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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 580)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 14.9% to approximately RMB1,054.7 million.
- Gross profit increased by approximately 28.3% to approximately RMB335.5 million.
- Gross profit margin increased from approximately 28.5% to approximately 31.8%.
- Profit attributable to owners of the parent amounted to approximately RMB31.5 million.
- Earnings per share amounted to approximately RMB1.94 cents (basic) and approximately RMB1.93 cents (diluted).

ANNUAL RESULTS

The board (the “**Board**”) of Directors (the “**Director(s)**”) of Sun.King Technology Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the audited annual results of the Group for the year ended 31 December 2023, with the comparative figures for the corresponding year in 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*Year ended 31 December 2023*

		2023	2022
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
REVENUE	4	1,054,702	917,780
Cost of sales		<u>(719,174)</u>	<u>(656,379)</u>
Gross profit		335,528	261,401
Other income and gains, net	4	67,288	69,690
Selling and distribution expenses		(84,561)	(69,223)
Administrative expenses		(138,415)	(116,387)
Research and development costs		(113,588)	(90,064)
Other expenses and losses, net		(4,605)	(5,033)
Finance costs	6	(11,044)	(7,648)
Share of profits and losses of:			
A joint venture		(3,593)	(3,842)
Associates		<u>(40)</u>	<u>(8)</u>
PROFIT BEFORE TAX	5	46,970	38,886
Income tax expense	7	<u>(22,008)</u>	<u>(15,859)</u>
PROFIT FOR THE YEAR		<u>24,962</u>	<u>23,027</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Fair value gains/(losses) on financial investments at fair value through other comprehensive income		(1,564)	2,970
Exchange differences on translation of foreign operations		<u>(4,580)</u>	<u>(2,222)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>(6,144)</u>	748
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>18,818</u>	<u>23,775</u>

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Profit/(loss) attributable to:			
Owners of the parent		31,547	23,986
Non-controlling interests		(6,585)	(959)
		<u>24,962</u>	<u>23,027</u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		26,342	25,448
Non-controlling interests		(7,524)	(1,673)
		<u>18,818</u>	<u>23,775</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>9</i>		
Basic		<u>RMB1.94 cents</u>	<u>RMB1.47 cents</u>
Diluted		<u>RMB1.93 cents</u>	<u>RMB1.46 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2023*

		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		635,866	513,308
Investment properties		16,956	–
Right-of-use assets		56,468	59,361
Deposits for purchase of property, plant and equipment		13,424	42,601
Goodwill		5,689	6,878
Other intangible assets		73,746	71,560
Investment in a joint venture		–	9,846
Investment in associates		1,599	1,139
Contract assets	<i>10</i>	35,459	45,729
Deferred tax assets		4,816	3,120
		<hr/>	<hr/>
Total non-current assets		844,023	753,542
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		229,919	163,114
Trade and bills receivables	<i>10</i>	814,606	798,243
Contract assets	<i>10</i>	9,669	6,938
Prepayments, other receivables and other assets		39,486	36,036
Derivative financial instruments		5,993	7,443
Financial investments at fair value through other comprehensive income		55,192	101,755
Pledged deposits		39,265	10,784
Cash and cash equivalents		799,300	618,768
		<hr/>	<hr/>
Total current assets		1,993,430	1,743,081
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	301,529	250,837
Other payables and accruals		114,347	79,863
Contract liabilities		26,950	13,769
Lease liabilities		3,400	2,795
Interest-bearing bank and other borrowings		226,100	45,990
Tax payable		19,329	15,615
		<hr/>	<hr/>
Total current liabilities		691,655	408,869
		<hr/>	<hr/>
NET CURRENT ASSETS		1,301,775	1,334,212
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,145,798	2,087,754
		<hr/>	<hr/>

	2023 RMB'000	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	156,600	100,000
Lease liabilities	5,958	8,249
Deferred income	59,541	63,218
Deferred tax liabilities	2,038	2,339
	<hr/>	<hr/>
Total non-current liabilities	224,137	173,806
	<hr/>	<hr/>
Net assets	1,921,661	1,913,948
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	139,081	139,768
Treasury shares	(378)	–
Reserves	1,708,946	1,691,251
	<hr/>	<hr/>
	1,847,649	1,831,019
Non-controlling interests	74,012	82,929
	<hr/>	<hr/>
Total equity	1,921,661	1,913,948
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NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the trading and manufacture of power electronic components.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group’s financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group’s approach and policy align with the amendments, the amendments had no impact on the Group’s financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are not expected to have any significant impact on the Group’s financial statements.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment which is principally engaged in the manufacturing and trading of power electronic components. All of Group's operating results from the operations are generated from this single segment. Management monitors the results of Group's operation as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

As the Group's major operations are in Chinese Mainland, and over 95% (2022: over 95%) of the Group's revenue are attributable to customers located in Chinese Mainland and non-current assets are located in Chinese Mainland, no further geographical segment information is provided.

Information about major customers

During the year, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (2022: Nil).

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue from contracts with customers is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Sale of power electronic components	<u>1,054,702</u>	<u>917,780</u>

The performance obligation of the sale of power electronic component is satisfied upon delivery of the products.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Sale of power electronic components	<u>13,769</u>	<u>16,758</u>

The Group has selected to choose a practical expedient and does not disclose the remaining performance obligations as almost all related contracts have a duration of one year or less.

An analysis of other income and gains is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants*	24,886	26,090
Bank interest income	8,346	5,566
Other interest income	786	783
Interest income arising from revenue contracts	1,928	2,304
Foreign exchange differences, net	15,878	24,988
Fair value gains on foreign currency forward contracts, net	4,811	7,443
Fair value gains on financial investments at fair value through profit or loss	1,657	1,371
Fair value gains on financial investments at fair value through other comprehensive income	4,695	–
Gain on disposal of property, plant and equipment, net	13	190
Gain on bargain purchases	3,470	–
Others	818	955
	<hr/>	<hr/>
Total other income and gains	<u>67,288</u>	<u>69,690</u>

* Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate as well as for the Group's technology advancements. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these government grants.

5. PROFIT BEFORE TAX

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

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Cost of inventories sold		719,353	655,493
Write-down of inventories to net realisable value, net		(179)	886
Cost of sales		719,174	656,379
Auditor's remuneration		1,700	1,700
Depreciation of property, plant and equipment		42,907	37,584
Depreciation of right-of-use assets		4,593	3,978
Amortisation of deferred development costs		7,739	4,628
Amortisation of other intangible assets (excluding deferred development costs)		4,299	3,525
Lease payments not included in the measurement of lease liabilities		327	889
Impairment of goodwill*		1,189	–
Impairment of trade receivables and contract assets, net*	<i>10</i>	2,895	4,848
Impairment of financial assets included in prepayments, other receivables and other assets, net*		(75)	70
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		106,379	89,783
Share-based payment expense		764	813
Pension scheme contributions**		16,972	16,210
Total		124,115	106,806

* These impairment and loss items are included in "Other expenses and losses" in profit or loss.

** At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	RMB'000
Interest on bank loans	7,745	7,283
Interest on other loans	2,966	–
Interest on lease liabilities	333	365
	<hr/>	<hr/>
Total	11,044	7,648
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7. INCOME TAX

Under the People's Republic of China (“PRC”) income tax laws, enterprises are subject to corporate income tax (“CIT”) at a rate of 25% (2022: 25%). Certain subsidiaries of the Group are qualified as high technology enterprises and hence are granted a preferential CIT rate of 15% (2022: 15%). Tax holidays were also granted by a relevant authority to a subsidiary of the Group, where CIT is exempted for the first two profitable years of the subsidiary and is chargeable at half of the applicable rate for the subsequent three years.

No provision for Hong Kong profits tax has been made on the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil). The Hong Kong profits tax rate during the year was 16.5% (2022: 16.5%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The Group's subsidiaries established in Switzerland, Germany and Netherlands are subject to local corporate taxes of approximately 18% (2022: approximately 18%), 32% (2022: approximately 32%) and 25.8% (2022: Nil), respectively.

	2023	2022
	RMB'000	RMB'000
Current:		
Chinese Mainland – charge for the year	24,080	13,838
Underprovision/(overprovision) in prior years	(12)	72
Europe – charge for the year	323	14
	<hr/>	<hr/>
Subtotal	24,391	13,924
Deferred	(2,383)	1,935
	<hr/>	<hr/>
Total tax charge for the year	22,008	15,859
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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 or operate 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:

2023

	Chinese Mainland RMB'000	Hong Kong RMB'000	Europe RMB'000	Total RMB'000
Profit/(loss) before tax	<u>101,477</u>	<u>(18,083)</u>	<u>(36,424)</u>	<u>46,970</u>
Tax at the statutory tax rate	25,369	(2,984)	(7,507)	14,878
Lower tax rates for specific provinces or enacted by local authority	(12,593)	–	–	(12,593)
Loss attributable to a joint venture	539	–	–	539
Loss attributable to associates	6	–	–	6
Income not subject to tax	–	(584)	–	(584)
Expenses not deductible for tax	4,639	2,608	51	7,298
Additional deductible allowance for research and development expenses	(14,621)	–	–	(14,621)
Tax losses utilised from previous periods	(881)	–	(1,246)	(2,127)
Tax losses not recognised	20,938	960	7,326	29,224
Adjustments in respect of current tax of previous periods	<u>(12)</u>	<u>–</u>	<u>–</u>	<u>(12)</u>
Tax charge/(credit) at the Group's effective rate	<u><u>23,384</u></u>	<u><u>–</u></u>	<u><u>(1,376)</u></u>	<u><u>22,008</u></u>

2022

	Chinese Mainland RMB'000	Hong Kong RMB'000	Europe RMB'000	Total RMB'000
Profit/(loss) before tax	<u>69,867</u>	<u>(10,301)</u>	<u>(20,680)</u>	<u>38,886</u>
Tax at the statutory tax rate	17,467	(1,700)	(4,075)	11,692
Lower tax rates for specific provinces or enacted by local authority	(10,853)	(148)	–	(11,001)
Loss attributable to a joint venture	961	–	–	961
Loss attributable to an associate	2	–	–	2
Income not subject to tax	–	(860)	–	(860)
Expenses not deductible for tax	8,444	2,072	21	10,537
Additional deductible allowance for research and development expenses	(13,593)	–	–	(13,593)
Tax losses utilised from previous periods	(1,323)	–	(163)	(1,486)
Tax losses not recognised	15,123	636	3,776	19,535
Adjustments in respect of current tax of previous periods	<u>72</u>	<u>–</u>	<u>–</u>	<u>72</u>
Tax charge/(credit) at the Group's effective rate	<u><u>16,300</u></u>	<u><u>–</u></u>	<u><u>(441)</u></u>	<u><u>15,859</u></u>

There was no share of tax attributable to a joint venture and associates for the year ended 31 December 2023 (2022: Nil).

8. DIVIDENDS

No dividends have been declared by the Company during the year ended 31 December 2023 (2022: Nil).

9. 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 RMB31,547,000 (2022: RMB23,986,000), and the weighted average number of ordinary shares of 1,629,108,942 (2022: 1,635,080,505) 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>31,547</u>	<u>23,986</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,629,108,942	1,635,080,505
Effect of dilution – weighted average number of ordinary shares: Share options	<u>2,451,974</u>	<u>5,072,604</u>
Total	<u>1,631,560,916</u>	<u>1,640,153,109</u>

10. TRADE AND BILLS RECEIVABLES/CONTRACT ASSETS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	741,768	654,024
Impairment	<u>(14,508)</u>	<u>(11,822)</u>
Net carrying amount	727,260	642,202
Bills receivable	<u>87,346</u>	<u>156,041</u>
Total	<u>814,606</u>	<u>798,243</u>

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Contract assets	45,303	52,859	115,697
Impairment	<u>(175)</u>	<u>(192)</u>	<u>(360)</u>
Net carrying amount	<u>45,128</u>	<u>52,667</u>	<u>115,337</u>
Analysed into:			
Current portion	9,669	6,938	64,387
Non-current portion	<u>35,459</u>	<u>45,729</u>	<u>50,950</u>
Total	<u>45,128</u>	<u>52,667</u>	<u>115,337</u>

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

For certain customers, the Group allows a percentage, ranging from 5% to 10%, of the contracted amount (the retention money) to be settled within six months to sixty months, as agreed between the Group and the respective customers on a case by case basis, subsequent to the fulfilment of certain conditions including normal operation of the product within warranty period as stipulated in the respective sales contracts. Contract assets are recognised for revenue earned from the sale of products as the receipt of consideration is conditional on the successful expiry of warranty period. Upon the expiry of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2023 and 2022 are the result of the receipt of sales contract amounts and expiration of quality guarantee deposits.

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

	2023 RMB'000	2022 RMB'000
Within one year	9,669	6,938
More than one year	<u>35,459</u>	<u>45,729</u>
Total contract assets	<u>45,128</u>	<u>52,667</u>

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the customers' acknowledge of receipt or invoice date, where applicable, and net of loss allowance, is as follows:

	2023	2022
	RMB'000	RMB'000
Within 3 months	513,670	352,042
3 to 6 months	76,889	122,030
6 to 12 months	84,422	97,509
Over 1 year	52,279	70,621
	<u>727,260</u>	<u>642,202</u>
Total	<u>727,260</u>	<u>642,202</u>

At 31 December 2023, the Group's bills receivable would mature within six (2022: twelve) months.

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

	2023	2022
	RMB'000	RMB'000
At beginning of year	11,822	6,874
Impairment losses, net (<i>note 5</i>)	2,912	5,016
Amount written off as uncollectible	(226)	(68)
	<u>14,508</u>	<u>11,822</u>
At end of year	<u>14,508</u>	<u>11,822</u>

The increase in the loss allowance in 2023 and 2022 was mainly due to the increase in sales contract amounts.

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

	2023	2022
	RMB'000	RMB'000
At beginning of year	192	360
Impairment losses, net (<i>note 5</i>)	(17)	(168)
	<u>175</u>	<u>192</u>
At end of year	<u>175</u>	<u>192</u>

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

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

31 December 2023

	Within credit period <i>RMB'000</i>	Past due				Total <i>RMB'000</i>
		Less than 1 year <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 3 years <i>RMB'000</i>	Over 3 years <i>RMB'000</i>	
Gross carrying amount	470,666	277,874	29,076	1,166	8,289	787,071
Amount from Tier 1 customers	–	17,754	–	–	–	17,754
Carrying amount without Tier 1 customers	470,666	260,120	29,076	1,166	8,289	769,317
Expected credit loss rate (%)	0.35	0.35	11.64	36.19	100.00	1.91
Expected credit losses	1,664	923	3,385	422	8,289	14,683

31 December 2022

	Within credit period <i>RMB'000</i>	Past due				Total <i>RMB'000</i>
		Less than 1 year <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 3 years <i>RMB'000</i>	Over 3 years <i>RMB'000</i>	
Gross carrying amount	383,311	283,884	25,868	10,057	3,763	706,883
Amount from Tier 1 customers	–	31,696	–	–	–	31,696
Carrying amount without Tier 1 customers	383,311	252,188	25,868	10,057	3,763	675,187
Expected credit loss rate (%)	0.34	0.34	11.50	31.11	100.00	1.78
Expected credit losses	1,295	853	2,974	3,129	3,763	12,014

At 31 December 2023, certain bills receivable of the Group with an aggregate carrying amount of RMB21,028,000 (2022: RMB48,733,000) were pledged to secure certain of the Group's bills payable (note 11).

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (the “**Endorsed Bills**”) with a carrying amount of RMB7,043,000 (2022: RMB17,750,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”). In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

At 31 December 2023, the Group endorsed certain bills receivable accepted by banks in Chinese Mainland (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 RMB39,187,000 (2022: RMB59,467,000). 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.

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the good receipt or invoice date, where applicable, is as follows:

	2023	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Within six months	255,234	203,910
Over six months	46,295	46,927
Total	301,529	250,837

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

At 31 December 2023, certain of the Group’s bills payable are secured by the pledge of the Group’s bank deposits amounting to RMB28,833,000 (2022: RMB536,000) and the Group’s bills receivable amounting to RMB21,028,000 (2022: RMB48,733,000) (note 10), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Domestic and overseas market performance

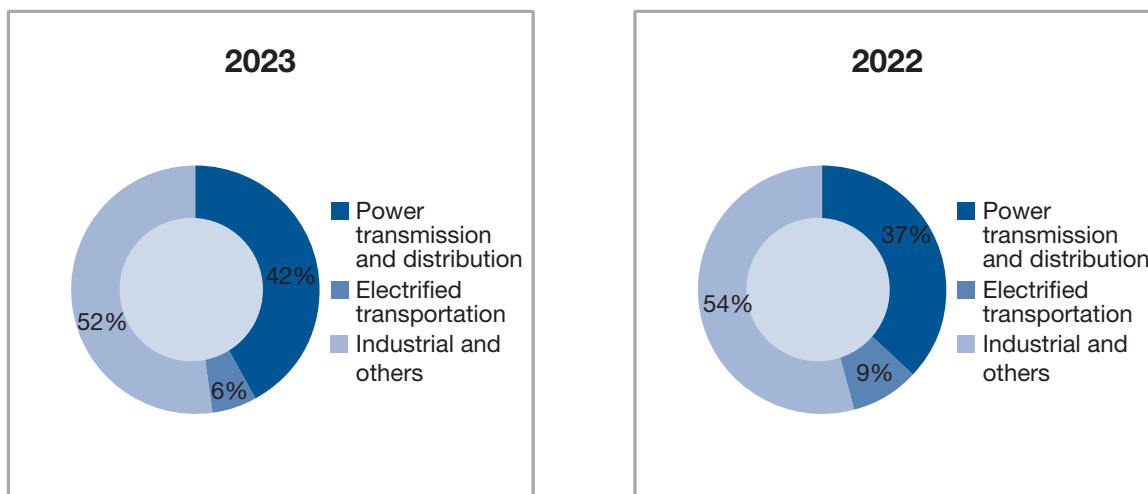
	For the year ended 31 December			
	2023		2022	
	Revenue (RMB'000)	Gross profit margin	Revenue (RMB'000)	Gross profit margin
Domestic market	987,067	31%	880,293	27%
Overseas market	67,635	38%	37,487	53%
Total	1,054,702	Average 32%	917,780	Average 28%

2. Domestic market performance

The products supplied by the Group are categorised into applied sectors, namely, power transmission and distribution, electrified transportation and industrial and others. The Group's performance in the domestic market is as follows:

Applied sectors	For the year ended 31 December			
	2023		2022	
	Revenue (RMB'000)	Gross profit margin	Revenue (RMB'000)	Gross profit margin
Power transmission and distribution	416,381	48%	322,671	41%
Electrified transportation	57,392	25%	80,721	15%
Industrial and others	513,294	19%	476,901	20%
Total	987,067	Average 31%	880,293	Average 27%

The proportion of revenue from each of the Group’s business sectors in the domestic market is as follows:



(a) Power transmission and distribution sector

The Group’s performance in the power transmission and distribution sector is as follows:

	For the year ended 31 December		Change
	2023	2022	
	Revenue	Revenue	
	(RMB’000)	(RMB’000)	
Power transmission and distribution sector	416,381	322,671	29%
Ultra-high voltage direct current (“DC”) (“UHVDC”) transmission	192,721	128,852	50%
Flexible DC transmission	59,663	49,698	20%
Other power transmission and distribution	163,997	144,121	14%

UHVDC transmission and flexible DC transmission

The Group provides products such as anode saturation reactors, power capacitors, DC support capacitors for flexible DC transmission, system of online monitoring of smart grid and power semiconductor devices distributed by the Group to the sector of UHVDC transmission and the flexible DC transmission.

The “14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of Long-term Goals for 2035”, the “New Power System Development Blue Paper”, the ““Carbon Peak and Carbon Neutrality” Action Plan of the State Grid Corporation”, the ““14th Five-Year Plan” of Southern Grid for Power Grid Development” and other policies and plannings all purposed the enhancement of construction of clean energy delivery channels such as ultrahigh voltage transmission projects.

In 2023, a total of four ± 800 KV UHVDC transmission projects, namely “Jinshang to Hubei”, “Longdong to Shandong”, “Ningxia to Hunan” and “Hami to Chongqing”, have commenced in succession. In the above projects, the Group has signed contracts for power capacitors with an aggregate amount of approximately RMB230 million, anode saturation reactors with an aggregate amount of approximately RMB170 million and a small number of orders for system of online monitoring of smart grid. As a result of the signing of the above contracts and delivery of some of the products, the Group’s revenue in this sub-sector increased by approximately 50% as compared to 2022.

In 2023, the Group mainly delivered products ordered for use in the field of flexible DC transmission for the Hangzhou 220kV flexible low-frequency transmission demonstration project and the Yangjiang V and VII offshore wind farms with centralised transmission of sea cables. As a result, the Group’s revenue from this sub-sector increased by approximately 20% as compared to 2022.

Other power transmission and distribution

The Group provides products such as system of online monitoring of smart grid and power capacitors to other power transmission and distribution sub-sector.

In 2023, the Group continued to maintain its advantages in the tender procurement for the supply of high-voltage power capacitors from State Grid Corporation of China, winning all of the six tender procurements of transformer equipment for transmission and substation projects. As a result, the Group’s revenue in this sub-sector increased by approximately 14% as compared to 2022.

(b) Electrified transportation sector

The Group's performance in the electrified transportation sector is as follows:

	For the year ended 31 December		
	2023	2022	
	Revenue	Revenue	Change
	(RMB'000)	(RMB'000)	
Electrified transportation sector	57,392	80,721	-29%
Rail transportation	48,212	45,913	5%
Electric vehicles	7,356	26,433	-72%
Other transportation	1,824	8,375	-78%

Rail transportation

The Group provides a wide range of power electronic components for traction converter systems to the manufacturers of rail transit vehicle equipment; and products such as power quality control devices and automatic cross-phase intelligent switches for electrified railways to the manufacturers of rail transportation power supply system.

In the first half of 2023, as a result of the increase in sales from the manufacturers of rail transit vehicle equipment, the Group's revenue from this sub-sector increased by 45% as compared to the same period of 2022. However, due to a slight increase in sales in the second half of 2023, the Group's revenue in this sub-sector increased by approximately 5% as compared to 2022.

Electric vehicles

The Group provides products such as self-developed insulated gate bipolar transistors ("IGBT(s)"), silicon carbide ("SiC"), laminated busbars and cell contacting systems to the electric vehicles sub-sector.

In 2023, the Group's revenue in this sub-sector decreased by 72% as compared to 2022 due to the decrease in the usage of ED type IGBT modules by customers and the increase in the usage of passenger car-specific IGBT modules, while the Group's already launched the passenger car-specific EVD type IGBT modules were still in the stage of customer verification.

In 2024, the Group will procure customer validation for the passenger car-specific EVD type IGBT modules and HEEV type SiC modules at full speed. The Group will seek to complete the customer validation as soon as possible to increase the sales of the products in the electric vehicle.

Other transportation

The Group provides power electronic components and devices to other transportation sub-sectors such as marine and aerospace in the People's Republic of China (“PRC”). As the business in this sub-sector was in the development stage, the projects and orders were not yet stable. The Group's revenue in this sub-sector decreased by 78% as compared to 2022.

(c) Industrial and others sector

The performance of the Group in the industrial and others sector is as follows:

	For the year ended 31 December		
	2023	2022	
	Revenue	Revenue	Change
	(RMB'000)	(RMB'000)	
Industrial and others sector	513,294	476,901	8%
Electrical equipment	368,049	341,682	8%
New energy power generation	126,438	122,722	3%
Scientific research institutes and others	18,807	12,497	50%

The Group supplies products including self-developed IGBTs, laminated busbars, power quality control devices, power capacitors and power semiconductor devices distributed by the Group to the manufacturers of electrical equipment in the industrial sector including electrical control and energy-saving equipment, energy storage equipment and new energy power generation equipment in the industrial sector, as well as to scientific research institutes and to customers in other sub-sector.

In 2023, given the increase in sales of self-developed IGBTs, laminated busbars and cells contact system in the new energy power generation and energy storage increased by 8% as compared to 2022.

3. Overseas market performance

The Group's domestic and overseas subsidiaries are actively exploring overseas markets.

In 2023, the Group's products sold in overseas markets included laminated busbars, solid-state alternating current (“AC”)/DC switches, pulsed power supplies and impedance measuring devices.

	For the year ended 31 December		
	2023	2022	
	Revenue	Revenue	Change
	(RMB'000)	(RMB'000)	
Overseas market	67,635	37,487	80%
Products of domestic subsidiaries	3,718	3,634	2%
Products of overseas subsidiaries	63,917	33,853	89%

In 2023, the Group's revenue in the overseas market increased by approximately 80% as compared to 2022, mainly due to the increase in sales of marine solid-state DC circuit breakers (categorised as solid-state AC/DC switches), as well as the business expansion brought forth by the acquisition of KWx (now known as Astrolkwx) in the Netherlands.

4. Update on research and development (“R&D”) and new business

The Group has always considered technological innovation to be the primary driver of its development and places great emphasis on the R&D of new technology and the R&D team building. The Group is committed to promote the rapid development of its technological capabilities and operating results by accelerating the exploration and the R&D of internationally leading power semiconductor and supporting device technologies, and international cutting-edge power electronics technologies.

In 2023, three subsidiaries of the Group were selected into the list of provincial “Specialised, Technologically-advanced and Innovative” Small and Medium-Sized Enterprises and one subsidiary was selected into the national list of “Specialised, Technologically-advanced and Innovative Little Giant” enterprises.

(i) Power semiconductor and its supporting devices

IGBTs and SiC

In 2023, the Group has already launched a wide range of new products such as 1700V IGBT and FRD chips, ST type IGBT modules, HEEV type SiC modules and EVD type IGBT modules.

In addition, the Group has initiated the R&D of several series of chips and modules with voltages of 1,200V and 1,700V, including Si IGBTs and SiC MOSFETs, which are expected to be launched in succession in the year 2024. The launch of a number of new products will enrich the Group's self-developed power semiconductor product range and further cover the needs of the electric vehicle, new energy power generation, SVG, servo motor and other markets.

Power electronic capacitors

The Group's DC support capacitors (categorised as power electronic capacitors) were used successfully in projects such as the experimental flexible DC grid demonstration project in Zhangbei (張北柔性直流電網實驗示範工程), 100% new energy new power system technology demonstration project in Guangshui, Suizhou (隨州廣水100%新能源新型電力系統科技示範工程), 220kV flexible low-frequency transmission demonstration project in Hangzhou (杭州220千伏柔性低頻輸電示範工程), and offshore wind power flexible DC transmission demonstration project in Rudong, Sanxia (三峽如東海上風電柔性直流輸電示範工程).

In 2023, the Group's DC support capacitors were used successfully in the overseas SVG relevant projects in Saudi Arabia, Chile, the Philippines and other countries. In January 2024, the Group successfully passed the national new product technology appraisal, laying a good foundation for the realisation of mass domestic production substitution.

(ii) Cutting-edge power electronic technology products

Solid-state AC/DC switches

Not only did the Group's sales of products increase in the overseas marine markets, it also made breakthroughs in the domestic marine market: the world's first domestic intelligent unmanned system carrier "Zhuhai Yun", and the first domestic offshore operation and maintenance of wind power carriers "Zhi Cheng" and "Zhi Zhen".

Online monitoring of smart grid

The Group's online monitoring of smart grid has not only been used successfully in a number of ultra-high voltage projects and intelligent power grid projects, such as "Longdong to Shandong ± 800 KV UHVDC" and "Sichuan and Chongqing 800KV Ultra-high Voltage Power Transmission", but the Group has also launched a series of products for the wind power sector through in-depth technological cooperation with Wuhan University's School of Electrical Engineering.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately 14.9% from approximately RMB917.8 million for the year ended 31 December 2022 to approximately RMB1,054.7 million for the year ended 31 December 2023, primarily due to the increase in revenue from the power transmission and distribution sector.

Cost of sales

The cost of sales increased by approximately 9.6% from approximately RMB656.4 million for the year ended 31 December 2022 to approximately RMB719.2 million for the year ended 31 December 2023, primarily due to the increase in revenue.

Gross profit and gross profit margin

The gross profit increased by approximately 28.3% from approximately RMB261.4 million for the year ended 31 December 2022 to approximately RMB335.5 million for the year ended 31 December 2023, primarily due to the increase in revenue and the increase in proportion of high gross profit margin products.

The gross profit margin increased from approximately 28.5% for the year ended 31 December 2022 to approximately 31.8% for the year ended 31 December 2023, primarily due to the increase in proportion of high gross profit margin products.

Other income and gains

The other income and gains decreased by approximately 3.4% from approximately RMB69.7 million for the year ended 31 December 2022 to approximately RMB67.3 million for the year ended 31 December 2023, primarily due to the decrease in the gain on foreign exchange.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 22.3% from approximately RMB69.2 million for the year ended 31 December 2022 to approximately RMB84.6 million for the year ended 31 December 2023, primarily due to the increase in expenses for the full-scale launch of marketing activities for the self-produced IGBT business.

Administrative expenses

The administrative expenses increased by approximately 18.9% from approximately RMB116.4 million for the year ended 31 December 2022 to approximately RMB138.4 million for the year ended 31 December 2023, primarily due to the increase in depreciation of assets and self-produced IGBT personnel.

R&D costs

The R&D costs increased by approximately 26.1% from approximately RMB90.1 million for the year ended 31 December 2022 to approximately RMB113.6 million for the year ended 31 December 2023, primarily due to the increase in R&D costs for products including self-produced IGBTs and energy storage cell contacting systems (儲能集成母排).

Other expenses and losses

The other expenses and losses decreased by approximately 8.0% from approximately RMB5.0 million for the year ended 31 December 2022 to approximately RMB4.6 million for the year ended 31 December 2023, primarily due to the decrease in amount of impairment receivable for the year.

Finance costs

The finance costs increased by approximately 44.7% from approximately RMB7.6 million for the year ended 31 December 2022 to approximately RMB11.0 million for the year ended 31 December 2023, primarily due to the increase in average balance of bank loan.

Profit before tax

The profit before tax increased by approximately 20.8% from approximately RMB38.9 million for the year ended 31 December 2022 to approximately RMB47.0 million for the year ended 31 December 2023, primarily due to the increase in revenue.

Income tax expense

The income tax expenses increased by approximately 38.4% from approximately RMB15.9 million for the year ended 31 December 2022 to approximately RMB22.0 million for the year ended 31 December 2023, primarily due to the increase in profit before tax.

Total comprehensive revenue for the year

The net profit margin, which is calculated as profit attributable to owners of the parent for the year divided by revenue, increased from approximately 2.6% for the year ended 31 December 2022 to approximately 3.0% for the year ended 31 December 2023.

The profit attributable to owners of the parent increased by approximately 31.3% from approximately RMB24.0 million for the year ended 31 December 2022 to approximately RMB31.5 million for the year ended 31 December 2023, primarily due to the increase in revenue.

The total comprehensive revenue attributable to owners of the parent increased by approximately 3.5% from approximately RMB25.4 million for the year ended 31 December 2022 to approximately RMB26.3 million for the year ended 31 December 2023, primarily due to the increase in revenue.

Inventories

The inventories increased by approximately 41.0% from approximately RMB163.1 million as at 31 December 2022 to approximately RMB229.9 million as at 31 December 2023, primarily due to the increase in stock at the end of the period.

The average inventory turnover days decreased from approximately 112 days for the year ended 31 December 2022 to approximately 107 days for the year ended 31 December 2023.

Trade and bills receivables

The trade and bills receivables increased by approximately 2.1% from approximately RMB798.2 million as at 31 December 2022 to approximately RMB814.6 million as at 31 December 2023, primarily due to the increase in revenue.

The average trade and bills receivables turnover days decreased from approximately 258 days for the year ended 31 December 2022 to approximately 255 days for the year ended 31 December 2023.

Trade and bills payables

The trade and bills payables increased by approximately 20.2% from approximately RMB250.8 million as at 31 December 2022 to approximately RMB301.5 million as at 31 December 2023, primarily due to the increase in stock at the end of the period.

The average trade and bills payables turnover days increased from approximately 118 days for the year ended 31 December 2022 to approximately 140 days for the year ended 31 December 2023, primarily due to the account period management.

Liquidity and financial resources

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

The current ratio (current assets divided by current liabilities) decreased from approximately 4.3 as at 31 December 2022 to approximately 2.9 as at 31 December 2023, primarily due to the increase in bank borrowings.

As at 31 December 2023, the cash and bank balances denominated in Renminbi amounted to approximately RMB660.6 million (2022: approximately RMB429.0 million). The cash and cash equivalents increased by approximately 29.2% from approximately RMB618.8 million as at 31 December 2022 to approximately RMB799.3 million as at 31 December 2023, primarily due to the capital injection into a subsidiary, namely Sunking Pacific Semiconductor Technology (Zhejiang) Co., Ltd., by its investors at the period.

As at 31 December 2023, the interest-bearing bank and other borrowings were denominated in Renminbi. The interest-bearing bank and other borrowings increased by approximately 162.1% from approximately RMB146.0 million as at 31 December 2022 to RMB382.7 million as at 31 December 2023, primarily due to the adjustment of capital structure.

The gearing ratio, measured on the basis of total interest-bearing bank and other borrowings divided by total equity, decreased from approximately 7.6% as at 31 December 2022 to approximately 19.9% as at 31 December 2023, primarily due to the adjustment of capital structure.

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 hedge its exchange rate exposures.

Contingent liabilities

As at 31 December 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

Pledge of Group's assets

As at 31 December 2023, certain of the bills payable were secured by the pledge of the bank deposits amounting to approximately RMB28.8 million (2022: approximately RMB0.5 million) and the bills receivable amounting to approximately RMB21.0 million (2022: approximately RMB48.7 million), respectively.

As at 31 December 2023, bank loans in the amount of RMB17.0 million were secured by certain of the land use rights and buildings with net carrying amounts at 31 December 2023 of approximately RMB11.2 million and RMB35.6 million (2022: approximately RMB11.5 million and RMB37.1 million), respectively.

As at 31 December 2023, bank loans in the amount of RMB116.3 million were secured by certain of the land use rights and buildings, plant and machinery with net carrying amounts at 31 December 2023 of approximately RMB16.3 million and RMB252.9 million (2022: approximately RMB16.7 million and RMB163.5 million), respectively.

Events after reporting period

There were no important events affecting the Group which have occurred since 31 December 2023 and up to the date of this announcement.

HUMAN RESOURCES

As at 31 December 2023, the Group employed 834 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 appraisals on the performance of its employees, and their salaries and bonuses are performance-based. The Group focuses on the establishment of internal management training and development systems. Therefore, the Group has adopted the diversified training courses to meet the different needs of employees at all levels and to enhance their skill set. The Group did not experience any significant problems with its employees or disruptions to its operations due to labour disputes, nor did it experience any difficulty in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees.

PROSPECTS

Looking ahead, the "14th Five-Year Plan" and "15th Five-Year Plan" periods are the critical period and the window of opportunity to realise the strategic goal of "dual carbon", as well as a golden development period for the energy technology revolution and the upgrading of the energy equipment industry. The upstream and downstream industries of new energy, such as DC transmission, electric vehicles, new energy power generation and industrial control, which the Group is targeting, have shown good development momentum. With the corporate mission of "promoting green energy development through technological innovation", the Group will continue to strengthen its R&D team building, create innovative technologies and products, and seize the opportunities for industrial development brought about by the energy technology reform, so as to accelerate the growth of the Company's business scale and operating results.

At present, many new flexible transmission projects are expected to commence, including the ultra-high voltage DC transmission projects, such as "Shaanxi to Henan" and "Shaanxi to Anhui" projects, the flexible DC transmission or hybrid DC transmission projects, such as "Gansu to Zhejiang" and "Mengxi to Beijing-Tianjin-Hebei" projects, as well as the Hangzhou flexible low-frequency transmission project Phase II. With the demand for large-scale grid-connection of new energy sources and the rapid growth of electricity demand for electric vehicles, artificial intelligence and data centres, there is huge market potential for the renewal, upgrading and new construction of overseas power grids, which will bring vast market space for China's power equipment to "go overseas".

The Group's self-developed power semiconductors have achieved excellent performance in customers' applications and have been recognised and praised by customers due to their outstanding technological advantages and product quality. In 2024, the Group will continue to put in an all-out effort to promote its self-developed power semiconductor business by accelerating the R&D of various new products and capacity building, enhancing market coverage and penetration of module products and increasing the scale of export sales of the chips. The Group is confident in the development prospects of its semiconductor business.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,622,790,000 shares (the “**Share(s)**”) in issue as at 31 December 2023.

For the year ended 31 December 2023, the Company repurchased 9,952,000 Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for a total purchase price (including relevant expenses) of approximately HK\$15,123,362. Details of the repurchase of such Shares are as follows:

Month of repurchase in 2023	Number of Shares repurchased	Purchase price per Share		Total purchase price (Approximately) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
April	160,000	1.75	1.68	275,370
May	430,000	1.73	1.65	726,429
August	1,450,000	1.67	1.55	2,350,193
September	3,176,000	1.63	1.50	4,975,977
October	1,970,000	1.57	1.42	2,969,060
November	1,420,000	1.54	1.35	2,031,860
December	1,346,000	1.40	1.28	1,794,473

Among the 9,952,000 Shares repurchased in 2023, 9,636,000 Shares were cancelled and 316,000 Shares were not yet cancelled.

From the beginning of 2024 to the date of this announcement, the Company repurchased 15,766,000 Shares on the Stock Exchange for a total purchase price (including relevant expenses) of approximately HK\$18,199,039. Details of the repurchase of such Shares are follows:

Month of repurchase in 2024	Number of Shares repurchased	Purchase price per Share		Total purchase price (Approximately) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January	2,590,000	1.32	1.21	3,209,793
February	13,176,000	1.23	1.01	14,989,246

The 15,766,000 Shares repurchased were not yet cancelled.

The abovementioned repurchases were made for the benefit of the Company and its shareholders (the “**Shareholders**”) as a whole, with the aim of increasing the market price per Share and improving investor confidence in the Company.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Shareholders. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix C1 (formerly 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 has met the applicable code provisions set out in Part 2 of the Corporate Governance Code during the year ended 31 December 2023.

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 C3 (formerly 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 2023.

REVIEW OF FINANCIAL STATEMENTS BY AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2023.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Thursday, 6 June 2024 at 10:00 a.m.. A notice convening the annual general meeting of the Company will be issued in due course.

CLOSURE OF REGISTER

In order to establish the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, 31 May 2024. The register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which period no transfer of Shares will be registered. The Shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2024 are entitled to attend and vote at the forthcoming annual general meeting.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.sun-king-tech.com. The Company's annual report for the year 2023 will be available at the same websites and despatched to the Shareholders upon request.

PRESENTATION

The Company will host an online meeting to discuss the annual results of the Group for the year ended 31 December 2023 with the Shareholders and the potential investors of the Company on Monday, 25 March 2024 from 10:00 a.m. to 11:00 a.m. (Hong Kong time).

The meeting is held on the Tencent Meeting platform. Details of the meeting participation are as follows:

Online meeting participation: <https://meeting.tencent.com/dm/422UP2YuuyCo>

Tencent Meeting code: 850-662-313

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

Hong Kong, 22 March 2024

As at the date of this announcement, the executive Directors are Mr. Xiang Jie, Mr. Gong Renyuan and Mr. Yue Zhoumin; the non-executive Director is Ms. Zhang Ling; and the independent non-executive Directors are Mr. Chen Shimin, Mr. Zhang Xuejun and Mr. Leung Ming Shu.