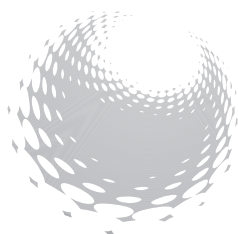

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sun.King Power Electronics Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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Sun.King Power Electronics Group Limited
賽晶電力電子集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 580)

MAJOR AND CONNECTED TRANSACTION –
DISPOSAL OF 43% EQUITY INTERESTS IN JIUJIANG SUNKING

A notice convening the extraordinary general meeting of Sun.King Power Electronics Group Limited to be held at Meeting Room VIII, Crowne Plaza Beijing International Airport, 60 Fuqian 1 Street, Tianzhu, Shunyi District, Beijing, People's Republic of China on Thursday, 20 June 2019 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. Whether or not you intend to attend the extraordinary general meeting, you are required to complete the form of proxy in accordance with the instructions printed thereon and deliver it and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, to the Hong Kong branch share registrar of Sun.King Power Electronics Group Limited, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder from attending and voting in person at the extraordinary general meeting and in such event, the form of proxy shall be deemed to be revoked.

4 June 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the followings meanings:

“Announcement”	the announcement of the Company dated 10 May 2018 relating to the Proposed A Share Listing
“Beijing Hengyaoda”	Beijing Hengyaoda Technology Development Centre (LLP)* (北京衡耀達科技發展中心(有限合夥)), a limited liability partnership established in the PRC and currently holds 25% equity interests in Jiujiang Sunking
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Sun.King Power Electronics Group Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to Jiashan Sunking for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 43% equity interests in Jiujiang Sunking by Jiashan Sunking to the Purchaser
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held for the Shareholders to consider, and if appropriate, approve the Disposal and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGBT(s)”	insulated gate bipolar transistor(s)
“Jiashan Sunking”	Jiashan Sunking Power Equipment Technology Co. Ltd.* (嘉善華瑞賽晶電氣設備科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS

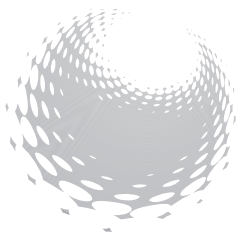
“Jiujiang Sunking”	Jiujiang Sun.King Technology Co., Ltd.* (九江賽晶科技股份有限公司), a limited liability company established in the PRC and is owned as to 62.25% by the Group and 25% by Beijing Hengyaoda
“Latest Practicable Date”	30 May 2019, being the latest practicable date for the purpose of ascertaining certain information contained in the circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed A Share Listing”	the proposed listing of the A shares of Jiujiang Sunking on the Shenzhen Stock Exchange
“Purchaser”	Shanghai Tanda
“Remaining Group”	the Group immediately after completion of the Share Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Tanda”	Shanghai Tanda Rolling Stock Seat System Co. Ltd.* (上海坦達軌道車輛座椅系統有限公司), a limited liability company established in the PRC
“Share Transfer Agreement”	the share transfer agreement entered into between the Vendors and the Purchaser dated 29 April 2019 in relation to the transfer of certain equity interests in Jiujiang Sunking
“Shareholders”	the shareholders of the Company
“Share(s)”	ordinary share(s) of nominal value of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Vendors”	Jiashan Sunking and Beijing Hengyaoda

The English names of the entities marked with “” in this circular are translations from their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese names shall prevail.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Xiang Jie
Mr. Gong Renyuan
Mr. Yue Zhoumin

Non-executive Directors:

Mr. Yan Fuquan
Mr. Zhu Ming
Ms. Zhang Ling

Independent non-executive Directors:

Mr. Chen Shimin
Mr. Zhang Xuejun
Mr. Leung Ming Shu
Mr. Zhao Hang

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters:

Building 9-A
KongGangRongHuiYuan
Yuhua Road
Tianzhu Airport Industrial Zone B
Shunyi District
Beijing
PRC

Principal place of business

in Hong Kong:

31st Floor, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

4 June 2019

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION – DISPOSAL OF 43% EQUITY INTERESTS IN JIUJIANG SUNKING

INTRODUCTION

Reference is made to the announcements of the Company dated 29 April 2019 and 30 April 2019 in relation to the Disposal.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, among other things, further information in respect of the Disposal, the notice of the EGM and other information as required under the Listing Rules.

SHARE TRANSFER AGREEMENT

Date:

29 April 2019 (after trading hours)

Parties:

Vendors: (a) Jiashan Sunking
(b) Beijing Hengyaoda

Purchaser: Shanghai Tanda

The Purchaser is ultimately owned by the following entities/individuals:

Entities/Individuals	Shareholding (%)
Aviation Industry Corporation of China, Ltd. (being a PRC state-owned aerospace and defence conglomerate) and its subsidiary	27
Ding Ningxin	2.379
Wang Laifeng	0.12
Zhang Xiaoqi	3.12
Zhang Miao	12.366
Zhang Linqiang	2.379
Mou Jiaoping	2.379
Shi Lei	0.12
Pei Yazhou	2.379
Zhao Jing	2.379
Zhao Xin	2.379
Shenzhen Kaituo Shareholding Investment Fund Partnership (Limited Partnership)* (深圳凱拓股權投資基金合夥企業(有限合夥))	43

Aviation Industry Corporation of China, Ltd. and its subsidiary acquired equity interests in the Purchaser from Shenzhen Kaituo Shareholding Investment Fund Partnership (Limited Partnership)* and became shareholders of the Purchaser on 10 May 2019. To the best knowledge of the Directors, Aviation Industry Corporation of China, Ltd. obtained control of the Purchaser upon the execution of the acting in concert agreement with Shenzhen Kaituo Shareholding Investment Fund Partnership (Limited Partnership)* and the completion of the aforesaid acquisition of equity interests in the Purchaser.

LETTER FROM THE BOARD

To the best knowledge of the Directors, Shenzhen Kaituo Shareholding Investment Fund Partnership (Limited Partnership)* is a close-ended fund engaging in investment management and consultancy and is owned as to 49.9672% by Beijing Plateau Longxin Shareholding Investment Fund Partnership (Limited Partnership)* (北京普拓隆鑫股權投資基金合夥企業(有限合夥)), 0.0656% by Beijing Plateau Investment Co., Ltd.* (北京普拓投資有限公司) and 49.9672% by Kaihang (Shenzhen) Shareholding Investment Fund Partnership (Limited Partnership)* (凱航(深圳)股權投資基金合夥企業(有限合夥)). To the best knowledge of the Directors, over 70% of the interests in Beijing Plateau Longxin Shareholding Investment Fund Partnership (Limited Partnership)* and Beijing Plateau Investment Co., Ltd.* are ultimately owned by Dong Moquan and Zhuang Rilan and over 60% of the interests in Kaihang (Shenzhen) Shareholding Investment Fund Partnership (Limited Partnership)* are ultimately owned by Aviation Industry Corporation of China, Ltd.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

As at the date of the Announcement, the Purchaser was ultimately owned by the following entities/individuals:

Entities/Individuals	Shareholding (%)
Ding Ningxin	2.379
Wang Laifeng	0.12
Zhang Xiaqi	3.12
Zhang Miao	12.366
Zhang Linqiang	2.379
Mou Jiaoping	2.379
Shi Lei	0.12
Pei Yazhou	2.379
Zhao Jing	2.379
Zhao Xin	2.379
Shenzhen Kaituo Shareholding Investment Fund Partnership (Limited Partnership)*	70

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners as at the date of the Announcement were third parties independent of the Company and connected persons of the Company.

Further, Beijing Hengyaoda, being one of the Vendors, is a connected person of the Company at the subsidiary level by virtue of holding 25% equity interests in Jiujiang Sunking. Beijing Hengyaoda does not hold any Share.

LETTER FROM THE BOARD

Subject of the Disposal

Pursuant to the Share Transfer Agreement, Jiashan Sunking has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 43% equity interests in Jiujiang Sunking, while Beijing Hengyaoda has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 8% equity interests in Jiujiang Sunking.

Consideration

Pursuant to the Share Transfer Agreement, the Consideration of RMB193,500,000 shall be payable by the Purchaser to Jiashan Sunking in cash in the following manner:

- (a) 40% of the Consideration, i.e. RMB77,400,000, within 30 days from fulfilment or waiver of conditions (a) to (e) set out in the paragraph headed “conditions precedent” below; and
- (b) the remaining 60% of the Consideration, i.e. RMB116,100,000, within 30 days from (i) completion of the procedures for filing of the change in shareholders, directors, supervisors and senior management with the Administration for Industry and Commerce; and (ii) fulfilment or waiver of conditions (f) to (k) set out in the paragraph headed “conditions precedent” below.

The Consideration was determined with reference to a valuation report prepared by an independent valuer. Besides the valuation assumptions set out in the valuation report, the valuation of the equity interests in Jiujiang Sunking is also based on the following commercial assumptions:

(a) Income forecast for major business for future years

Jiujiang Sunking primarily engages in the industry of electrolytic aluminum, electrolytic copper and chlor-alkali, due to environmental protection requirements, the PRC restricts the development of such industry. The main market in the future is the capacity substitution of the industry, so the future development will be relatively stable. This Jiujiang Sunking forecast will increase by about 10% every year for the first three years.

(b) Cost forecast for major business for future years

The cost of products of major business is forecasted based on the average gross profit margin for the first four years of the historical year, and the accessories are forecasted according to the actual gross profit margin of 2018.

(c) Estimation of taxes and surcharges of major business

Taxes and surcharges of major business include urban construction tax, education surcharge etc.

LETTER FROM THE BOARD

The sales value-added tax rate of Jiujiang Sunking is 16%, and the urban construction tax and education surcharges are paid at 7% and 5% of the turnover tax. The applicable tax rate for each year during the forecast period will remain unchanged.

(d) Forecast of sales expenses

The Company based on relevant information in 2018 and the actual situation of the Company to perform forecast for each kind of sales expense and is matched with the growth of future sales income.

(e) Forecast of management expenses

The forecast of management expenses is divided into fixed and variable parts. The fixed part is mainly amortised, and the depreciation is uniformly calculated in the cost, and does not change with the change of the major business income; variable part is mainly labour costs, office expenses, etc., which vary with the increase in business volume.

(f) Forecast of financial expenses

As at 31 December 2018, Jiujiang Sunking had no bank borrowings, and interest income and handling charges were relatively low. No forecast was made. Therefore, the forecast of Jiujiang Sunking's financial expenses is RMB0.

According to the aforesaid valuation report, the valuation of the entire equity interests in Jiujiang Sunking as at 31 December 2018 under the income approach amounted to RMB452,310,000, and 43% equity interests in Jiujiang Sunking amounted to RMB194,493,300. The Consideration exceeds the unaudited net asset value of Jiujiang Sunking as at 30 April 2019 by RMB81,602,275 and falls short of the value of 43% equity interests in Jiujiang Sunking according to the aforesaid valuation report by RMB993,300, or 0.5%. Considering that the valuation under the income approach was conducted taking into account certain non-balance sheet items such as human resources, sales network, stable clientele and goodwill, the Directors believe that despite the Consideration representing a 0.5% discount of the value of 43% equity interests in Jiujiang Sunking according to the aforesaid valuation report, the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Share Transfer Agreement and payment of the Consideration are conditional on the fulfilment or waiver of the conditions precedent set out in the Share Transfer Agreement and the major terms of which are set out below:

- (a) Jiujiang Sunking, the Vendors (including the Company) and the Purchaser having obtained the approval of their respective boards of directors and shareholders as required under all applicable laws, rules and regulations (including the Listing Rules) for the Share Transfer Agreement and the transactions contemplated thereunder;

LETTER FROM THE BOARD

- (b) all the documents required for the completion of the Disposal having been executed and become effective;
- (c) the Vendors having approved the Disposal pursuant to their respective constitutional documents;
- (d) the Purchaser having approved the Disposal pursuant to its constitutional documents;
- (e) all the shareholders of Jiujiang Sunking having issued a confirmation certifying their shareholdings are unequivocal, and not subject to dispute and trust arrangement;
- (f) Jiashan Sunking and its related parties having assisted Jiujiang Sunking to maintain continuing business relationship with ABB Switzerland Ltd.;
- (g) Jiujiang Sunking having communicated with the relevant administrative department of nature resources in relation to the idle land of Jiujiang Sunking;
- (h) the register of shareholders of Jiujiang Sunking having been changed to reflect the Disposal;
- (i) the directors, supervisors and senior management of Jiujiang Sunking having been changed according to the Share Transfer Agreement;
- (j) the representations given by the Vendors in the Share Transfer Agreement remaining true, accurate and complete; and
- (k) there being no material adverse change to the operations, financial conditions and assets of Jiujiang Sunking up to the completion of the Share Transfer Agreement.

Only condition precedent (f) above is waiveable by the Purchaser. As at the Latest Practicable Date, none of the conditions precedent set out above was completely fulfilled or waived. The Directors consider that waving condition precedent (f) above by the Purchaser will not affect the substance of the Disposal as it mainly relates to the future operations of Jiujiang Sunking after the completion of the Share Transfer Agreement.

Completion of the Share Transfer Agreement

Completion of the Share Transfer Agreement shall take place upon the completion of the procedures for filing of the change in shareholders with the Administration for Industry and Commerce.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The main businesses of the Group include the manufacture and trading of electronic power components. The Group's products include insulated gate bipolar transistor power modules, train operation safety equipment, power semiconductor devices, traction systems, anode saturable reactors, high voltage power capacitors and systems, and rectifiers. The Group's products are applied in railway system, power grid and industry.

INFORMATION ON THE PURCHASER

The Purchaser is mainly engaged in the manufacture, sale and repair of transportation seat systems and interior declaration systems.

INFORMATION ON JIUJIANG SUNKING

Jiujiang Sunking is principally engaged in the manufacturing and trading of rectifiers and special power supplies in the PRC and the Group's rectifier and special power supply businesses are solely conducted by Jiujiang Sunking. Prior to the completion of the Share Transfer Agreement, Jiujiang Sunking is owned as to 62.25% by the Group through Jiashan Sunking, 25% by Beijing Hengyaoda and 12.75% by Jiujiang Mei Chuang Technology Co., Ltd.* (九江美創科技有限公司).

As at 30 April 2019, the unaudited net asset value of Jiujiang Sunking amounted to RMB260,227,268.

The revenue and net profits (both before and after taxation and extraordinary items) attributable to Jiujiang Sunking for the two financial years immediately preceding the Disposal are set out below:

	For the year ended	
	31 December	
	2017	2018
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB</i>	<i>RMB</i>
Revenue	241,757,062	189,494,407
Net profits before taxation and extraordinary items	41,296,928	71,161,823
Net profits after taxation and extraordinary items	18,711,051	46,417,114

Following the completion of the Share Transfer Agreement, Jiujiang Sunking will be held as to 19.25% by the Group and will therefore cease to be a subsidiary of the Group. To the best knowledge of the Directors, as the Purchaser only intends to acquire the controlling equity interests but not the entire equity interests in Jiujiang Sunking, the Purchaser only agrees to purchase 43% equity interests in Jiujiang Sunking from Jiashan Sunking and 8% equity interests in Jiujiang Sunking from Beijing Hengyaoda such that the Purchaser will hold 51% equity interests in Jiujiang Sunking upon the completion of the Share Transfer Agreement. As the Purchaser is controlled by Aviation Industry Corporation of China, Ltd., being a state-owned enterprise, the Group intends to retain the 19.25% equity interests in

LETTER FROM THE BOARD

Jiujiang Sunking for investment income as the Directors believe that Jiujiang Sunking could have better long-term development by leveraging the edge which Jiujiang Sunking may have by virtue of having a majority shareholder which is controlled by a state-owned enterprise.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As stated in the Announcement, Jiujiang Sunking was in the course of preparing an application to the China Securities Regulatory Commission for the Proposed A Share Listing. However, the Directors consider that it is beneficial to the Group to dispose of 43% equity interests in Jiujiang Sunking for the following reasons:

- (a) the rectifiers manufactured by Jiujiang Sunking are mainly used in the electrolytic aluminium industry in the PRC. However, the electrolytic aluminium industry in the PRC has been stagnant in recent years as it hinges on the PRC government policy. As a result, the Group's revenue derived from sale of rectifiers declined significantly by 65.9% from RMB241,757,062 for the year ended 31 December 2017 to RMB82,388,380 for the year ended 31 December 2018;
- (b) Jiujiang Sunking entered into one-off contracts with customers in 2018 for manufacturing and trading of customised special power supplies in the PRC with total contract sum of RMB206,804,303. As the special power supplies manufactured and traded by Jiujiang Sunking are customised in nature, Jiujiang Sunking manages to secure a higher gross profit under the aforesaid contracts. For the year ended 31 December 2018, revenue generated by manufacturing and trading of customised special power supplies in the PRC in the amount of RMB107,106,027 was recognised and such revenue contributed to the 148.1% increase in the net profits after taxation and extraordinary items of Jiujiang Sunking from RMB18,711,051 for the year ended 31 December 2017 to RMB46,417,114 for the year ended 31 December 2018. For the year ended 31 December 2018, the gross profit generated by manufacturing and trading of customised special power supplies in the PRC amounted to RMB56,637,553. For the four months ended 30 April 2019, revenue generated by manufacturing and trading of customised special power supplies in the PRC in the amount of RMB52,252,173 was recognised. The aforesaid one-off contracts will come to an end when the remaining contract sum, i.e. RMB47,446,103, is recognised as revenue of Jiujiang Sunking. As the aforesaid contracts are one-off in nature and there is no guarantee that the special power supply customers will continue business relationship with Jiujiang Sunking upon the completion of the aforesaid contracts, the Directors consider that the revenue of Jiujiang Sunking derived from manufacturing and trading of customised special power supplies in the PRC is not a stable source of income for the Group, despite its contribution to the increased revenue and profits of Jiujiang Sunking for the year ended 31 December 2018; and
- (c) due to the stagnant electrolytic aluminium industry in the PRC and the significant decline in revenue derived from sale of rectifiers, the Directors have decided to divert management attention and resources into our core business of manufacture and trading of electronic power components, thereby streamlining and benefiting the operations of the Group as a whole.

LETTER FROM THE BOARD

The Directors believe that the terms of the transactions contemplated under the Share Transfer Agreement and the Disposal are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL

The Group expects to realise a total gain of RMB92,931,653 which is derived from the difference between the approximate value of 62.25% of Jiujiang Sunking based on the valuation report, being RMB280,125,000, and the aggregate of (a) the carrying value of 62.25% equity interests in Jiujiang Sunking, being RMB186,678,348; and (b) the legal expenses of the Disposal, being RMB515,000. The total assets of the Group are expected to decrease by RMB69,801,261 and the total liabilities of the Group are expected to decrease by RMB104,400,109.

Since Jiujiang Sunking will cease to be a subsidiary of the Group following the completion of the Share Transfer Agreement, the financial results of Jiujiang Sunking will no longer be consolidated in the financial statements of the Group. Rather, Jiujiang Sunking will be accounted for as an associated company of the Group using equity method.

The actual financial impact of the Disposal is subject to review by the Company's auditors. The Group expects to receive net proceeds of RMB192,985,000 from the Disposal, which is intended to be applied to research and development of new products (which are mainly IGBTs) and general working capital.

LISTING RULES IMPLICATION

As one of the relevant percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is below 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since (a) Beijing Hengyaoda is a connected person of the Company at the subsidiary level by virtue of holding 25% equity interests in Jiujiang Sunking; and (b) Beijing Hengyaoda is one of the parties to the Share Transfer Agreement, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Given that:

- (a) the Board has approved the Disposal; and
- (b) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable, the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

LETTER FROM THE BOARD

However, as a major transaction for the Company under Chapter 14 of the Listing Rules, the Disposal is still subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

Set out from pages EGM-1 to EGM-2 of this circular is the notice of the EGM containing, inter alia, the resolutions in relation to approving the Disposal and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed herewith. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk. Whether or not you intend to attend the EGM, you are required to complete the form of proxy in accordance with the instructions printed thereon and deliver it to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the form of proxy proposes to vote. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.

The register of members of the Company will be closed from Monday, 17 June 2019 to Thursday, 20 June 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to establish the identity of the Shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 14 June 2019.

Pursuant to Rule 13.39(4) of the Listing Rules and article 66 of the Articles of association of the Company, a resolution put to the vote of a general meeting is to be decided by way of a poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their close associates have any material interests in the Disposal. Accordingly, no Shareholders are required to abstain from voting on the ordinary resolutions to be approved at the EGM.

RECOMMENDATION

The Directors consider that the proposed resolutions for approving the Disposal and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) therefore recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By order of the Board
Sun.King Power Electronics Group Limited
Xiang Jie
Chairman

FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sunking-tech.com:

- (a) annual report of the Company for the year ended 31 December 2016 published on 23 March 2017 (pages 40 to 112);
- (b) annual report of the Company for the year ended 31 December 2017 published on 21 March 2018 (pages 44 to 116); and
- (c) annual report of the Company for the year ended 31 December 2018 published on 1 April 2019 (pages 46 to 122).

INDEBTEDNESS

As at the close of business on 30 April 2019, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had no (a) debt securities which were issued and outstanding, and authorised or otherwise created but unissued; (b) term loans (whether guaranteed, unguaranteed, secured or unsecured); and (c) material contingent liabilities or guarantees.

As at the close of business on 30 April 2019, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the bank borrowings of the Group amounted to RMB330,386,000, among which RMB14,830,000 was secured by mortgages and charges against properties and lands of the Group.

WORKING CAPITAL

The Directors, taking into account of (a) the net proceeds from the Disposal; and (b) the internal resources of the Remaining Group, and in the absence of unforeseen circumstances, are of the opinion that the Remaining Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular.

FINANCIAL AND TRADING PROSPECTS

The Group focuses on power semiconductors, ancillary components and emerging power electronic technology as its major development direction.

Jiujiang Sunking is principally engaged in the manufacturing and trading of rectifiers and special power supplies in the PRC. The rectifiers manufactured by Jiujiang Sunking are mainly used in the electrolytic aluminium industry in the PRC. However, the electrolytic aluminium industry in the PRC has been stagnant in recent years as it hinges on the PRC government policy. As a result, the Group's revenue derived from sale of rectifiers declined significantly by 51% for the year ended 31 December 2018 and the future of the rectifier industry in the PRC is not optimistic. The Group has maintained the growth in the segments of power grid and rail transportation.

Due to the stagnant electrolytic aluminium industry in the PRC and the significant decline in revenue derived from sale of rectifiers, the Directors have decided to divert management attention and resources into our core business of manufacture and trading of electronic power components, thereby streamlining and benefiting the operations of the Group as a whole.

In 2019, the Group launched an IGBT product development project. Such products are the most important power semiconductors in the field of power electronics, with extensive and huge market demand in new energy vehicles, new energy power generation and other industrial fields. The Directors intend to apply the net proceeds from the Disposal to research and development of such new IGBT products so as to enhance the Group's core competitiveness and performance.

Headquartered in Beijing, Beijing Guorongxinghua Assets Appraisal Co., Ltd.(北京國融興華資產評估有限責任公司) was established in 1995 and is one of the institutions first engaging in the valuation of securities assets in the PRC. Beijing Guorongxinghua Assets Appraisal Co., Ltd. has over 80 China registered appraisers who are capable of providing valuation services to various sectors such as securities, electricity and electronics etc. Beijing Guorongxinghua Assets Appraisal Co., Ltd. is a member of the China Appraisal Society.

The following is the text of a valuation report on the entire equity interests in Jiujiang Sunking prepared by Beijing Guorongxinghua Assets Appraisal Co., Ltd. for incorporation in this circular.

This report is prepared in accordance with the asset appraisal standards of the PRC

**Asset Valuation Report on the Entire Equity Interest Involved in
the Proposed Acquisition by Shanghai Tanda Rolling Stock
Seat System Co., Ltd. of 51% Equity Interest in Jiujiang
Sun.King Technology Co., Ltd.
Guo Rong Xing Hua Ping Bao Zi (2019) No. 020032
(Volume 1 of one volume in total)**

Name of valuation institution: Beijing Guorongxinghua
Assets Appraisal Co., Ltd.
Date of valuation report: 15 April 2019

Declaration

- I. This asset valuation report has been prepared under the basic standards for asset appraisal issued by the Ministry of Finance of the PRC and the practicing standards and code of ethics for asset appraisal issued by China Appraisal Society.
- II. We and our valuers are in compliance with the laws, administrative regulations and the asset appraisal standards and adhere to the principles of independence, objectiveness and justice and assume responsibility for the asset valuation report issued in accordance with the law.
- III. The client or other users of the asset valuation report shall use the asset valuation report in accordance with the requirements of laws, administrative regulations and the scope of use set out in the asset valuation report. If the client or any other user of the asset valuation report uses the asset valuation report in breach of the foregoing, we and our valuers disclaim any liability arising therefrom.

This asset valuation report is for use by the client, other users specified in the asset valuation engagement contract and the users of asset valuation reports set out in the laws and administrative regulations only. Any other entity or individual shall not become a user of the asset valuation report.

We and our valuers would like to remind that the users of the asset valuation report shall have a correct understanding of the valuation conclusion, which does not represent the realisable price of the subject of valuation and shall not be deemed a guarantee for the realisable price of the subject of valuation.

- IV. The list of assets and liabilities involved in the subject of valuation has been submitted by the client and the appraised entity with confirmation through signature, seal or other manner permitted by law. The client and other relevant parties assume responsibility for the truthfulness, completeness and lawfulness of the information provided by them.
- V. Our valuers have conducted on-site survey of the subject of valuation and the assets involved, paid necessary attention to the legal ownership status of the client and the assets involved, examined the information on the legal ownership of the subject of valuation and the assets involved, made truthful disclosure of the issues identified, and requested the client and other relevant parties to perfect ownership to meet the requirements for issuing the asset valuation report.
- VI. We and our valuers have no existing or prospective interest in or relationship with the subject of valuation in the asset valuation report, nor do we and our valuers have any existing or prospective interest in or relationship with or any bias against any relevant party.

- VII. The analysis, judgment and results in the asset valuation report issued by us are subject to the assumptions and limiting conditions in the asset valuation report, and users of the asset valuation report shall fully consider the assumptions, limiting conditions and special notes set out in the asset valuation report and their impacts on the valuation conclusion.

Summary of the Asset Valuation Report on the Entire Equity Interest Involved in the Proposed Acquisition by Shanghai Tanda Rolling Stock Seat System Co., Ltd. of 51% Equity Interest in Jiujiang Sun.King Technology Co., Ltd.

Guo Rong Xing Hua Ping Bao Zi (2019) No. 020032

This summary is extracted from the full text of the asset valuation report. In order to fully understand details of the subject of valuation and have a reasonable understanding of the valuation conclusion, you should read carefully the full text of the asset valuation report.

To Shanghai Tanda Rolling Stock Seat System Co., Ltd.:

In accordance with your engagement, we, Beijing Guorongxinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司), have appraised the market value of the entire equity interest of Jiujiang Sun.King Technology Co., Ltd. as at the date of valuation, by carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset appraisal standards while sticking to the principles of independence, objectiveness and justice. We report the summary of the asset valuation report as follows:

Purposes of valuation: As Shanghai Tanda Rolling Stock Seat System Co., Ltd. proposes to acquire 51% equity interest in Jiujiang Sun.King Technology Co., Ltd., it is required to conduct a valuation of the entire equity interest of Jiujiang Sun.King Technology Co., Ltd. to provide a value reference for this economic behaviour.

Subject of valuation: The value of the entire equity interest of Jiujiang Sun.King Technology Co., Ltd..

Scope of valuation: All assets and liabilities of the appraised entity as at 31 December 2018, including current assets, non-current assets, current liabilities and non-current liabilities.

Date of valuation: 31 December 2018.

Type of value: Market value.

Valuation method: Asset-based approach and income approach.

Valuation conclusion: As of 31 December 2018, being the date of valuation, on a going concern basis, the valuation results of the entire equity interest of Jiujiang Sun.King Technology Co., Ltd. under the income approach were RMB452,310,000, representing an appreciation amount of RMB205,615,700 and an appreciation ratio of 83.35%.

This asset valuation report is issued for the sole purpose of providing value reference for the economic behaviour described herein, and the valuation conclusion shall be valid for one year from the date of valuation, being from 31 December 2018 to 30 December 2019.

Users of the asset valuation report shall fully consider the assumptions, limiting conditions and notes on special matters set out in the asset valuation report and their impacts on the valuation conclusion.

The above has been extracted from the full text of the asset valuation report. In order to fully understand the valuation and have a correct understanding of the valuation conclusion, you should carefully read the full text of the asset valuation report.

**Full Text of Asset Valuation Report on the Entire Equity Interest Involved in the
Proposed Acquisition by Shanghai Tanda Rolling Stock Seat System Co., Ltd. of 51%
Equity Interest in Jiujiang Sun.King Technology Co., Ltd.**
Guo Rong Xing Hua Ping Bao Zi (2019) No. 020032

To Shanghai Tanda Rolling Stock Seat System Co., Ltd.:

In accordance with your engagement, we, Beijing Guorongxinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司), have appraised the market value of the entire equity interest of Jiujiang Sun.King Technology Co., Ltd. as at the date of valuation, by carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset appraisal standards while adhering to the principles of independence, objectiveness and justice. We report the details of the asset valuation as follows:

I. Client, the appraised entity and other users of the asset valuation report specified in the asset appraisal engagement contract

The client of this valuation is Shanghai Tanda Rolling Stock Seat System Co., Ltd. (上海坦達軌道車輛座椅系統有限公司), and the appraised entity is Jiujiang Sun.King Technology Co., Ltd. (九江賽晶科技股份有限公司). Other users of the asset valuation report specified in the asset appraisal engagement contract include the client, the parties to this economic behaviour and the relevant regulatory authorities and bodies.

(i) Overview of the client

Name: Shanghai Tanda Rolling Stock Seat System Co., Ltd.

Unified social credit code: 9131011477020259XB

Address: No. 1950, Zhudai Road, Jiading District, Shanghai

Legal representative: Xiao Zheng

Registered capital: RMB100 million

Nature of company: Limited liability company (domestic joint venture)

Term of operation: From 16 December 2004 to 15 December 2034

Scope of business: Manufacture, sale and repair of transportation seat systems, interior decoration systems and other spare parts; sale and repair of mechanical equipment, tools and moulds (other than special equipment); import and export of goods and technologies. (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws)

(ii) Overview of the appraised entity

1. Information on registration

Name: Jiujiang Sun.King Technology Co., Ltd.

Unified social credit code: 913604001593037321

Address: No. 59 Gangxing Road, Chengxigang District, Jiujiang
Economic and Technological Development Zone

Legal representative: Xu Lifeng

Registered capital: RMB100 million

Nature of company: Other joint-stock limited company (non-listed)

Term of operation: From 14 March 2000 to 13 March 2050

Scope of business: Research and development, manufacture, installation and service of converter and extension products; import and export trade of complete sets of converter related equipment (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws)

2. History and development

(1) Establishment

Jiujiang Sun.King Technology Co., Ltd. (the “**Company**”), formerly known as Jiujiang Rectifier Plant (九江整流器), was established in 1968 as a state-owned enterprise under the supervision of Jiujiang State-owned Assets Supervision and Administration Commission. It underwent a corporate restructuring in March 2010, whereby Jiujiang State-owned Assets Supervision and Administration Commission transferred the entire equity interest of Jiujiang Rectifier Plant to Ruihuaying Investment Holdings Limited (瑞華贏投資控股有限公司) and Jiashan Sunking Power Equipment Technology Co., Ltd. (嘉善華瑞賽晶電氣設備科技有限公司), namely 95% to Ruihuaying Investment Holdings Limited at a consideration of RMB67,254,205 and 5% to Jiashan Sunking Power Equipment Technology Co. Ltd at a consideration of RMB3,539,695. Following business change

registration, it was converted into a limited liability company and was renamed Jiujiang Jiuzheng Rectifier Co., Ltd. (九江九整整流器有限公司), with a registered capital of RMB70,793,900.

On 13 May 2011, the Company underwent a shareholding change. The information on shareholders following the change is as follows:

Name of shareholder	Name and number of certificate	Capital contribution committed			Percentage of shareholding (%)	Capital contribution made		
		Amount of capital contribution (RMB in ten thousand)	Method of capital contribution	Date of capital contribution		Amount of capital contribution (RMB in ten thousand)	Method of capital contribution	Date of capital contribution
Jiujiang Mei Chuang Technology Co., Ltd. (九江美創科技有限公司)	360403210011868	1,911.4353	Cash	2010.12	27%	1,911.4353	Cash	2010.12
Ningbo Isaiah Automobile Air Compressor Co., Ltd. (寧波以賽亞汽車空壓機有限公司)	330283000017498	424.7634	Cash	2010.12	6%	424.7634	Cash	2010.12
Jiujiang Yangsen Resources Recycling Co., Ltd. (九江市祥森資源再生利用有限公司)	360400210009682	424.7634	Cash	2010.12	6%	424.7634	Cash	2010.12
Jiashan Sunking Power Equipment Technology Co. Ltd (嘉善華瑞賽晶電氣設備科技有限公司)	330400400003984	4,318.4279	Cash	2011.4	61%	4,318.4279	Cash	2011.4

On 8 June 2015, the Company further underwent a shareholding change. The information on shareholders following the change is as follows:

Name of shareholder	Name and number of certificate	Capital contribution committed			Percentage of shareholding (%)	Capital contribution made		
		Amount of capital contribution (RMB in ten thousand)	Method of capital contribution	Date of capital contribution		Amount of capital contribution (RMB in ten thousand)	Method of capital contribution	Date of capital contribution
Jiashan Sunking Power Equipment Technology Co. Ltd (嘉善華瑞賽晶電氣設備科技有限公司)	330400400003984	5,167.9547	Cash	2015.05	73%	5,167.9547	Cash	2015.05
Jiujiang Mei Chuang Technology Co., Ltd. (九江美創科技有限公司)	360403210011868	1,911.4353	Cash	2010.12	27%	1,911.4353	Cash	2010.12

On 2 July 2015, Jiujiang Mei Chuang Technology Application Centre (LLP) transferred its 10% equity interest in the Company to Jiashan Sunking Power Equipment Technology Co., Ltd. and conducted a business change registration. The information on shareholders following the change is as follows:

Name of shareholder	Name and number of certificate	Capital contribution committed			Percentage of shareholding (%)	Capital contribution made		
		Amount of capital contribution (RMB in ten thousand)	Method of capital contribution	Date of capital contribution		Amount of capital contribution (RMB in ten thousand)	Method of capital contribution	Date of capital contribution
Jiashan Sunking Power Equipment Technology Co. Ltd. (嘉善華瑞賽晶電氣設備科技有限公司)	330400400003984	5,875.8937	Cash	2015.06	83%	5,875.8937	Cash	2015.05
Jiujiang Mei Chuang Technology Co., Ltd. (九江美創科技有限公司)	360403210011868	1,203.4963	Cash	2010.12	17%	1,203.4963	Cash	2010.12

On 18 August 2015, the Company underwent a business change registration. Following the change, the Company was renamed Jiujiang Sun.King Technology Co., Ltd. (九江賽晶科技股份有限公司) and its company nature was changed to other joint-stock limited liability company (non-listed), with registered capital changed to RMB75 million. An enterprise legal person business license with a unified social credit code of 913604001593037321 was obtained.

On 19 June 2017, the Company underwent a change of registered capital and its total registered capital following the change was RMB100 million.

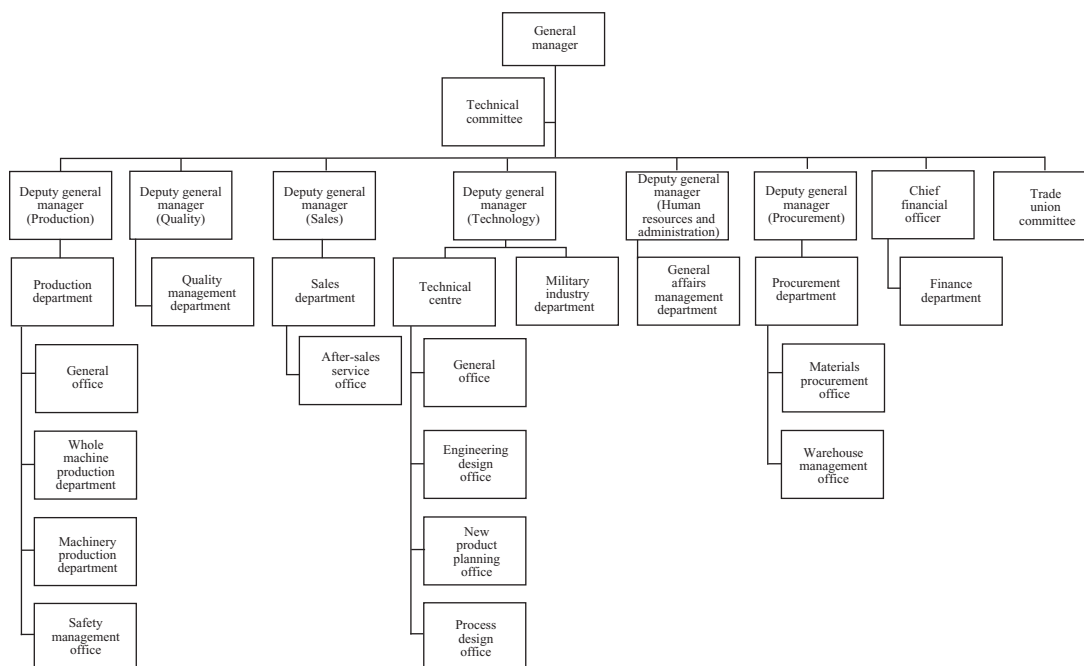
On 26 April 2018, the Company underwent a shareholding change. The information of shareholders following the change is as follows:

No.	Name of shareholder	Amount of capital contribution committed (RMB in ten thousand)	Amount of capital contribution made (RMB in ten thousand)	Percentage of capital contribution
1	Jiashan Sunking Power Equipment Technology Co. Ltd	6,225.00	6,225.00	62.25%
2	Jiujiang Mei Chuang Technology Application Centre (LLP) (九江美創科技應用中心(有限合夥))	1,275.00	1,275.00	12.75%
3	Beijing Hengyaoda Technology Development Centre (LLP) (北京衡耀達科技發展中心(有限合夥))	2,500.00	2,500.00	25%
Total		10,000.00	10,000.00	100%

As at the date of valuation, Jiujiang Sun.King Technology Co., Ltd. had a registered capital of RMB100 million and a paid-in capital of RMB100 million. The shareholding structure of the Company as at the date of valuation was as follows:

No.	Name of shareholder	Amount of capital contribution committed (RMB in ten thousand)	Amount of capital contribution made (RMB in ten thousand)	Percentage of capital contribution
1	Jiashan Sunking Power Equipment Technology Co. Ltd (嘉善華瑞賽晶電氣設備科技有限公司)	6,225.00	6,225.00	62.25%
2	Jiujiang Mei Chuang Technology Application Centre (LLP) (九江美創科技應用中心(有限合夥))	1,275.00	1,275.00	12.75%
3	Beijing Hengyaoda Technology Development Centre (LLP) (北京衡耀達科技發展中心(有限合夥))	2,500.00	2,500.00	25%
Total		10,000.00	10,000.00	100%

3. Organisational structure of the Company



4. Assets, liabilities, interests and operating results of the Company in the past three years

Unit of amount: RMB

Financial Indicators	31 December 2018	31 December 2017	31 December 2016
Total assets (RMB)	350,152,927.63	353,512,367.82	379,164,101.78
Total liabilities (RMB)	103,458,625.11	196,877,596.08	232,692,555.33
Shareholders' equity (RMB)	246,694,302.52	156,634,771.74	146,471,546.45
Operating Results	2018	2017	2016
Revenue (RMB)	185,362,723.45	251,692,116.19	159,204,110.60
Total profit (RMB)	105,614,209.67	29,075,126.96	18,621,105.82
Net profit (RMB)	90,059,530.78	24,870,167.10	16,049,128.31

(Note: the financial data above has been issued by Grant Thornton LLP, which has issued an unqualified auditors' report Grant Thornton Zhuan Zi (2019) No. 110ZC3001.)

(iii) Other users of the asset valuation report specified in the asset appraisal engagement contract

This asset valuation report shall be for use by the client, the parties to this economic behaviour and the relevant regulatory authorities and bodies only and shall not be used or relied upon by any other third party.

(iv) Relationship between the client and the appraised entity

The client is the purchaser of the equity interest in the appraised entity.

II. Purposes of Valuation

As Shanghai Tanda Rolling Stock Seat System Co., Ltd. proposes to acquire 51% equity interest in Jiujiang Sun.King Technology Co., Ltd., it is required to conduct a valuation of the entire equity interest of Jiujiang Sun.King Technology Co., Ltd. to provide a value reference for this economic behaviour.

III. Subject and Scope of Valuation

(i) Subject of valuation

The subject of valuation is the value of the entire equity interest in Jiujiang Sun.King Technology Co., Ltd..

(ii) Scope of valuation

1. Scope of valuation

The scope of valuation covers all assets and liabilities of the appraised entity. As at the date of valuation, the assets within the scope of valuation included current assets, fixed assets, intangible assets, etc. with a total carrying value of RMB350,152,900, the liabilities included current liabilities with a total carrying value of RMB103,458,600, and the net assets had a total carrying value of RMB246,694,300.

The subject and scope of valuation for the engagement are consistent with the subject and scope of valuation involved in the economic behaviour. The carrying values of assets and liabilities within the scope of valuation as at the date of valuation had been audited by Grant Thornton LLP, which has issued an unqualified auditor's report.

The main assets within the scope of valuation are as follows:

1. Inventory: Raw materials, work in progress, finished products and delivered goods located in each warehouse.
2. Buildings and structures: A total of 17 items, mainly including research and development office buildings, 2# plant building, 4# plant building, canteens, dormitories and carports, billboards, greening, etc., located in the plant area of the appraised entity.
3. Machinery equipment: A total of 94 items, mainly cranes, voltage regulators, testers, tool carts, etc., which were in normal use as of the date of valuation.

4. Transportation equipment: A total of 10 vehicles, mainly for daily office use. As of the date of valuation, all the subject vehicles for appraisal had passed annual inspections. Except two vehicles with license plates of Gan GG0298 and Gan G037D0, the other vehicles could be used normally and were in good maintenance.
5. Electronic equipment: A total of 302 items, mainly computers, printers, air conditioners, furniture, etc., located in the office areas on each floor at Jiujiang Sun.King Technology Co., Ltd., which were in normal use as of the date of valuation.
6. Land use rights: A parcel of land for industrial use located to the east of Guanhu Road and to the south of Gangxing Road, Chengxigang District, Jiujiang Economic and Technological Development Zone, Jiangxi Province, with an area of 74,150.643 square metres.
7. Other intangible assets: A total of 20 items, including Nos. 1 and 2 which were finance software and related modules purchased for the Company and were in normal use; Nos. 3 to 19 which were the patents obtained by the Company; No. 20 which was a trademark registered by the Company. Details are as follows:

No.	Name and content of intangible assets	Date of acquisition	Patent number	Original carrying value	Carrying value
1	Software development license	2014/1/21		80,273.5	40,136.50
2	Office software	2018/11/22		239,616.12	235,622.52
3	A type of continuous current protection device for large capacity thyristor rectifier	2011/4/2	ZL 201120095579.6		
4	A type of fully-sealed integrated rectifying device	2014/5/7	ZL 201320758719.2		
5	Bus temperature monitor for high-voltage rectifier cabinet	2015/2/18	ZL 201420654573.1		
6	A type of component crimping device in high-voltage high-power converter system	2015/2/11	ZL 201420655831.8		
7	A type of bus bar for rectifying device	2015/2/11	ZL 201420654888.6		
8	A type of rectifier cabinet signal acquisition module based on CAN communication	2015/4/22	ZL 201420654650.3		
9	A type of rectifying device controller under the isolated power supply mode	2015/5/13	ZL 201420666991.2		
10	A type of thyristor rectifying device control system for aluminum electrolysis industry under isolated network operation	2015/11/25	ZL 201310608929.8		
11	A type of high-voltage high-power thyristor rectifying device for aluminum electrolysis	2016/6/1	ZL 201521006284.1		
12	A type of synchronous circuit for thyristor phase shift trigger	2016/8/17	ZL 201521006418.X		
13	A type of crimping device for flat silicon element with indication function	2017/3/29	ZL 201620994912.X		
14	A type of horizontal rectifying device	2017/4/12	ZL 201620994983.X		
15	A type of multi-thyristor synchronous optical pulse trigger circuit	2017/10/3	ZL 201310044438.5		
16	A type of high-power rectifying device with bridge structure	2018/6/22	201721342322.X		

No.	Name and content of intangible assets	Date of acquisition	Patent number	Original carrying value	Carrying value
17	A type of thyristor rectifier unit for electrolytic aluminium	2018/6/22	201721342324.9		
18	A type of pressure measuring device for crimping type power device	2018/6/22	201721341765.7		
19	A type of rectifying device	2018/6/22	201721341045.0		
20	Registered trademark	2016/12/28	No. 8846382 "JJJZ"		

IV. Type of Value

Based on the purposes of valuation, the type of value for the subject of valuation was determined to be market value.

The market value is defined as the estimated price of the subject of valuation in a normal and arm's length transaction as at the date of valuation between a willing purchaser and a willing seller acting reasonably and without compulsion.

V. Date of Valuation

The date of valuation for this report is 31 December 2018.

VI. Basis for Valuation

(i) Economic behaviour basis

Asset appraisal engagement contract.

(ii) Legal basis

1. Asset Valuation Law of the People's Republic of China (adopted at the 21st meeting of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on 2 July 2016);
2. Company Law of the People's Republic of China (revised at the 6th meeting of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on 28 December 2013);
3. Financial Supervision and Management Measures of Assets Valuation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China);
4. Enterprise Income Tax Law of the People's Republic of China (adopted at the 5th Meeting of the 10th National People's Congress on 16 March 2007);

5. Law of the People's Republic of China on the Administration of Urban Real Estate (revised at the 10th meeting of the Standing Committee of the Eleventh National People's Congress of the People's Republic of China on 27 August 2009);
6. Land Administration Law of the People's Republic of China (adopted at the 11th Meeting of the Standing Committee of the tenth National People's Congress on 28 August 2004);
7. Accounting Standards for Business Enterprises – Basic Standards (Decree No. 33 of the Ministry of Finance), The Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises – Basic Standards (Decree No. 76 of the Ministry of Finance);
8. Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (Decree No. 65 of the Ministry of Finance and State Administration of Taxation);
9. Implementation Regulations of the Land Administration Law of the People's Republic of China;
10. Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in Urban Areas (Decree No. 55 of the State Council);
11. State Council's Decision of Deepening Reform and Being Strict with the Management of Land (Guo Fa [2004] No. 28);
12. Circular of the State Council on Intensifying the Land Control (Guo Fa [2006] No. 31);
13. Law of the People's Republic of China on the Administration of Urban Real Estate;
14. Code for Real Estate Appraisal (China National Standard (GB/T50291-2015));
15. Regulations for Valuation on Urban Land (China National Standard (GB/T18508-2014));
16. Interim Regulations of the People's Republic of China on Vehicle Purchase Tax;
17. Provisions on Compulsory Scrapping Standards for Motor Vehicles;

18. Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36);
19. Provisional Regulations of the People's Republic of China on Urban Land Use Tax (revised for the third time with Decree No. 645 of the State Council dated 7 December 2013);
20. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32).

(iii) Valuation standards basis

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);
2. Code of Professional Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Guidelines for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Guidelines for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Guidelines for Asset Valuation – Enterprise Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Guidelines for Asset Valuation – Intangible assets (Zhong Ping Xie [2017] No. 37);
10. Practicing Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Guidelines for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
12. Guidelines for Business Quality Control of Asset Valuation Institutions (Zhong Ping Xie [2017] No. 46);

13. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);
14. Guiding Opinions on Legal Ownership of the Subjects of Valuation (Zhong Ping Xie [2017] No. 48);
15. Guiding Opinions on Investment Properties Valuation (Zhong Ping Xie [2017] No. 53).

(iv) Basis for ownership

1. Real estate ownership certificates;
2. Project construction contracts and information on construction budgets and final accounts;
3. Land use right certificates;
4. Vehicle registration certificates;
5. Other relevant ownership certificates.

(v) Basis for price determination

1. Financial statements and auditor's reports for previous years provided by the Company;
2. Contracts signed by the Company;
3. Common Data and Parameter Manual for Asset Valuation;
4. Equipment Useful Life Reference;
6. Project construction contracts and information on construction budgets and final accounts;
5. Circular of the Ministry of Construction and the Ministry of Finance on Issuing the Composition of Construction and Installation Cost (Jian Biao [2003] No. 206);
6. Provisions on the Administration of Fees for Engineering Survey and Design (Circular of the State Planning Commission and the Ministry of Construction (2002) No. 10);
7. Circular of the Ministry of Finance on Issuing the Provisions on Financial Management of Capital Construction (Cai Jian [2002] No. 394);

8. Circular of the National Development and Reform Commission and the Ministry of Construction on the Provisions on the Administration of Construction Project Supervision and Related Service Fees (Fa Gai Jia Ge [2007] No. 670);
9. Circular of the General Office of the National Development and Reform Commission on Issues Concerning Bidding Agency Service Fees (Fa Gai Ban Jia Ge [2003] No. 857);
10. Consumption Quota and Unified Base Price Table for Housing Construction and Decoration Projects in Jiangxi Province (2017 version);
11. Consumption Quota and Unified Base Price Table for General Installation Projects in Jiangxi Province (2017 version);
12. Fixed Prices for Construction and Decoration, General Installation, Municipal Projects in Jiangxi Province (for Trial Implementation) (2017 version);
13. On-site survey records and other information on valuation collected by valuers;
14. Benchmark interest rates of bank deposits and loans and foreign exchange rates as at the date of valuation;
15. Statistics and analysis of national macro-economy and industries in the PRC;
16. Profit forecast and relevant information provided by the appraised entity;
17. Relevant information on comparable listed companies;
18. WIND database;
19. CV-sources database;
20. BVD global mergers and acquisitions and intangible assets database;
21. Other information relating to the asset valuation.

(vi) Other references

1. List of assets and valuation return provided by the appraised entity;
2. Audit Report Grant Thornton Zhuan Zi (2019) No. 110ZC3001 issued by Grant Thornton LLP.

VII. Valuation Methods

The income approach is a valuation method to determine the value of the subject of valuation by capitalising or discounting expected income.

The market approach is a valuation method to determine the value of the subject of valuation by comparing the subject of valuation against comparable listed companies or comparable transaction cases.

The asset-based approach is a valuation method to determine the value of various assets and liabilities on and off the balance sheet of the subject of valuation based on its balance sheet as at the date of valuation.

The Practicing Guidelines for Asset Valuation – Enterprise Value provides that, when conducting enterprise value appraisal business, an asset valuer shall analyse the applicability of the three basic approaches, namely the income approach, the market approach and the asset-based approach, according to the purposes of valuation, subject of valuation, types of values and collection of information and choose a suitable valuation approach. In the event that different valuation methods are suitable for enterprise value appraisal, the asset valuation professionals shall adopt no less than two valuation methods to conduct valuation.

The valuation methods selected for this valuation are the asset-based approach and income approach, for the following reasons:

The asset-based approach reflects the value of an asset from the perspective of reacquisition of assets, i.e. reflecting the value of an asset by reducing various kinds of deductions from the replacement cost of the asset. It is on the premises that: First, the appraised assets are in a state of continued use or are assumed to be in a state of continued use; second, the appraised assets shall have available historical data. The subject assets in this valuation meet the above conditions. As such, the asset-based approach was adopted.

Due to the limited access to trading information on the property rights trading market in the PRC and the significant differences in the composition of principal activities of similar enterprises, there are few comparable trading cases and market parameters suitable for the market approach. As such, the market approach was not adopted in this valuation.

The income approach is to evaluate assets from the perspective of expected profitability of assets, which can fully reflect the overall value of an enterprise. Its valuation conclusion is usually reliable and convincing. The management of the Company has issued a profit forecast for the next 5 years based on the Company's operating conditions and expected future industry and market conditions, which meet the condition for valuation under the income approach. As such, the income approach was adopted in this valuation.

1. Operational thinking for valuation under the asset-based approach

- (1) The appraised value of cash at bank and on hand, including cash, bank deposits and others, was determined to be the verified carrying value through cash counting and verification of bank statements and bank letters. Foreign currency amounts were translated into Renminbi using the benchmark exchange rate of Renminbi as at the date of valuation announced by the People's Bank of China.
- (2) For notes receivable, the sub-ledger was checked against the general ledger and statement balance and the breakdown for consistency, and the par value, date of occurrence, business nature and coupon rate of the notes were checked against accounting records for consistency to verify the truthfulness and completeness of notes receivable and that the amounts in the accounts, statements and notes are consistent. Upon verification, the notes receivable were true, accurate in amount and without accrued interest. Their verified carrying values were adopted as the appraised value.
- (3) Receivables: including accounts receivable, prepayments and other receivables. For accounts receivable and other receivables, based on the verification of their value composition and debtors' situation, the valuer analysed the amount and ageing of and reason for the outstanding amounts, their recovery, the capital, creditworthiness and current situation of operation and management of debtors and other factors. Upon verification, the valuer determined the likely recoverable amount of each amount to be its appraised value. For the amounts which may not be recoverable, the amounts after deducting the provision for risk loss according to the ageing analysis were determined to be their appraised values. For amounts for which there are conclusive evidence that they are unrecoverable, their values were considered zero, and the value of the "provision for bad debts" item was calculated as zero. For prepayments, the reasons for their occurrence were analysed and, based on the assets or rights arising from the relevant goods which are recoverable, their verified carrying values were determined to be their appraised values.

- (4) Inventory: including raw materials, finished products and work in progress.

Raw materials: The valuer first checked the purchase and sale contracts and invoices for raw materials, and verified the date of purchases and the recorded amounts. The book cost structure was reasonable, and there was no gain or loss on materials. The valuer investigated the market price as at the date of valuation. Most of the inventory raw materials were recently purchased or for recent use. Their carrying values approximated to their market prices as at the date of valuation. According to the enquiry into the Company, certain raw materials which had long ageing no longer had useful value.

The appraised value of each asset was obtained by multiplying the volume upon counting and verification by the prevailing market purchase price, plus reasonable freight and miscellaneous charges, losses, acceptance, sorting and warehousing fees and other reasonable expenses. For those that were invalid, deteriorated, damaged, scrapped or useless, their appraised values were determined through analysis and calculation after deducting the relevant depreciation amount based on the technical appraisal results and the relevant evidence.

Finished products: The valuer first checked the purchase and sale contracts and invoices of finished products, and verified the dates of purchase and the recorded amounts. The book cost structure was reasonable, and there was no gain or loss on materials. The valuer investigated and enquired the personnel at the Company about the market prices as at the date of valuation. Most of the finished products were spare parts of finished products which had not been priced yet and their carrying values were adopted in the valuation. Certain finished products with a long stock age no longer had useful values according to the enquiries made to the personnel at the Company, and their values were calculated as zero in the valuation. Certain finished products were manufactured in accordance with contract and made to order. The appraised values of those very popular products were determined by deducting their selling expenses and all taxes from their selling prices.

Work in progress: The valuer verified the cost accounting and collection, and analysed the cost data of the work in progress of the production and accounting departments of the appraised entity. The cost allocation and collection were basically correct for the Company. As such, the verified carrying values of work in progress were determined to be their appraised values.

Delivered goods: The Company's products are manufactured in accordance with contract and made to order. The appraised values of those very popular products were determined by deducting their selling expenses and all taxes from their selling prices.

(5) Long-term equity investments

The contents of the asset valuation declaration form were examined against the investment agreements, articles of association of the Company and other information collected according to the breakdown of long-term equity investments. Upon verification, there were no adjustments following counting. The valuer learned from the Company about the accounting methods for long-term equity investments and the operating condition of the investees, paid special attention to the actual control over the investees, and adopted the following valuation method according to the actual control over the investees:

The appraised values of long-term equity investments in investees which were still in normal operation were appraised under the equity method by multiplying the carrying value of net assets set out in the balance sheet of the investees as at the date of valuation by the shareholding percentage.

(6) Buildings and structures

The replacement cost method was adopted for the appraisal of the buildings and structures in this valuation.

1) Replacement cost method

Under the replacement cost method, the appraised value of buildings was determined by calculating the full replacement price of buildings based on the construction work volume of the buildings and the existing fixed standards or pricing regulations, construction fees and loan interest rates according to the information on construction work and the information on completion and settlement, and then determined the residue ratio based on the useful life of buildings and the on-site survey of buildings.

Appraised value of buildings = Full replacement price x Residue ratio

The appraised value of other buildings was calculated by determining the unit replacement price through the use of similar methods based on on-site survey and taking into account various valuation factors.

(i) Full replacement price

The full replacement price comprises three components, being construction and installation cost, upfront and other expenses, and capital cost.

According to the Circular Cai Shui [2016] No. 36, the corresponding value-added tax shall be deducted from the full replacement price for those meeting the conditions for deduction of value-added tax. The full replacement price of buildings and structures generally includes: construction and installation costs, upfront and other expenses of construction projects after deducting deductible value-added tax, and capital cost. The calculation formula for the full replacement price of buildings and structures is as follows:

Deductible value-added tax in upfront expenses = Construction and installation project cost x (Survey and design rate + Project supervision rate + Environmental impact assessment rate + Bidding agency fee)/1.06 x 6%.

Full replacement price = General construction and installation cost (tax excluded) + Upfront expenses + Capital cost – Deductible value-added tax in upfront expenses

A. Determination of construction and installation cost

The construction and installation project cost was calculated using budget and final accounts adjustment method. The valuer calculated the construction and installation project cost according to the information on project budget and accounts provided by the client and with reference to the Consumption Quota and Unified Base Price Table for Housing Construction and Decoration Projects in Jiangxi Province (2017 version), the Consumption Quota and Unified Base Price Table for General Installation Projects in Jiangxi Province (2017 version) and the Information on Project Cost in Jiujiang for the Fourth Quarter of 2018.

The construction and installation cost of other buildings with similar structures was calculated using typical project difference factor adjustment method. The factors affecting the construction and installation cost of buildings mainly include the number of floors, floor height, appearance, layout, depth, width, span, building materials, decoration standards, equipment and facilities. The subject of valuation was compared against typical projects to obtain the integrated adjustment factor. The construction and installation cost of

the subject of valuation equals to the construction and installation cost multiplied by the integrated adjustment factor.

For the calculation of the unit replacement price of small buildings and structures, the difference adjustment and estimation were carried out by using the single party cost of local similar structures as at the date of valuation.

B. Determination of upfront and other expenses

Upfront and other expenses comprise two components, being the construction expenses charged by the national and local governments and other expenses of construction projects incurred by the construction entity other than construction cost. The table below sets out the relevant contents and fee rates:

Table of Upfront and Other Expenses of Construction Projects

No.	Name of item	Billing basis	Billing standard		Basis for charging
			Fee rates inclusive of tax	Fee rates exclusive of tax	
1	Construction entity management fee	Comprehensive construction and installation cost inclusive of tax	1.25%	1.25%	Cai Jian [2002] No. 394
2	Survey and design fee	Comprehensive construction and installation cost inclusive of tax	4.00%	3.77%	Ji Jia Ge [2002] No. 10
3	Project construction supervision fee	Comprehensive construction and installation cost inclusive of tax	2.40%	2.26%	Fa Gai Jia Ge [2007] No. 670
4	Bidding agency service fee	Comprehensive construction and installation cost inclusive of tax	0.40%	0.38%	Ji Jia Ge [2002] No. 1980
5	Environmental assessment fee	Comprehensive construction and installation cost inclusive of tax	0.20%	0.19%	Ji Jia Zi [2002] No. 125
Total upfront and other expenses			8.25%	7.85%	

C. Determination of capital cost

Capital cost is the loan interest on the capital invested in project construction during the construction period. Its interest rate is calculated based on the benchmark interest rates promulgated by the People's Bank of China. The construction period is calculated based on normal construction cycle, during which the capital cost is evenly allocated. The benchmark loan interest rates for financial institutions promulgated on 23 October 2015 were as follows:

Benchmark Interest Rates for Loans Denominated in Renminbi Of Financial Institutions

Term of loan	Annual interest rate (%)
Within one year (including one year)	4.35
One to five years (including five years)	4.75
Over five years	4.90

Capital cost = (Project construction and installation cost + Upfront and other expenses) x Construction period x Loan interest rate x 50%

(ii) Residue ratio

The residue ratio of buildings and structures in this valuation was calculated using two methods, being on-site survey residue ratio and theoretical residue ratio, and the integrated residue ratio was calculated based on the results of two methods through weighting average of on-site survey residue ratio and on-site survey residue ratio in a proportion of 5:5. Where:

Survey residue ratio N1: The on-site survey residue ratio of each building and structure was determined through on-site survey of each building (structure) by the valuer on the foundation, supporting member (beams, slabs and columns), walls, floors, roofs, doors and windows, wall paintings, suspended ceiling and water supply and discharge, ventilation and electric lighting and other parts, in accordance with the Assessment Standard for Property Damage Grade, the References for Appraisal of Oldness and Newness Degree of Properties and the Scoring Criteria and Correction

Coefficient for Different Residue Ratios of Properties promulgated by the former Ministry of Urban and Rural Environmental Construction and Protection and in view of the conditions of use and maintenance of buildings and structures.

Theoretical residue ratio N2: calculated based on the economic useful life and the elapsed useful life of buildings.

Theoretical residue ratio N2 = $(1 - \text{Elapsed useful life} / \text{economic useful life}) \times 100\%$

The residue ratio was calculated through weighting average following the calculation under the two methods above.

Residue ratio N = Survey residue ratio N1 \times 50% + Theoretical residue ratio N2 \times 50%

(iii) Determination of appraised value

Appraised value = Full replacement price \times Residue ratio

(7) Machinery equipment

According to the purposes of valuation, in accordance with the principle of continuous use and based on the market price as at the date of valuation, the replacement cost method was adopted in this valuation. That is:

Appraised value = Full replacement price \times Integrated residue ratio

1) Determination of full replacement price

(i) Replacement price of machinery equipment

a. For equipment that do not need installation:

Full replacement price = Equipment purchase price + Freight and miscellaneous expenses

b. For domestic equipment that need installation:

Full replacement price = Equipment purchase price + Freight and miscellaneous expenses + Installation and commissioning fee + Basic fee + Upfront and other expenses + Capital cost – Deductible Value-added tax input tax

- c. For financial leasing machinery equipment: As the purchase date is close to the date of valuation, the verified carrying value is recognised in this valuation.
- d. For the office equipment under valuation, the valuation was conducted through market enquiry. As these equipment are easy to install, the valuer directly recognised the enquiry results as their full replacement prices.

(ii) Vehicle replacement price

Full replacement price = Current purchase price exclusive of tax + Vehicle purchase tax + Handling fee for new car registration

(iii) Electronic equipment replacement price

The full replacement price was determined based on the purchase price according to recent market price information such as local market information. For electronic equipment which were bought long ago and no longer for sale in the market but can be used, their full replacement prices were determined with reference to the market prices of second-hand equipment.

2) Determination of integrated residue ratios

- (i) For large-scale key equipment, their residue ratios were determined through on-site survey of the operation condition, load condition, maintenance condition and failure rate of the equipment and in view of the theoretical residue ratio. The weight of the on-site survey residue ratio is 50%, and the weight of the theoretical residue ratio is 50%.

The formula is as follows: Integrated residue ratio = Theoretical residue ratio × 50% + On-site survey residue ratio × 50%

- (ii) The residue ratio of general small equipment was mainly determined based on the useful life of equipment.

Ageing residue ratio = $(1 - \text{Elapsed useful life} / \text{Economic useful life}) \times 100\%$

- (iii) For transportation vehicles, adjustments were mainly made based on the mileage of vehicles combined with on-site survey in accordance with the Provisions on Compulsory

Scrapping Standards for Motor Vehicles, being the Decree No. 12 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection of 2012. The calculation formula is as follows:

$$\text{Mileage residue ratio} = (\text{Specified mileage} - \text{Actual mileage}) / \text{Specified mileage} \times 100\%$$

(8) Intangible assets

1) Land use rights

According to the Regulations for Valuation on Urban Land, common valuation methods include market comparison approach, benchmark land factor revision approach, income return approach, residue approach and cost approximation approach. For the selection of valuation methods, suitable valuation methods shall be selected in accordance with the requirements of the Regulations for Valuation on Urban Land and based on local property market development, the features of the subject of valuation and the purposes of the valuation.

In view of the subject of valuation, types of values, purposes of valuation of this valuation and the information collected by the valuer, the market comparison approach was selected for land use rights in this valuation.

The reasons are as follows:

A. Benchmark land price factor revision approach

As the base date of the benchmark land price results of Jiujiang City is 1 January 2014, which is long before the date of valuation, and the subject land is not within the coverage of the benchmark land price, the benchmark land price factor revision approach was not adopted in this valuation.

B. Income approach and residue approach:

As the nature of the land use right of the subject land is industrial land without corresponding rental income, and the development of the subject land is completed, the income approach and residue approach do not apply to this valuation.

C. Cost approximation approach

As local government and relevant departments have not recently issued relevant documents on the standard for compensation for land requisition, the acquisition cost and development cost of the land are not easy to determine. As such, the cost approximation approach is not suitable for this valuation.

D. Market comparison approach

Similar land transaction cases close to the date of valuation can be collected through searches at www.landchina.com. As such, the market comparison approach is suitable for this valuation.

Market comparison approach: Under the market comparison approach, the subject land was compared against similar land properties in recent market transactions close to the date of valuation which can replace the subject land based on the market substitution principle, with appropriate revisions made to the transaction price of similar land properties, in order to estimate the objective and reasonable price of the subject land.

Formula: $V = VB \times A \times B \times C \times D \times E \times F$

Where:

- V – Price of the subject land;
- VB – Price of comparable land;
- A – Subject land transaction indicator/Comparable land transaction indicator;
- B – Subject land use indicator/Comparable land use indicator;
- C – Subject land transaction method indicator/Comparable land transaction method indicator;
- D – Subject land useful life indicator/Comparable land useful life indicator;
- E – Subject land price indicator as at the date of valuation/Comparable land price indicator as at transaction date;
- F – Subject land region and individual factor condition indicator/Comparable land region and individual factor condition indicator.

2) Purchased software

The ownership, usage status, correctness of amortisation and remaining amortisation period of purchased software were examined to determine the appraised value using the market approach.

3) Combination of intangible assets such as proprietary technologies and patents

According to the requirements of the asset valuation standards, three methods, being the income approach, the market approach and the cost approach, may be adopted in the valuation of patents.

The income approach is a valuation method to determine the value of the subject of valuation by capitalising or discounting expected income. The income approach assesses the assets from the perspective of the expected profitability of the assets. Patent holders can predict the future income of patents. As such, the condition for the income approach is met for this valuation.

Intangible assets are non-standard and unique, and it is difficult to find comparable objects similar to the subject of valuation in form, function, carrier and trading conditions. As such, the market approach is not suitable for this valuation.

The cost approach is to calculate the patent value by deducting various depreciation from the replacement cost of the patent. It is difficult for the patent holder to obtain the research and development cost of the patent. As such, the cost approach was not adopted in this valuation.

Patents within the scope of this valuation include patents. The valuer investigated and obtained information on the attributes of patent rights, legal status, patent application number, patent claims and whether patents are licensed or transferred, litigations, invalidation requests and pledges, and adopted the income approach in the valuation of subject patents.

The income approach is to estimate the expected income of the appraised asset during its economic useful life, which is discounted to present value at an appropriate discount rate. Given that the future income of the patented products is predictable, the income approach can be adopted to appraise the intangible assets owned by the Company.

As the patent technologies and trademarks are related and their contributions to the products are complementary, the intangible assets were considered as a whole to determine their value in this valuation.

Calculation formula:

$$P = \alpha \left[\sum_{t=1}^n F_t / (1+i)^t \right]$$

Where: P is the appraised value of intangible assets;

F_t is the amount of income generated by the intangible assets during each year of useful life;

n is the economic useful life;

t is the number of years in the useful life;

i is the discount rate;

α is the royalty rate.

(7) Development expenses

The valuer has obtained the relevant evidence and invoices after verifying the declared value of development expenses. The appraised value was determined according to the verified carrying value in this valuation.

(8) Deferred tax assets

The valuer investigated and obtained information on the reasons and the generation process for the differences, and determined the appraised value according to the verified carrying value and based on the assessment of current accounts and inventory in this valuation.

(9) Liabilities

The valuation of liabilities of the Company mainly involved reviews and examinations. The valuer verified the relevant documents, contracts, books and evidence. Following the verification of their truthfulness, the appraised value was determined to be the verified carrying value or the actual liabilities assumed.

2. Operational thinking for valuation under the income approach

(1) *The specific thinking for this valuation is as follows:*

- 1) For the assets and principal activities within the scope of statements, the expected income (net cash flows) was estimated based on the trend of change in the historical results of operation for recent years and the business nature, which was discounted to obtain the value of operating assets;
- 2) Assets (liabilities) such as receivables and payables as at the date of valuation which were within the scope of statements but were not considered in the estimation of expected income (net cash flows); the values of assets such as external investments which were not within the scope of estimation, surplus or non-operating assets (liabilities) as at the date of valuation, purchased or constructed fixed assets investments were separately estimated; the enterprise value of the subject of valuation was derived from the sum of the aforesaid assets and liabilities, which, after deducting the value of interest-bearing debts, was determined to be the value of equity capital (all shareholders' equity) of the subject of valuation.

(2) *Valuation model*

The basic model for this valuation is:

$$E = B - D$$

Where: E: the value of all shareholders' equity (net assets) of the subject of valuation;

B: the enterprise value of the subject of valuation;

D: the value of interest-bearing debts of the subject of valuation.

Where B: The model for the enterprise value of the subject of valuation is:

$$B = P + \sum C_i$$

Where: P: the value of operating assets of the subject of valuation;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{i+1}}{r(1+r)^i}$$

R_i : the expected income (free cash flows) of the subject of valuation for the year i in the future;

r: discount rate;

n: the future continuous operation period of the subject of valuation was determined to be indefinite in this valuation;

ΣC_i : the value of non-operating surplus assets (liabilities), purchased or constructed fixed assets and long-term equity investments of the subject of valuation as at the base date.

$$\Sigma C_i = C_1 + C_2$$

C_1 : the value of other non-operating surplus assets (liabilities), and purchased or constructed fixed assets of the subject of valuation as at the base date

C_2 : the value of long-term equity investments

(3) *Determination of number of years of income*

This valuation using the income approach was made on the premise of continuous operation of the Company. As such, the number of years of income was determined to be indefinite, and a two-phase model was adopted based on the information on the operating history of the Company and the industry development trend, under which reasonable estimates were made about the revenue, costs and profits of the Company for the five years following the date of valuation based on the actual conditions of the Company and policy, market and other factors, and those for the years starting from the sixth year shall be the same as those for the fifth year.

(4) *Correlation between the income subject and basis*

In this valuation, the free cash flow of the Company was used as the income indicator of the operating assets of the subject of valuation, and its basic formula is:

Free cash flows of the Company = Net profit + Depreciation and amortisation + Interest on interest-bearing debts after tax – Further capital contribution

According to the principle that income shall be calculated on the same basis as discount rate, the basis for income adopted in this valuation is free cash flows of the Company, and the discount rate selected is weighted average capital cost (WACC).

VIII. Implementation Process of Valuation Procedures

The valuer appraised the assets and liabilities involved in the subject of valuation. Details of the implementation process of major valuation procedures are as follows:

(i) *Acceptance of engagement*

We reached an agreement with the client in respect of basic matters for valuation including the purposes of valuation, the subject of valuation, the scope of valuation and the date of valuation, as well as the rights and obligations of each party, and determined the basic valuation matters such as the corresponding valuation plan and method of submission of valuation report through negotiations with the client.

(ii) *Preliminary preparation*

In view of the basic valuation matters, we prepared a valuation plan, established a valuation team and arranged training for the relevant personnel of the project.

(iii) *On-site investigation*

The valuer conducted necessary examination and verification of the assets involving the subject of valuation, and carried out necessary due diligence on the operation and management of the appraised entity.

1. Providing guidance to the appraised entity on completing forms and preparing information to be submitted to the appraised entity

The valuer provided guidance to the finance and asset management personnel of the appraised entity on completing asset appraisal forms for the assets included in the scope of valuation in a meticulous and accurate manner based on self-examination of assets and in accordance

with the breakdown of assets for valuation, the requirements for completion and the list of information provided by us, and on collecting ownership certificates of assets and documents and information reflecting the performance, status and economic and technical indicators of the assets.

2. Preliminary review and perfection of the breakdown of assets for valuation completed by the appraised entity

The valuer understood the details of the assets included in the scope of valuation by accessing the relevant information, carefully reviewed the breakdown of various assets for appraisal to check if there is any incomplete or wrong submission or any unclear asset, and examined based on our experience and understanding if there is any missing item in the breakdown of asset for appraisal, and provided feedback to the appraised entity for improvement of the breakdown of asset for appraisal.

3. On-site field survey

With the cooperation of the relevant personnel of the appraised entity, the valuer conducted on-site survey of the assets within the scope of valuation based on their types, quantity and distribution and in accordance with the relevant requirements of the asset appraisal standards, and adopted different survey methods in view of different natures and features of the assets.

4. Supplementing, amendment and perfection of the breakdown of assets for valuation

The valuer fully communicated with the relevant personnel of the appraised entity based on the results of on-site survey and further improved the breakdown of assets for valuation to ensure the consistency among the carrying value, the record and the reality.

5. Examination of ownership certificates and documents

The valuer examined the ownership certificates and documents of the assets within the scope of valuation including buildings and structures, vehicles and land, and requested the Company to verify or produce the relevant ownership certificates and documents for those with incomplete ownership information or unclear ownership.

(iv) Data collection

The valuer collected the data for valuation according to the specific conditions of the valuation project, including the information directly and independently obtained from market and other channels, the data obtained

from the relevant parties including the client, and the data obtained from government authorities, various professional institutions and other relevant departments. The valuer conducted necessary analysis, induction and sorting of the data collected for valuation to form the basis for valuation.

(v) *Assessment of estimates*

According to the specific conditions of various assets, the valuer selected the corresponding formulas and parameters to make analysis, calculation and determination based on the valuation methods selected and formed the preliminary valuation conclusions. The project leader summarised the preliminary valuation conclusion of various assets, and compiled and prepared the preliminary asset valuation report.

(vi) *Internal review*

In accordance with the requirements of the administrative measures for our valuation business process, the project leader submitted the completed the preliminary asset valuation report for our internal review. Upon completion of internal review, the project leader communicated with the client or other relevant parties agreed by the client about the contents of the asset valuation report, and issued the asset valuation report after making reasonable amendments according to their feedbacks.

(vii) *Maintenance of valuation files*

According to the requirements of the asset appraisal standards, the valuer sorted out the working papers, asset valuation report and other relevant materials to maintain an asset valuation file.

IX. Valuation Assumptions

The assumptions adopted in analysing the estimates in the asset valuation report are as follows:

(i) Basic assumptions

1. Open market assumption assumes that the assets to be valued are traded or can be traded on the open market, and both of the parties to the transaction of the assets are in equal position and have enough opportunities and time to obtain market information so as to make reasonable and rational judgment on the functions, purpose and considerations of the assets;

2. Transaction assumption assumes that all the assets to be valued are already in the process of transaction, and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued. Transaction assumption is the most basic assumption for asset valuation;
3. Going concern assumption assumes that the appraised entity will not cease operation for any reason in the foreseeable future, but will continue to operate lawfully with its existing assets and resources.

(ii) General assumptions

1. It is assumed that there will be no material changes to the relevant prevailing laws and policies, or macro-economic situations in the country as well as the political, economic and social environment of regions where the parties to the transaction are located;
2. In respect of the actual status of the assets as at the date of valuation, it is assumed that the operation of the enterprise will continue;
3. It is assumed that there will be no significant changes in the taxation base and tax rate, policy charges relating to the appraised entity following the date of valuation;
4. It is assumed that the Company fully complies with all relevant laws and regulations;
5. It is assumed that the values of various parameters measured in this valuation are determined according to the current price system, without considering the influence of inflation factors following the date of valuation;
6. It is assumed that no force majeure or unforeseeable factor will have any material adverse effect on the appraised entity following the date of valuation.

(iii) Special assumptions

1. It is assumed that the accounting policies adopted by the appraised entity following the date of valuation will be consistent in material aspects with those adopted in the preparation of this asset valuation report;
2. It is assumed that the scope and method of business of the appraised entity following the date of valuation will be consistent with those in existence on the basis of the existing management model and level;
3. Assumption of continuous use of assets, i.e. it is assumed that the appraised assets will continue to be used legally and effectively in accordance with their current use, methods of use, scale, frequency, environment and other conditions, and there will be no significant changes during the foreseeable use period;

4. It is assumed that the general information, property right information, policy documents and other relevant materials relating to operation of the Company provided by the client and the appraised entity are true and effective;
5. It is assumed that the purchase, acquisition and construction process of the assets involving the subject of valuation comply with the requirements of the relevant national laws and regulations;
6. It is assumed that there are no material technical failures which will affect the continuous use of the physical assets involving the subject of valuation and that there are no material quality defects in their key parts and materials;
7. It is assumed that there will be no significant changes in the main scope of principal activities and size of operation of the appraised entity;
8. It is assumed that there are no significant differences between the accounting policies adopted in the financial information for recent years provided by the appraised entity and those adopted in the revenue forecast;
9. It is assumed that there will be no major changes in the future business strategy and cost control of the Company;
10. The possible non-recurring gains or losses in the operation of the Company for the foreseeable period of operation will not be considered, including but not limited to the following: gains and losses from disposal of fixed assets, intangible assets and other long-term assets as well as other non-operating income and expenses;
11. The impact of future capital increase by shareholders or other parties on the value of the Company was not considered;
12. It is assumed that the relevant approval documents required for the normal operation of the Company can be obtained in a timely manner;
13. It is assumed that the specific sales model set in the valuation process can be continued;
14. It is assumed that the preferential income tax rate can be renewed.

The valuation conclusion in the asset valuation report was effective as at the date of valuation on the aforesaid assumptions. We and the signing valuers disclaim any responsibility for any different valuation conclusion arising from any significant change in any assumption.

X. Valuation Conclusion

1. Asset-based approach

As at 31 December 2018, being the date of valuation, on the going concern basis, Jiujiang Sun.King Technology Co., Ltd. had audited total assets of with carrying value of RMB350,152,900, total liabilities with carrying value of RMB103,458,600 and net assets of RMB246,694,300. According to the asset-based approach, the appraised value of the total assets of Jiujiang Sun.King Technology Co., Ltd. was RMB417,024,500, representing an appreciation amount of RMB66,871,500 and an appreciation rate of 19.10%; the appraised value of its total liabilities was RMB103,458,600, representing no appreciation or depreciation; the appraised value of its net assets was RMB313,565,900, representing an appreciation amount of RMB66,871,500 and an appreciation rate of 27.11%. For details, please see the table below:

Summary of Asset Valuation Results

Appraised entity: Jiujiang Sun.King Technology Co., Ltd.

Unit of amount: RMB in ten thousand

Item	Carrying value A	Appraised value B	Amount of appreciation or depreciation C=B-A	Appreciation rate (%) D=C-A×100 %
Current assets	29,344.77	29,830.32	485.55	1.65
Non-current assets	5,670.52	11,872.13	6,201.60	109.37
Long-term equity investments	750.00	749.83	-0.17	-0.02
Fixed assets	3,946.96	4,378.23	431.27	10.93
Intangible assets	675.62	6,446.12	5,770.50	854.10
Development expenses	64.98	64.98	—	—
Deferred tax assets	232.97	232.97	—	—
Total assets	35,015.29	41,702.45	6,687.15	19.10
Current liabilities	10,345.86	10,345.86	—	—
Non-current liabilities	—	—	—	—
Total liabilities	10,345.86	10,345.86	—	—
Net assets (owner's equity)	24,669.43	31,356.59	6,687.15	27.11

According to the valuation under the asset-based approach, the entire equity interest in Jiujiang Sun.King Technology Co., Ltd. was valued at RMB313,565,900.

2. Income approach

As at 31 December 2018, being the date of valuation, on the going concern basis, the valuation results of the entire equity interest of Jiujiang Sun.King Technology Co., Ltd. under the income approach were RMB452,310,000, representing an appreciation amount of RMB205,615,700 and an appreciation rate of 83.35%.

3. Determination of valuation results

Based on the comparison of two valuation results under the asset-based approach and the income approach, the appraised values under the asset-based approach and the income approach had a difference in the amount of RMB138,744,100 and the difference was 44.25%.

The asset-based approach determines the enterprise value from a static point of view, without considering the future development of the enterprise or other factors not recorded in the financial statements, such as human resources, marketing network, stable customer base and other factors, which tend to underestimate the value of the enterprise.

In the valuation under the income approach, not only the values of all tangible assets, intangible assets and liabilities shown in the balance sheet of the enterprise were considered, but also goodwill such as human resources, marketing network and stable customer base which were not shown in the balance sheet were also considered. The results of the income approach can better reflect the real enterprise value of the subject of valuation. As such, the valuation results under the income approach were adopted as the final valuation conclusion.

In view of the above, the final valuation conclusion is as follows:

On the going concern basis, the valuation results of the entire equity interest of Jiujiang Sun.King Technology Co., Ltd. under the income approach was RMB452,310,000, representing an appreciation amount of RMB205,615,700 and an appreciation rate of 83.35%.

XI. Notes on Special Matters

(i) Events occurring during the period from the date of valuation to the date of the valuation report which may affect the valuation conclusion

1. The events following the date of valuation represent significant events occurring during the period from the date of valuation to the date of the valuation report;

2. In case of any event following the date of valuation which may affect the value of assets such as the demolition, damage and loss of the appraised assets due to force majeure, the valuation conclusion may not be directly used;
3. In case of any significant event following the date of valuation, the valuation conclusion may not be directly used. If there is any change in the number of assets during the validity period of this valuation report, the appraised value shall be adjusted accordingly using the original valuation method.

(ii) Other matters requiring explanations

1. This valuation report is issued under the principles of independence, objectivity, impartiality and science and meets the requirements of the relevant laws, regulations and asset appraisal standards. We and all of our staff participating in the valuation do not have any special relationship with the client and the relevant parties, and our valuers had always complied with the professional ethics and norms throughout the valuation process.
2. The general information, ownership information, policy documents and other materials relating to the operation of the Company were provided by the client and the appraised entity, who shall bear relevant legal responsibilities for the truthfulness and lawfulness of these information. In addition, according to the requirements of the Guiding Opinions on Legal Ownership of the Subjects of Valuation (Zhong Ping Xie [2017] No. 48): “The purposes of carrying out asset valuation business are to estimate the value of the subject of valuation and issue professional opinions, and the confirmation of or issuing opinions on the legal ownership of the subject of asset valuation is beyond the scope of practice of the asset valuation professionals. The asset valuation professionals shall not provide any guarantee for the legal ownership of the subject of asset valuation.”
3. We and our valuers disclaim any responsibility for any defects of the Company which may affect the appraised value of assets and were not mentioned at the time of engagement and which were unknown to us despite that our valuers have performed the valuation procedures.
4. This valuation report is only responsible for the conclusion itself in accordance with the professional norms, but not with the economic business pricing decision. The asset valuation conclusion shall not be considered as a guarantee for the realisable price of the subject of valuation.

5. This valuation conclusion is issued by us. Affected by the practicing level and ability of our valuers, the valuation conclusion shall not be considered as the sole basis for the relevant transaction and other economic behaviours and shall be used only for the value reference of the economic behaviours of the parties concerned.
6. The valuers had not identified any pledge or guarantee issued by the Company during the valuation process, and the impacts of any previous or possible future pledge or guarantee and any additional price which may be paid by the party to the special transaction on the appraised value and the impacts of any possible contingent liabilities relating to the assets within the scope of valuation on the appraised value were not taken into account in the valuation conclusion.
7. The appendixes to this valuation report shall be used together with the full text of this valuation report.

XII. Notes on the Limitations on Use of the Asset Valuation Report

- (i) This asset valuation report shall be used for the purposes and uses of valuation set out in this asset valuation report only and by the users specified in this asset valuation report only. The extraction of, reference to or public disclosure of all or any part of this asset valuation report shall be subject to our review, unless otherwise provided in the laws or regulations or agreed between the relevant parties;
- (ii) If the client or any other user of the asset valuation report fails to use the report in accordance with the laws, administrative regulations and the scope of use set out in the report, we and our professional valuers disclaim any liability arising therefrom;
- (iii) No entity or individual other than the client, other users specified in the asset valuation engagement contract and the users of the asset valuation report set out in the laws and administrative regulations shall become a user of the asset valuation report;
- (iv) The users of the asset valuation report shall have a correct understanding of the valuation conclusion, which does not represent the realisable price of the subject of valuation and shall not be deemed a guarantee for the realisable price of the subject of valuation;
- (v) This asset valuation report shall not be put into use unless and until it has been signed by the valuers conducting the valuation with our company chop;
- (vi) The valuation conclusion in this asset valuation report is effective for the economic behaviour described in the asset valuation report only and the valuation conclusion shall be valid for one year from the date of valuation, being from 31 December 2018 to 30 December 2019.

XIII. Date of Asset Valuation Report

This asset valuation report was issued on 15 April 2019.

XIV. Seal of Valuation Institution and Signature of Valuers

Legal representative: Zhao Xiangyang

Valuer: Gong Jia[#]

Valuer: Li Chaoyang[#]

Beijing Guorongxinghua Assets Appraisal Co., Ltd.
15 April 2019

[#] Both Gong Jia and Li Chaoyang are China registered appraisers registered with the China Appraisal Society

Set out below is the letter received from the Board in connection with the valuation on the entire equity interests in Jiujiang Sunking which is considered as a profit forecast under Rule 14.61 of the Listing Rules, for incorporation in this circular.

4 June 2019

To the Shareholders

Dear Sir or Madam,

Major Transaction –

**Disposal of 43% Equity Interests in Jiashan Sunking Power
Equipment Technology Co. Ltd. (嘉善華瑞賽晶電氣設備科技有限公司)**

We refer to the captioned matter and write to you pursuant to Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 4 June 2019 (the “**Circular**”).

Reference is made to the valuation report (the “**Valuation Report**”) dated 15 April 2019 prepared by Beijing Guorongxinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司), an independent valuer (the “**Valuer**”), in relation to the value of the entire equity interests in Jiujiang Sunking (the “**Valuation**”), the text of which is set out in Appendix II to the Circular. The Valuation is based on the discounted future estimated cash flows of Jiujiang Sunking (the “**Discounted Cash Flows**”), which is regarded by the Stock Exchange as a profit forecast under Rule 14.61 of the Listing Rules. The Discounted Cash Flows was prepared in accordance with the bases and assumptions (the “**Bases and Assumptions**”) determined by us.

We have discussed with the Valuer and the accountants of the Company, Ernst & Young (the “**Accountants**”), and reviewed the Bases and Assumptions. We have also considered the letter from the Accountants dated 4 June 2019 regarding the calculations of the Discounted Cash Flows in the Valuation Report.

Based on the aforesaid, we confirm that the forecasts as contained in the Valuation Report have been made after due and careful enquiry pursuant to Rule 14.62(3) of the Listing Rules.

Yours faithfully

By order of the Board

Sun.King Power Electronics Group Limited

Xiang Jie

Chairman

Set out below is the letter received from Ernst & Young, the auditors of the Company, in connection with the valuation on the entire equity interests in Jiujiang Sunking which is considered as a profit forecast under Rule 14.61 of the Listing Rules, for incorporation in this circular.

4 June 2019

**REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH
FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY
INTERESTS IN JIUJIANG SUN.KING TECHNOLOGY CO., LTD.**

*The Board of Directors
Sun.King Power Electronics Group Limited*

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 15 April 2019 prepared by Beijing Guorongxinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司) in respect of Jiujiang Sun.King Technology Co., Ltd. (九江賽晶科技股份有限公司) (the “**Target**”) as at 31 December 2018 is based. The valuation is set out in the circular of Sun.King Power Electronics Group Limited (賽晶電力電子集團有限公司) (the “**Company**”) dated 4 June 2019 (the “**Circular**”) regarding the disposal of 43% equity interests in the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “Valuation Report” of the Circular.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The information used in the Forecast is not derived from the accounting records of the Target and does not entirely apply any accounting policies of the Target. Accordingly, we form no opinion on the appropriateness of the information being used by the directors for the Assumptions.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company or associated corporation

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he/she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of ordinary Shares	Number of underlying Shares held under equity derivatives ^(Note 1)	Total	Approximate percentage of interest in the Company ^(Note 2)
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	361,958,347 ^(Note 3)	20,000,000	381,958,347	23.63%
Mr. Gong Renyuan	Beneficial owner and interest of spouse	8,160,000 ^(Note 4)	11,200,000 ^(Note 5)	19,360,000	1.20%
Mr. Yue Zhoumin	Beneficial owner	4,100,000	1,500,000	5,600,000	0.35%

Notes:

- Such interests represented the interests in the underlying Shares in respect of the share options granted by the Company to the relevant Directors as beneficial owners.
- There were 1,616,322,000 Shares in issue as at the Latest Practicable Date.
- As at the Latest Practicable Date, among the 361,958,347 Shares, 23,630,000 Shares were directly held by Mr. Xiang Jie and the remaining 338,328,347 Shares were directly held by Max Vision Holdings Limited. As at the Latest Practicable Date, Max Vision Holdings Limited was wholly owned by Jiekun Limited, which was wholly owned by BNP Paribas Corporate Services Pte Ltd.. As at the Latest Practicable Date, 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.

As at the Latest Practicable Date, Mr. Xiang Jie was the director of Max Vision Holdings Limited.

4. As at the Latest Practicable Date, among the 8,160,000 Shares, 5,060,000 Shares were held by Mr. Gong Renyuan and the remaining 3,100,000 Shares were held by Ms. Ren Jie, being the spouse of Mr. Gong Renyuan. Mr. Gong Renyuan was deemed to be interested in the 3,100,000 Shares held by Ms. Ren Jie under the SFO.
5. Among the 11,200,000 Shares which may be issued upon the exercise of the share options, 10,000,000 Shares represented the Shares which may be issued upon the exercise of the share options granted to Mr. Gong Renyuan and the remaining 1,200,000 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 to be interested in the 1,200,000 Shares which may be issued upon the exercise of the share options granted to Ms. Ren Jie under the SFO.

(b) Substantial Shareholders, interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Director or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of substantial Shareholder	Nature of interest	Total number of shares held	Approximate percentage of interests in the Company ^(Note 1)
Max Vision Holdings Limited	Beneficial owner	338,328,347 ^(Note 2)	20.93%
Jiekun Limited	Interest in controlled corporation	338,328,347 ^(Note 2)	20.93%
BNP Paribas Corporate Service Pte Ltd.	Interest in controlled corporation	338,328,347 ^(Note 2)	20.93%
BNP Paribas Singapore Trust Corporation Limited	Interest in controlled corporation	338,328,347 ^(Note 2)	20.93%
Meng Fankun	Interest of spouse	381,958,347 ^(Notes 2 and 3)	23.63%
China High-Tech Holding Company Ltd.* (中國恒天控股有限公司)	Beneficial owner	300,000,000	18.56%
China High-Tech Group Corporation* (中國恒天集團有限公司)	Interest in controlled corporation	300,000,000 ^(Note 4)	18.56%

Name of substantial Shareholder	Nature of interest	Total number of shares held	Approximate percentage of interests in the Company ^(Note 1)
Guojing Capital Limited* (國晶資本有限公司)	Beneficial owner	200,000,000	12.37%
China Venture Capital Fund Corporation Ltd.* (中國國有資本風險投資基金股份有限公司)	Interest in controlled corporation	200,000,000 ^(Note 5)	12.37%
China Reform Venture Capital Investment Management (Shenzhen) Ltd.* (國新(深圳)投資有限公司)	Interest in controlled corporation	200,000,000 ^(Note 6)	12.37%
China Reform Holdings Corporation Ltd.* (中國國新控股有限責任公司)	Interest in controlled corporation	200,000,000 ^(Note 7)	12.37%

Notes:

1. There were 1,616,322,000 Shares in issue as at the Latest Practicable Date.
2. As at the Latest Practicable Date, Max Vision Holdings Limited was wholly owned by Jiekun Limited, which was wholly owned by BNP Paribas Corporate Services Pte Ltd.. As at the Latest Practicable Date, 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. As such, Jiekun Limited, BNP Paribas Corporate Service Pte Ltd. and BNP Paribas Singapore Trust Corporation Limited were deemed to be interested in the 338,328,347 Shares held by Max Vision Holdings Limited under the SFO.
3. Ms. Meng Fankun, being the spouse of Mr. Xiang Jie, was deemed to be interested in the 381,958,347 Shares in which Mr. Xiang Jie was interested under the SFO.
4. As at the Latest Practicable Date, China Hi-Tech Holding Company Ltd. was wholly owned by China Hi-Tech Group Corporation. As such, China Hi-Tech Group Corporation was deemed to be interested in the 300,000,000 Shares held by China Hi-Tech Holding Company Ltd. under the SFO.

As at the Latest Practicable Date, Mr. Yan Fuquan, being a non-executive Director, was the chief accountant (總會計師) of China Hi-Tech Group Corporation (中國恒天集團有限公司), the chairman of the board (董事長) and the general manager (總經理) of China Hi-Tech Holding Company Ltd., the chairman of the board (董事長) of Hi-Tech Investment Management Co. Ltd.* (恒天投資管理有限公司). As at the Latest Practicable Date, Mr. Zhu Ming, being a non-executive Director, was the chief financial officer (財務總監) of China Hi-Tech Holding Company Ltd.

5. As at the Latest Practicable Date, Guojing Capital Limited was wholly owned by China Venture Capital Fund Corporation Ltd.. As such, China Venture Capital Fund Corporation Ltd. was deemed to be interested in the 200,000,000 Shares held by Guojing Capital Limited under the SFO.
6. As at the Latest Practicable Date, China Venture Capital Fund Corporation Ltd. was held as to approximately 35.29% by China Reform Venture Capital Investment Management (Shenzhen) Ltd.. As such, China Reform Venture Capital Investment Management (Shenzhen) Ltd. was deemed to be interested in the 200,000,000 Shares held indirectly by China Venture Capital Fund Corporation Ltd under the SFO.
7. As at the Latest Practicable Date, China Reform Venture Capital Investment Management (Shenzhen) Ltd. was wholly owned by China Reform Holdings Corporation Ltd.. As such, China Reform Holdings Corporation Ltd. was deemed to be interested in the 200,000,000 Shares held indirectly by China Reform Venture Capital Investment Management (Shenzhen) Ltd under the SFO.

3. INTERESTS IN GROUP'S ASSETS, CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within a year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective close associates had interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

- (a) the agreement dated 21 July 2017 entered into between the Company and China Venture Capital Fund Corporation Ltd. (中國國有資本風險投資基金股份有限公司) in relation to the subscription of 200,000,000 Shares by China Venture Capital Fund Corporation Ltd. for a consideration of HK\$344 million; and
- (b) the Share Transfer Agreement.

7. LITIGATION AND CLAIMS

As at the Latest Practicable Date, there was no litigation or claim of material importance pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The qualifications of the experts (as defined in the Listing Rules) who have given their opinions or advice in this circular are as follows:

Name	Qualification
Beijing Guorongxinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司)	Independent valuer
Ernst & Young	Certified Public Accountants

None of the experts named above has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

Each of the experts named above has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its report/letter and the reference to its name included in this circular in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts named above had any direct or indirect interest in any assets which have since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

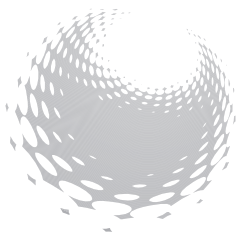
- (a) The company secretary of the Company is Ms. He Lina. Ms. He is a member of The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The headquarter of the Company is at Building 9-A, KongGangRongHuiYuan, Yuhua Road, Tianzhu Airport Industrial Zone B, Shunyi District, Beijing, PRC.
- (d) The share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (other than Saturdays, Sundays and public holidays) at 31st Floor, Tower Two Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date which is 14 days therefrom:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the section headed "material contracts" in this appendix;
- (c) the valuation report on the entire equity interests in Jiujiang Sunking prepared by Beijing Guorongxinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司), the text of which is set out in Appendix II to this circular;
- (d) the letter in connection with the valuation on the entire equity interests in Jiujiang Sunking prepared by Ernst & Young, the text of which is set out in Appendix IV to this circular;
- (e) the written consents from Jiujiang Sunking prepared by Beijing Guorongxinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司) and Ernst & Young as referred to in the paragraph headed "qualification of experts" in this appendix;
- (f) the annual reports of the Company for the two financial years ended 31 December 2017 and 2018; and
- (g) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Sun.King Power Electronics Group Limited (the “Company”) will be held at Meeting Room VIII, Crowne Plaza Beijing International Airport, 60 Fuqian 1 Street, Tianzhu, Shunyi District, Beijing, People’s Republic of China on Thursday, 20 June 2019 at 9:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

“THAT

- (a) the share transfer agreement (the “**Share Transfer Agreement**”) dated 29 April 2019 entered into between (a) Jiashan Sunking Power Equipment Technology Co. Ltd.* (嘉善華瑞賽晶電氣設備科技有限公司) (“**Jiashan Sunking**”) and Beijing Hengyaoda Technology Development Centre (LLP)* (北京衡耀達科技發展中心(有限合夥)) as vendors; and (b) Shanghai Tanda Rolling Stock Seat System Co. Ltd.* (上海坦達軌道車輛座椅系統有限公司) (the “**Purchaser**”) as purchaser in relation to the disposal of 43% of the equity interests in Jiujiang Sun.King Technology Co., Ltd.* (九江賽晶科技股份有限公司) by Jiashan Sunking to the Purchaser (a copy of which is marked “A” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company (the “**Director(s)**”) be and are hereby authorised to do all such acts and things and execute all such documents and to take such steps which he/she/they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Share Transfer Agreement and the transactions contemplated thereunder.”

By order of the board of Directors
Sun.King Power Electronics Group Limited
Xiang Jie
Chairman

Hong Kong, 4 June 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A proxy need not be a Shareholder.
2. Where there are joint holders of any share of the Company (the “**Share(s)**”) any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the EGM the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. The form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding the EGM or any adjournment thereof at which the person named in the form of proxy proposes to vote. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish and in such event, the form of proxy will be deemed to have been revoked.
4. The register of members of the Company will be closed from Monday, 17 June 2019 to Thursday, 20 June 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to establish the identity of the Shareholders who are entitled to attend and vote at the EGM, 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 14 June 2019.
5. The form of proxy for the use at the EGM is enclosed herewith.
6. The English names of the entities marked with “*” in this notice are translations from their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese names shall prevail.

As at the date of this notice, the executive Directors are Mr. Xiang Jie, Mr. Gong Renyuan and Mr. Yue Zhoumin; the non-executive Directors are Mr. Yau Fuquan, Mr. Zhu Ming and Ms. Zhang Ling; and the independent non-executive Directors are Mr. Chen Shimin, Mr. Zhang Xuejun, Mr. Leung Ming Shu and Mr. Zhao Hang.