted to the Group (note 27).

At 31 December 2015, certificates of ownership in respect of certain buildings of the Group in Mainland China with an aggregate net carrying amount of RMB131,847,000 had not been issued by relevant PRC authorities.

14. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**59,333**	60,734
Recognised during the year	**(1,371)**	(1,401)
Disposal	**(1,485)**	–
Carrying amount at 31 December	**56,477**	59,333
Current portion	**(1,362)**	(1,401)
Non-current portion	**55,115**	57,932

At 31 December 2016, the Group's prepaid land lease payments with an aggregate carrying amount of RMB13,400,000 (2015: RMB13,720,000) were pledged to banks to secure certain bank loans granted to the Group (note 27).

15. GOODWILL

	2016 RMB'000	2015 RMB'000
At 1 January:		
Cost	**40,357**	40,357
Accumulated impairment	**(6,198)**	(6,198)
Net carrying amount	**34,159**	34,159
Cost at 1 January, net of accumulated impairment	**34,159**	34,159
Acquisition of a subsidiary (note 33)	**6,878**	–
Cost at 31 December, net of accumulated impairment	**41,037**	34,159
At 31 December:		
Cost	**47,235**	40,357
Accumulated impairment	**(6,198)**	(6,198)
Net carrying amount	**41,037**	34,159

15. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Jiujiang Sunking cash-generating unit; and
- Astrol cash-generating unit.

Jiujiang Sunking cash-generating unit

The recoverable amount of Jiujiang Sunking 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 15% (2015: 15%). The growth rate used to extrapolate the cash flows of Jiujiang Sunking cash-generating unit beyond the five-year period is 3% (2015: 3%).

Astrol cash-generating unit

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

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

	Jiujiang Sunking		**Astrol**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Carrying amount of goodwill	**34,159**	34,159	**6,878**	–	**41,037**	34,159

Assumptions were used in the value in use calculation of Jiujiang Sunking and Astrol cash-generating units for 31 December 2016 and Jiujiang Sunking cash-generating unit for 31 December 2015. 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, increased for expected market development.

Discount rate – 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 of industrial products and infrastructure industries and discount rates are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	Technology know how RMB'000	Customer relationship RMB'000	Patents RMB'000	Trademark RMB'000	Computer software RMB'000	Total RMB'000
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	–	–	6,353	19,185	3,500	29,038
Accumulated amortisation	–	–	(3,882)	–	(2,150)	(6,032)
Net carrying amount	–	–	2,471	19,185	1,350	23,006
Cost at 1 January 2016, net of accumulated amortisation	–	–	2,471	19,185	1,350	23,006
Additions	–	–	–	–	5	5
Acquisition of a subsidiary (note 33)	7,777	7,360	–	–	–	15,137
Amortisation provided during the year	(389)	(367)	(847)	–	(219)	(1,822)
Exchange realignment	(12)	(12)	–	–	–	(24)
Cost at 31 December 2016, net of accumulated amortisation	7,376	6,981	1,624	19,185	1,136	36,302
At 31 December 2016:						
Cost	7,764	7,348	6,353	19,185	3,505	44,155
Accumulated amortisation	(388)	(367)	(4,729)	–	(2,369)	(7,853)
Net carrying amount	7,376	6,981	1,624	19,185	1,136	36,302

16. OTHER INTANGIBLE ASSETS *(continued)*

	Patents RMB'000	Trademark RMB'000	Computer software RMB'000	Total RMB'000
31 December 2015				
At 1 January 2015:				
Cost	6,353	19,185	3,492	29,030
Accumulated amortisation	(3,035)	–	(1,942)	(4,977)
Net carrying amount	3,318	19,185	1,550	24,053
Cost at 1 January 2015, net of accumulated amortisation	3,318	19,185	1,550	24,053
Additions	–	–	110	110
Amortisation provided during the year	(847)	–	(224)	(1,071)
Disposal of a subsidiary	–	–	(86)	(86)
Cost at 31 December 2015, net of accumulated amortisation	2,471	19,185	1,350	23,006
At 31 December 2015:				
Cost	6,353	19,185	3,500	29,038
Accumulated amortisation	(3,882)	–	(2,150)	(6,032)
Net carrying amount	2,471	19,185	1,350	23,006

17. INVESTMENTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets	**14,920**	14,950
Loans to joint ventures	**700**	700
	15,620	15,650

The loans to the joint ventures are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's investments in the joint ventures.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2016 RMB'000	2015 RMB'000
Share of the joint ventures' loss and other comprehensive loss for the year	**30**	599
Aggregate carrying amount of the Group's investments in joint ventures	**15,620**	15,650

18. INVESTMENT IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Share of net assets	**23,297**	13,062

The Group's other receivables due from the associate are disclosed in note 22 to the financial statements.

Particulars of the associate are as follows:

Name	Particulars of capital invested	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Jiashan Henghua Real Estate Co., Ltd. #* ("**JS Henghua**") 嘉善恒華房地產開發有限公司	Paid-up capital of RMB24,500,000	The PRC/ Mainland China	49	Property development

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The Group's shareholding in JS Henghua is held through a wholly-owned subsidiary of the Company.

JS Henghua, which is considered a material associate of the Group, is a strategic partner of the Group engaged in property development and is accounted for using the equity method.

* *For identification purposes only*

The following table illustrates the summarised financial information in respect of JS Henghua adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Current assets	**113,254**	269,012
Non-current assets	**630**	924
Current liabilities	**(65,969)**	(195,001)
Non-current liabilities	**–**	(44,900)
Net assets	**47,915**	30,035
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Unrealised interest income of the Group	**(221)**	1,655
Group's share of net assets of the associate and carrying amount of the investment	**23,297**	13,062
Revenue	**355,271**	–
Profit/(loss) and total comprehensive income/(loss) for the year	**45,728**	(12,737)
Dividend received	**7,800**	–

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Non-current		
Unlisted equity investments, at cost	**199**	16,999
Current		
Financial products, at cost	**–**	10,000

20. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**133,077**	116,007
Work in progress	**87,682**	19,058
Finished goods	**31,542**	39,988
	252,301	175,053

21. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**701,093**	557,537
Impairment	**(40,584)**	(49,865)
	660,509	507,672
Bills receivable	**165,049**	171,688
Less: Amount shown as non-current	**(60,282)**	(89,553)
	765,276	589,807

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

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 delivery of goods or completion of installation as stipulated in the respective sales contracts.

21. 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 provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	**249,636**	228,470
3 to 6 months	**131,826**	107,086
6 to 12 months	**163,282**	81,812
Over 1 year	**115,765**	90,304
	660,509	507,672

At 31 December 2016, the Group's bills receivable would mature within twelve (2015: nine) months.

The movements in provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**49,865**	35,377
Acquisition of a subsidiary	**259**	–
Impairment losses recognised/(reversed) (note 6)	**(5,605)**	14,699
Amount written off as uncollectible	**(3,935)**	(211)
At 31 December	**40,584**	49,865

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB40,584,000 (2015: RMB49,865,000) with a carrying amount before provision of RMB75,203,000 (2015: RMB165,821,000).

The individually impaired trade receivables relate to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**419,398**	368,083
Less than 6 months past due	**248,294**	107,155
6 to 12 months past due	**79,384**	32,921
1 to 2 years past due	**43,863**	55,245
	790,939	563,404

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. TRADE AND BILLS RECEIVABLES *(continued)*

At 31 December 2016, no trade and bills receivables of the Group (2015: RMB35,550,000) were pledged to banks to secure certain bank loans granted to the Group (note 27).

At 31 December 2016, certain bills receivable of the Group with an aggregate carrying amount of RMB21,232,000 (2015: RMB24,000,000) were pledged to secure certain of the Group's bills payable (note 24).

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB38,752,000 (2015: RMB29,413,000) 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 2016, 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 RMB149,494,000 (2015: RMB86,837,000). 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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Prepayments	**26,517**	5,374
Due from an associate	**–**	11,694
Deposits and other receivables	**47,880**	33,414
	74,397	50,482
Impairment	**(4,522)**	(3,980)
	69,875	46,502

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**3,980**	2,766
Impairment losses recognised (note 6)	**1,356**	3,286
Amount written off as uncollectible	**(814)**	(2,072)
At 31 December	**4,522**	3,980

Except for prepayments, deposits and other receivables amounting to RMB4,522,000 (2015: RMB3,980,000) included in the above balances, the above assets are neither past due nor impaired. Other than the aforementioned impaired receivables, the financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**135,779**	141,468
Less: Pledged deposits for letters of credit	**(16,351)**	(13,464)
Pledged deposits for purchases of inventories	**(9,633)**	–
Pledged deposits for bills payable	**(6,004)**	–
Other pledged deposits	**(768)**	–
Cash and cash equivalents	**103,023**	128,004

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB118,376,000 (2015: RMB135,138,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. 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:

	2016 RMB'000	2015 RMB'000
Within six months	**195,148**	154,561
Over six months	**41,439**	35,068
	236,587	189,629

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

At 31 December 2016, certain of the Group's bills payable amounting to RMB22,872,000 (2015: RMB17,545,000) were secured by the pledge of the Group's bills receivable and cash and cash equivalents amounting to RMB21,232,000 (2015: RMB24,000,000) (note 21) and RMB6,004,000 (2015: Nil) (note 23), respectively.

25. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Advances from customers	**93,284**	27,800
Other payables and accruals	**61,272**	33,093
	154,556	60,893
Less: Amount shown as non-current	**(8,170)**	–
	146,386	60,893

Other payables are non-interest-bearing and have an average term of three months.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 RMB'000	2015 RMB'000
Foreign currency forward contracts		
– assets	**789**	488
– liabilities	**–**	1,628

The Group has entered into various forward foreign currency contracts to manage its exchange rate exposures. These forward foreign currency contracts are not designated for hedging purposes and are measured at fair value through profit or loss. Net fair value gains of these derivatives amounting to RMB2,800,000 (2015: RMB2,890,000) were credited to other income and gains during the year.

27. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans-secured	**4.57-4.57**	**2017**	**27,000**	4.57-5.62	2016	47,700
Bank loans-unsecured	**0.50-5.00**	**2017**	**300,357**	2.80-5.89	2016	346,874
			327,357			394,574
Analysed into:						
Bank loans repayable within one year or on demand			**327,357**			394,574

Notes:

(a) Certain of the Group's bank loans are secured by mortgages over the Group's property, plant and equipment and prepaid land lease payments with aggregate carrying amounts at the end of the reporting period of approximately RMB36,602,000 (2015: RMB38,890,000) and RMB13,400,000 (2015: RMB13,720,000), respectively. In addition, certain of the Group's bank loans at 31 December 2015 were secured by the pledge of certain of the Group's trade and bills receivables amounting to RMB35,550,000.

(b) Except for bank loans of RMB58,357,000 which are denominated in Swiss franc (2015: RMB78,184,000 in Swiss franc; RMB34,774,000 in United States dollars), all borrowings are denominated in RMB.

28. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Government grants RMB'000	Withholding taxes RMB'000	Provisions RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	2,961	(5,933)	5,719	(6,472)	2,212	(1,513)
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(596)	–	285	305	(259)	(265)
Deferred tax assets/(liabilities) at 31 December 2015 and 1 January 2016	2,365	(5,933)	6,004	(6,167)	1,953	(1,778)
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(445)	(67)	461	441	(259)	131
Acquisition of a subsidiary (note 33)	–	–	–	(2,713)	–	(2,713)
Exchange differences	–	–	–	4	–	4
Deferred tax assets/(liabilities) at 31 December 2016	1,920	(6,000)	6,465	(8,435)	1,694	(4,356)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**10,079**	10,290
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(14,435)**	(12,068)
	(4,356)	(1,778)

The Group has tax losses arising in Mainland China of RMB38,157,000 (2015: RMB96,904,000) that are available for offsetting against future taxable profits to a maximum period of five years of the companies in which the losses arose. The Group also has tax losses arising in Hong Kong of RMB40,342,000 (2015: RMB47,165,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

28. DEFERRED TAX *(continued)*

As at 31 December 2016, an amount of RMB6,000,000 (2015: RMB5,933,000) has been recognised for withholding taxes for the earnings of the PRC subsidiaries to be remitted in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB12,293,000 (2015: RMB7,647,000). In the opinion of the directors, it is not probable that such earnings will be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

Shares

	2016 **HK$'000**	2015 HK$'000
Authorised:		
200,000,000 (2015: 200,000,000) ordinary shares of HK$0.10 each	**200,000**	200,000

	2016		2015	
	HK$'000	**RMB'000 equivalent**	HK$'000	RMB'000 equivalent
Issued and fully paid:				
1,389,362,500 (2015: 1,383,369,000) ordinary shares of HK$0.10 each	**138,936**	**119,283**	138,337	118,775

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
At 1 January 2015	1,363,078,000	117,168	400,196	517,364
Share options exercised	20,291,000	1,607	11,499	13,106
At 31 December 2015 and 1 January 2016	1,383,369,000	118,775	411,695	530,470
Share options exercised (Note)	5,993,500	508	4,100	4,608
At 31 December 2016	1,389,362,500	119,283	415,795	535,078

Note: *The subscription rights attaching to 1,908,000, 1,632,500 and 2,453,000 share options were exercised at the subscription prices of HK$0.55, HK$0.68 and HK$0.69 per share (note 30), respectively, resulting in the issue of 5,993,500 shares of HK$0.10 each for a total cash consideration, before expenses of HK$3,852,000 (equivalent to approximately RMB3,262,000). An amount of RMB1,346,000 was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.*

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to directors, eligible employees of the Group and consultants of the Group. The Share Option Scheme became effective on 23 September 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million, based on the closing price of the Company's shares at the date of offer, must be approved in advance by the Company's shareholders.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and commences after a vesting period and ends on the date on which the options lapse or the date on which the Share Option Scheme expires, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the year:

	2016		2015	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.81**	**95,983**	0.76	119,324
Granted during the year	**1.17**	**5,200**	–	–
Forfeited during the year	**0.80**	**(689)**	0.63	(3,050)
Exercised during the year	**0.64**	**(5,993)**	0.59	(20,291)
At 31 December	**0.84**	**94,501**	0.81	95,983

The weighted average share price at the date of exercise for share options exercised during the year was RMB1.03 per share (2015: RMB1.19).

30. SHARE OPTION SCHEME *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2016

Number of options ’000	**Exercise price* HK$ per share**	**Exercise period (dd-mm-yyyy)**
5,200	**1.17**	**24-08-2017 to 23-08-2022**
50,742	**0.69**	**28-08-2015 to 27-08-2020**
8,231	**0.68**	**28-05-2014 to 27-05-2019**
18,158	**0.55**	**26-04-2013 to 25-04-2018**
12,170	**1.83**	**27-04-2012 to 26-04-2017**
94,501		

2015

Number of options ’000	Exercise price* HK$ per share	Exercise period (dd-mm-yyyy)
53,497	0.69	28-08-2015 to 27-08-2020
10,080	0.68	28-05-2014 to 27-05-2019
20,156	0.55	26-04-2013 to 25-04-2018
12,250	1.83	27-04-2012 to 26-04-2017
95,983		

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.*

The fair values of each of the share options granted during the year ended 31 December 2016 were HK$0.54 for executives and HK$0.51 for non-executives, of which the Group recognised a share option expense of RMB326,000 for the year ended 31 December 2016 (2015: Nil).

The fair values of each of the share options granted during the year ended 31 December 2014 were HK$0.88 for Mr. Xiang Jie, HK$0.33 for executives and HK$0.31 for non-executives, of which the Group recognised a share option expense of RMB5,381,000 for the year ended 31 December 2016 (2015: RMB11,441,000).

The fair values of each of the share options granted during the year ended 31 December 2013 were HK$0.27 for executives and HK$0.26 for non-executives, of which the Group recognised a share option expense of RMB470,000 for the year ended 31 December 2016 (2015: RMB1,178,000).

The fair values of each of the share options granted during the year ended 31 December 2012 were HK$0.23 for Mr. Xiang Jie and executives and HK$0.20 for non-executives, of which the Group recognised a share option expense of RMB197,000 for the year ended 31 December 2016 (2015: RMB1,709,000).

30. SHARE OPTION SCHEME *(continued)*

The fair values of each of the share options granted during the year ended 31 December 2011 were HK$0.79 for non-executives, HK$0.81 for executives and HK$0.83 for directors, shareholders and consultants, of which the Group recognised no share option expense for the year ended 31 December 2016 (2015: reversal of RMB53,000).

The fair value of equity-settled share options was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016	2014	2013	2012
Dividend yield (%)	0.85	0	0	0
Expected volatility (%)	58	53	55	59
Historical volatility (%)	54	50	58	59
Risk-free interest rate (%)	0.69	1.48	0.75	0.57-0.7
Expected life of options (year)	6	6	6	6

The expected life of the options is determined with reference to the vesting term and original contractual term of the Share Option Scheme and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 5,993,500 share options exercised during the year resulted in the issue of 5,993,500 ordinary shares of the Company and new share capital of HK$599,000 (equivalent to RMB508,000) and share premium of HK$4,845,000 (equivalent to RMB4,100,000) (before issue expenses), as further detailed in note 29 to the financial statements.

At the end of the reporting period, the Company had 94,501,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 94,501,000 additional ordinary shares of the Company and additional share capital of HK$9,450,000 (equivalent to RMB8,453,000) and share premium of HK$69,501,000 (equivalent to RMB62,169,000) (before issue expenses).

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 47 of the financial statements.

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of Jiujiang Sunking, a subsidiary of the Group, which has material non-controlling interests are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interests	**17%**	17%

	2016 RMB'000	2015 RMB'000
Profit for the year allocated to non-controlling interests	**3,194**	3,885
Accumulated balances of non-controlling interests at the reporting date	**18,505**	15,278

The following tables illustrate the summarised financial information of Jiujiang Sunking. The amounts disclosed are before any inter-company eliminations:

	2016 RMB'000	2015 RMB'000
Revenue	**155,399**	176,442
Total expenses	**(136,612)**	(164,004)
Profit and total comprehensive income for the year	**18,787**	12,438
Current assets	**214,171**	173,453
Non-current assets	**97,659**	103,744
Current liabilities	**(192,905)**	(174,747)
Non-current liabilities	**(10,074)**	(12,582)
Net cash flows from/(used in) operating activities	**3,536**	(1,042)
Net cash flows used in investing activities	**(6,845)**	(3,842)
Net cash flows from financing activities	**–**	–
Net decrease in cash and cash equivalents	**(3,309)**	(4,884)

33. BUSINESS COMBINATION

On 1 July 2016, the Group acquired a 65% interest in Astrol Electronic AG ("**Astrol**"), which is engaged in the business of manufacturing and sale of pulsed power equipment, IGBT gate units and other electronic components. The acquisition was made as part of the Group's strategy to enhance its portfolio of high-end products as well as its research and development capability. The purchase consideration for the acquisition was in the form of cash of no more than CHF3,900,000 and no less than CHF2,600,000, of which CHF1,300,000 (equivalent to RMB8,853,000) has been paid during the year.

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

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

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	*14*	547
Technology know how	*16*	7,777
Customer relationship	*16*	7,360
Inventories		8,281
Trade receivables		4,906
Prepayments and other receivables		709
Cash and bank balances		2,257
Trade payables		(1,811)
Other payables and accruals		(10,464)
Interest-bearing bank borrowings		(1,495)
Deferred tax liabilities	*28*	(2,713)
Total identifiable net assets at fair value		15,354
Non-controlling interests		(5,374)
Goodwill on acquisition	*15*	6,878
Satisfied by:		16,858
Cash		8,853
Other payables		8,005
		16,858

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB4,906,000 and RMB709,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB5,165,000 and RMB709,000, respectively, of which trade receivables of RMB259,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB70,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss.

33. BUSINESS COMBINATION *(continued)*

As part of the purchase agreement, contingent consideration is payable, which is dependent on the amount of average yearly net profit after tax of Astrol for the year ended 31 December 2016, and the years ending 2017 and 2018. The initial amount recognised was RMB16,858,000 which was determined using the Monte Carlo simulation method and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders within 30 business days from the issue of the audited financial statements of Astrol for the year ending 31 December 2018. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

Projected average profit/loss after tax of Astrol	Loss of RMB744,000 to profit of RMB3,513,000
Discount rate	4.5%

A significant increase (decrease) in the profit after tax of Astrol would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(8,853)
Cash and bank balances acquired	2,257
Net outflow of cash and cash equivalents included in cash flows from investing activities	(6,596)
Transaction costs of the acquisition included in cash flows from operating activities	(70)
	(6,666)

Since the acquisition, Astrol contributed RMB12,170,000 to the Group's revenue and RMB553,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB867,500,000 and RMB146,431,000, respectively.

34. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

35. OPERATING LEASE ARRANGEMENTS AS LESSEE

The Group leases certain of its office properties under operating lease arrangements. Leases for 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:

	2016 RMB'000	2015 RMB'000
Within one year	**1,468**	1,468
In the second to fifth years, inclusive	**1,297**	2,667
	2,765	4,135

36. CAPITAL COMMITMENTS

Capital commitments

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**2,335**	1,021

Other commitments

Commitments under foreign currency forward contracts and commodity futures contracts:

	2016 **RMB'000**	2015 RMB'000
Purchase of Swiss franc	**106,031**	151,111
Purchase of copper	**–**	1,761
	106,031	152,872

37. 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 year:

	Notes	**2016** **RMB'000**	2015 RMB'000
An associate:			
Interest income	*(i)*	**301**	738
A joint venture:			
Service income	*(ii)*	**–**	49

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 a consulting service provided to a joint venture. The consulting service fee was determined according to mutually agreed terms.

(b) Compensation on key management personnel of the Group:

	2016 **RMB'000**	2015 RMB'000
Short term employee benefits	**9,069**	7,231
Post-employment benefits	**996**	565
Equity-settled share option expense	**4,832**	10,992
Total compensation paid to key management personnel	**14,897**	18,788

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016
Financial assets

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	199	199
Trade and bills receivables	–	825,558	–	825,558
Financial assets included in prepayments, deposits and other receivables	–	28,045	–	28,045
Derivative financial instruments	789	–	–	789
Pledged deposits	–	32,756	–	32,756
Cash and cash equivalents	–	103,023	–	103,023
	789	989,382	199	990,370

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	236,587
Financial liabilities included in other payables and accruals	27,680
Interest-bearing bank borrowings	327,357
	591,624

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2015
Financial assets

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	26,999	26,999
Trade and bills receivables	–	679,360	–	679,360
Financial assets included in prepayments, deposits and other receivables	–	26,308	–	26,308
Derivative financial instruments	488	–	–	488
Pledged deposits	–	13,464	–	13,464
Cash and cash equivalents	–	128,004	–	128,004
	488	847,136	26,999	874,623

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	189,629	189,629
Financial liabilities included in other payables and accruals	–	18,948	18,948
Derivative financial instruments	1,628	–	1,628
Interest-bearing bank borrowings	–	394,574	394,574
	1,628	603,151	604,779

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2016, 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 and the discounted method used for calculating the non-current portion of trade receivables by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the financial assets and 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 31 December 2016				
Derivative financial instruments	**789**	**–**	**–**	**789**
As at 31 December 2015				
Derivative financial instruments	488	–	–	488

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 31 December 2016				
Derivative financial instruments	**–**	**–**	**–**	**–**
As at 31 December 2015				
Derivative financial instruments	1,628	–	–	1,628

During the year, there were 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 (2015: Nil).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, and cash and bank balances and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risk arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising the potential adverse effects of these risks, with material impact, on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term interest-bearing bank borrowings with floating interest rates. The effective interest rates and terms of repayment of the short term interest-bearing bank borrowings of the Group are disclosed in note 27 to the financial statements.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax RMB'000**
2016		
RMB	**100**	**(1,222)**
RMB	**(100)**	**1,222**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2015		
RMB	100	(1,416)
RMB	(100)	1,416

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

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 exposure.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in CHF exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign exchange rate %	**Increase/ (decrease) in profit before tax RMB'000**
2016		
If RMB weakens against CHF	5	(510)
If RMB strengthens against CHF	(5)	510

	Increase/ (decrease) in foreign exchange rate %	Increase/ (decrease) in profit before tax RMB'000
2015		
If RMB weakens against CHF	5	(700)
If RMB strengthens against CHF	(5)	700

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

		2016	
	On demand or less than 3 months RMB'000	**3 to less than 12 months RMB'000**	**Total RMB'000**
Interest-bearing bank borrowings	**117,141**	**220,655**	**337,796**
Trade and bills payables	**221,892**	**14,695**	**236,587**
Other payables	**27,680**	**–**	**27,680**
	366,713	**235,350**	**602,063**

		2015	
	On demand or less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Interest-bearing bank borrowings	162,349	244,121	406,470
Trade and bills payables	183,468	6,161	189,629
Other payables	18,948	–	18,948
Derivative financial instruments	–	1,628	1,628
	364,765	251,910	616,675

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by total equity. The Group's policy is to maintain the gearing ratio as low as possible. The gearing ratios as at the end of the reporting periods were as follows:

	2016	2015
	RMB'000	RMB'000
Interest-bearing bank borrowings	**327,357**	394,574
Total equity	**1,029,126**	890,971
Gearing ratio	**31.8%**	44.3%

41. EVENTS AFTER THE REPORTING PERIOD

(1) Subsequent to the end of the reporting period, in January 2017, the Group acquired a 15% interest in Beijing Smart China Power Electronic Technology Co., Ltd, a limited liability company registered in the PRC, which is engaged in the business of technical consultation, training and software development, sale of computer, software and accessory equipment as well as installation and maintenance. The purchase consideration of RMB7,500,000 was in the form of cash.

(2) Subsequent to the end of the reporting period, 1,177,500 share options, 1,156,500 share options and 4,257,000 share options with exercise prices of HK$0.55 per share, HK$0.68 per share and HK$0.69 per share, respectively, were exercised.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016	2015
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**515,748**	515,364
Total non-current assets	**515,748**	515,364
CURRENT ASSETS		
Deposits and other receivables	**40**	40
Due from a subsidiary	**98,930**	66,797
Cash and cash equivalents	**5,039**	8,277
Total current assets	**104,009**	75,114
CURRENT LIABILITIES		
Other payables and accruals	**3,946**	32
Total current liabilities	**3,946**	32
NET CURRENT ASSETS	**100,063**	75,082
Net assets	**615,811**	590,446
EQUITY		
Issued capital	**119,283**	118,775
Reserves	**496,528**	471,671
Total equity	**615,811**	590,446

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Deemed contribution reserve RMB'000	Other reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2015	400,196	15,843	288	6,294	42,519	906	466,046
Loss and total comprehensive loss for the year	–	–	–	–	–	(16,482)	(16,482)
Share-based payments	–	14,275	–	–	–	–	14,275
Exercise of share options	11,499	(3,667)	–	–	–	–	7,832
At 31 December 2015 and at 1 January 2016	411,695	26,451	288	6,294	42,519	(15,576)	471,671
Profit and total comprehensive income for the year	–	–	–	–	–	39,433	39,433
Share-based payments	–	6,374	–	–	–	–	6,374
Exercise of share options	4,100	(1,346)	–	–	–	–	2,754
Final 2015 dividend	–	–	–	–	–	(11,689)	(11,689)
Interim 2016 dividend	–	–	–	–	–	(12,015)	(12,015)
At 31 December 2016	415,795	31,479	288	6,294	42,519	153	496,528

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**856,952**	781,993	517,301	739,865	573,517
PROFIT/(LOSS) BEFORE TAX	**171,104**	79,147	(32,243)	56,816	11,366
Income tax expense	**(24,230)**	(17,928)	(6,357)	(14,913)	(12,269)
PROFIT/(LOSS) FOR THE YEAR	**146,874**	61,219	(38,600)	41,903	(903)
Attributable to:					
Owners of the parent	**143,856**	62,272	(32,138)	42,917	443
Non-controlling interests	**3,018**	(1,053)	(6,462)	(1,014)	(1,346)
	146,874	61,219	(38,600)	41,903	(903)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**1,800,600**	1,588,235	1,362,174	1,439,596	1,366,749
TOTAL LIABILITIES	**(771,474)**	(697,264)	(530,170)	(560,869)	(534,227)
NON-CONTROLLING INTERESTS	**(24,622)**	(16,239)	(37,460)	(46,152)	(47,166)
	1,004,504	874,732	794,544	832,575	785,356