



Surge in contract value from Zhangbei Project with large-scale contract delivery in 2H 2018

The value of contracts deriving from the Zhangbei flexible DC power transmission demonstration project surged in 3Q 2018. As at the end of September, total value of signed contracts for related products reached nearly RMB556 million. Meanwhile, the Company is expected to get more contracts as it is going to negotiate with other enterprises who have won the contracts for the Zhangbei project. While large-scale delivery of related contracts are skewed to the second half of this year, the Group's revenue from flexible DC power transmission is set to grow briskly.

In this quarter, the Group signed the contract worth approximately RMB164 million with Changzhou Borui Electric Power and the contract worth approximately RMB178 million with Xuji Electric respectively.

The Zhangbei flexible DC transmission demonstration project will be the world's first +500 kV multi-terminal flexible DC grid transmission project. It will create tremendous benefits strategically conducive for promoting national energy transformation and green development in China, and delivering a low-carbon and green Winter Olympics in Beijing.



Latest News

- Wu Ximing, manager of Jiashan Sun.King, won the title of "Red Craftsman" at the Innovation & Entrepreneurship Competition.
- Jiujiang Sun.King was named the "Most Professional and Skilful SME in Jiangxi Province in 2017".
- Zuo Qianglin, general manager of Wuxi Sun.King, was selected as a provincial technopreneur.

Stock Price Information (as at September 30, 2018)

ISSUED SHARES	1,617,934,500 SHARES
MARKET VALUE	HK\$2.23 BILLION
52 WEEK RANGE	1.27-1.92 HKD

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The Group releases interim results for 1H 2018



On August 22, the Group released its interim results. In the 1H 2018, it posted revenue of RMB588 million (1H 2017: RMB 581 million). Profit attributable to owners of the parent company amounted to approximately RMB82 million (1H 2017: RMB 103 million). An interim dividend of 2 Hong Kong cents per share was declared.

In 1H 2018, it achieved higher revenues from flexible DC transmission and electric locomotive operations, which partially offset the negative impacts of the decline in revenue from UHVDC transmission. As a result, its total revenue slightly increased from the same period last year. But the overall gross profit margin and net profit were lower than a year ago due to lower revenue contribution of high-margin products to total revenue.

The management said: "With the growing popularity of new energy power, the continuous improvement of energy technologies for power transmission and efficient power consumption together with the launch of a number of newly-planned power transmission and distribution projects, demand from the power transmission and distribution sector is expected to grow further with ample room for DC transmission to expand. In view of gradual implementation of China Railway Corporation's plan to boost railway freight volume, the growing new energy vehicle market and a boom in electrified transportation industry, the Group will actively engage in new technologies and new product development for new energy vehicles, DC transmission and pulse power, thereby driving the long-term growth of the Group's businesses."



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11 DC transmission projects under construction or due to start by the end of 2019

On September 3, the National Energy Administration issued the "Notice on Accelerating the Planning and Construction of Some Key Power Transmission and Distribution Projects", pointing out that it was necessary to speed up the development of nine key power transmission and distribution projects (including seven DC transmission projects). Pursuant to it, all of the projects have to commence operation by the end of 2019. Therefore, the development of domestic DC transmission projects will gain steam from 2H 2018 onwards.

In addition to the aforementioned seven DC transmission projects, the development of other DC transmission projects have kicked off as well. They include Zhangbei flexible DC transmission demonstration project, the demonstration project for multi-terminal UHVDC power transmission from Wudongde to Guangdong and Guangxi, the Metiar-Lahore DC Transmission Project in Pakistan and the Van City back-to-back converter station project in Turkey. Hence, from 2H 2018 to the end of 2019, there will have eleven DC transmission projects in total under development or due to start.



Sun.King is either an exclusive supplier or a major supplier of a variety of core components for UHVDC power transmission, flexible DC power transmission and hybrid DC power transmission.

Railway freight electric locomotives are expected to increase substantially



At the end of June, the State Council issued the "Three-Year Action Plan to Win the Battle for Blue Skies" (the "Plan"), stressing the need of significantly increasing the proportion of railway freight volume. Subsequently, China Railway Corporation announced that it will implement the "Action Plan for Incremental Freight Transportation in 2018-2020" to further enhance its freight transport capacity. According to it, the national railway freight volume will reach 4.79 billion tons by 2020, representing an increase of 1.1 billion tons or 30% when compared with 2017.



China Railway Corporation has formulated detailed timetable, roadmap and supporting measures to ensure that the targets for incremental freight volume and transportation structure adjustment are met on schedule. It plans to boost investments in next three years to purchase a batch of high-powered locomotives and wagons to meet the needs of incremental freight transport. It is expected that the demand for power electronics equipment used in railway locomotives and wagons will further increase in the future.

Market Perspective

Industrial Securities : In a report themed "Terminal Decline or Robust Recovery – Discussion on the Sustainability of UHV Transmission Projects", it pointed out that the recovery of the UHV transmission sector is sustainable: Among the 17 UHV transmission projects submitted previously, 10 have received the government's approval. The total number of medium-to-high voltage transmission projects in the "14th Five-Year Plan" period will not be less than that in the "13th Five-Year Plan" period, and it is expected that 20 UHV transmission projects will be started in the "14th Five-Year Plan" period.

Hua Chuang Securities : A report themed "Insights into Railway Equipment Industry" pointed out: China Railway Corporation has formulated and implemented the "Action Plan for Incremental Freight Transportation in 2018-2020", stressing the importance of significantly increasing the proportion of railway freight transport. It is expected that more than 4,000 locomotives will be added in next three years.