

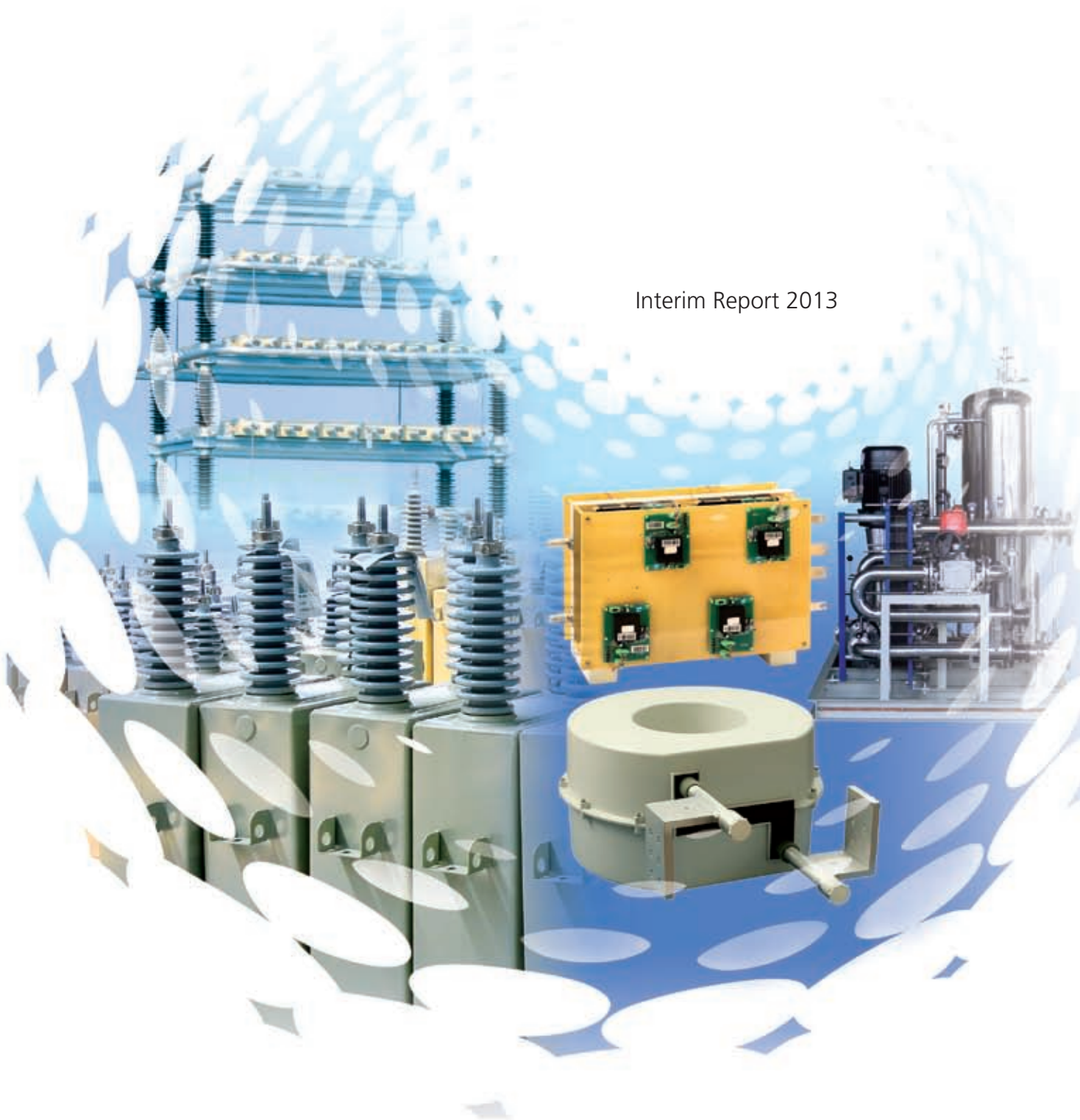


# Sun.King Power Electronics Group Limited 賽晶電力電子集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 580

Interim Report 2013



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# CORPORATE INFORMATION

## Executive Directors

Mr. Xiang Jie (*chairman*)  
Mr. Gong Renyuan (*chief executive officer*)  
Mr. Yue Zhoumin  
Mr. Huang Xiangqian

## Non-executive Directors

Mr. Ye Weigang Greg  
Mr. Wong Kun Kau

## Independent non-executive Directors

Mr. Wang Yi  
Mr. Li Fengling  
Mr. Chen Shimin

## Authorised representatives

Mr. Yue Zhoumin  
Ms. Ma Sau Kuen Gloria

## Audit committee

Mr. Chen Shimin  
(*chairman of the audit committee*)  
Mr. Wang Yi  
Mr. Ye Weigang Greg

## Remuneration committee

Mr. Wang Yi  
(*chairman of the remuneration committee*)  
Mr. Wong Kun Kau  
Mr. Li Fengling

## Nomination committee

Mr. Li Fengling  
(*chairman of the nomination committee*)  
Mr. Gong Renyuan  
Mr. Chen Shimin

## Investment committee

Mr. Li Fengling  
(*chairman of the investment committee*)  
Mr. Xiang Jie  
Mr. Ye Weigang Greg  
Mr. Wong Kun Kau  
Mr. Chen Shimin

## Joint secretaries

Ms. Ma Sau Kuen Gloria *FCIS, FCS*  
Mr. Lau Lap Kwan

## Auditors

Ernst & Young

## Legal adviser

Pang & Co. in association with Loeb & Loeb LLP

## Registered Office

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

## Headquarters

25 Building  
No. 99 Kechuang 14th Street  
Beijing Economic-Technological Development Area  
Daxing District, Beijing  
The People's Republic of China (the "PRC")

## Principal place of business in Hong Kong

8th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## Principal share registrar and transfer office

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## Hong Kong share registrar and transfer office

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wan Chai  
Hong Kong

## Principal bankers

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

## Listing exchange information

Place of listing: Main Board of  
The Stock Exchange of Hong Kong Limited  
(the "Stock Exchange")  
Stock Code: 580

## Company's website

[www.speg.hk](http://www.speg.hk)

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board (the “**Board**”) of Directors (the “**Directors**”) the interim report of Sun.King Power Electronics Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2013.

During the period under review, the Group's revenue increased by 39.0% from approximately RMB274.9 million for the six months ended 30 June 2012 to approximately RMB382.1 million for the corresponding period in 2013. The increase in revenue was mainly attributable to (a) the increase in the number of orders placed with Jiujiang Jiuzheng Rectifier Co., Ltd.\* (九江九整整流器有限公司) (“**Jiujiang Rectifier**”) at the end of 2012 leading to the increase in revenue in the six months ended 30 June 2013; (b) the significant increase in sales of the anode saturable reactors manufactured by the Group for the six months ended 30 June 2013 as a result of winning the bids of several ultra high voltage direct current transmission projects; (c) the delivery of the purchaser orders for (i) the anode saturable reactors in ultra high voltage direct current transmission projects and (ii) insulated gate bipolar transistor (“**IGBT**”) and laminated busbars in the flexible direct current power transmission project leading to the increase in revenue in the six months ended 30 June 2013; and (d) the IGBT power modules supplied to China CNR Corporation Limited (中國北車股份有限公司) (“**CNR**”) generating higher revenue for the six months ended 30 June 2013.

The anode saturable reactors manufactured by the Group continue to bring along business success to the Group. Other than continuing to be a sought-after product of the Group, the anode saturable reactors won the bids of several ultra high voltage direct current transmission projects including the project in the western Zhejiang Province, the PRC. The high voltage power capacitors manufactured by the Group won the bids to become on the centralised procurement lists of the State Grid Corporation of China (國家電網公司) and China Southern Power Grid Co. Ltd. (中國南方電網有限責任公司). In the field of power transmission and distribution, the IGBT power modules and laminated busbars manufactured by the Group were successfully applied to the flexible direct current power transmission project in Zhoushan, Zhejiang Province, the PRC. Further, the laminated busbars manufactured by the Group were successfully applied to the electric locomotives manufactured by CNR. In this regard, the Group maintains its strategic relationship with CNR by offering components and parts including IGBT power modules and laminated busbars for traction converters on various types of electric locomotives. In addition, the Group's self-manufactured energy saving and power quality enhancing products, such as high power rectifiers, load compensators, fixed direct current ice melting and static volt-ampere reactive compensators, and on-line monitoring devices, were successfully applied to a number of power transmission projects and are well received in the market. The Group will continue to tap into this market and launch new products.

Since the beginning of 2013, the Group has implemented strict policies on customer credit rating and receivable management under which the Group has selected customers with higher credit rating with lower risk of default on payment. As a result, for the six months ended 30 June 2013, the Group's revenue showed significant increase and the Group's trade receivable turnover days showed significant decrease as compared to the corresponding period in 2012.

The Group will continue to explore and develop both domestic and overseas markets. Leveraging on the successful application of the Group's products like high power rectifiers, anode saturable reactors and high voltage power capacitors to projects in South Korea and Malaysia, the Group participated in the PCIM Europe 2013 (being Europe's leading meeting-point for specialists in power electronics and its applications in intelligent motion, renewable energy and energy management) held in Nuremberg, Germany in May this year, in which several well-known enterprises in the industry inquired about the products of the Group and it is expected that the Group and a number of such enterprises will agree on preliminary cooperation in the second half of 2013.

Looking forward to the second half of 2013, despite the expected unfavourable global economy, the Group will be able to achieve rapid development as a result of the significant increase in the investments in power transmission and rail transportation by the central and local governments of the PRC, the Group's continued efforts in budget management, cost control and cash flow management, and the Group's enhanced research and development on technologies and products to facilitate product quality and diversification.

Last but not least, on behalf of the Board, I would like to take this opportunity to thank our colleagues of the Board, our dedicated staff for their hard work and contributions as well as our business partners for their support during the period.

**Xiang Jie**  
*Chairman*

Hong Kong, 22 August 2013

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue, which is generated from sales of goods, increased by approximately 39.0% from approximately RMB274.9 million for the six months ended 30 June 2012 to approximately RMB382.1 million for the corresponding period in 2013. The increase in revenue was mainly attributable to (a) the increase in the number of orders placed with Jiujiang Rectifier in the end of 2012 leading to the increase in revenue in the six months ended 30 June 2013; (b) the significant increase in sales of the anode saturable reactors manufactured by the Group for the six months ended 30 June 2013 as a result of winning the bids of several ultra high voltage direct current transmission projects; (c) the delivery of the purchaser orders for (i) the anode saturable reactors in ultra high voltage direct current transmission projects and (ii) IGBT and laminated busbars in the flexible direct current power transmission project leading to the increase in revenue in the six months ended 30 June 2013; and (d) the IGBT power modules supplied to CNR generating higher revenue for the six months ended 30 June 2013.

### Cost of sales

The Group's cost of sales increased by approximately 25.9% from approximately RMB207.1 million for the six months ended 30 June 2012 to approximately RMB260.7 million for the corresponding period in 2013. The increase in cost of sales was mainly resulted from (a) the increase in cost of inventories sold; and (b) the write-down of inventories to net realisable value.

### Gross profit and gross profit margin

The Group's gross profit increased by approximately 79.3% from approximately RMB67.7 million for the six months ended 30 June 2012 to approximately RMB121.4 million for the corresponding period in 2013. The Group's gross profit margin increased from approximately 24.6% for the six months ended 30 June 2012 to approximately 31.8% for the corresponding period in 2013. The increase in both gross profit and gross profit margin was primarily resulted from (a) the significant increase in sales of the anode saturable reactors manufactured by the Group for the six months ended 30 June 2013 as a result of winning the bids of several ultra high voltage direct current transmission projects; (b) the anode saturable reactors making up a larger proportion of the Group's total revenue and the gross profit margin of the anode saturable reactors being much higher than that of other products of the Group; (c) the rate at which Renminbi ("RMB") being exchanged for Swiss Franc ("CHF") becoming higher for the six months ended June 2013 leading to the lower procurement costs; and (d) the pricing of the products of the Group not being subject to any material reduction for the six months ended 30 June 2013.

### Other income and gains

The Group's other income and gains of the Group increased by approximately 81.7% from approximately RMB6.0 million for the six months ended 30 June 2012 to approximately RMB10.9 million for the corresponding period in 2013. The increase in other income and gains was primarily due to the increase in government grants received from, among others, the Jiashan government, for investments in certain provinces in the PRC in which the Company's subsidiaries operate, commission income and foreign exchange differences (net).

### Selling and distribution costs

The Group's selling and distribution costs increased by approximately 63.8% from approximately RMB18.5 million for the six months ended 30 June 2012 to approximately RMB30.3 million for the corresponding period in 2013. The increase in selling and distribution costs was primarily attributable to the increase in advertising, promotion and traveling expenses for new product launch and branding including the participation in the PCIM Europe 2013.

### Administrative expenses

The Group's administrative expenses increased slightly by approximately 2.1% from approximately RMB34.1 million for the six months ended 30 June 2012 to approximately RMB34.8 million for the corresponding period in 2013. The Group implemented strict policy on expenditure control for the six months ended 30 June 2013 and the slight increase in administrative expenses was mainly attributable to the grant of share options by the Company in April 2012, June 2012 and May 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other expenses

The Group's other expenses increased by approximately 98.8%, from approximately RMB8.5 million for the six months ended 30 June 2012 to approximately RMB16.9 million for the corresponding period in 2013. The increase in other expenses was mainly due to (a) the increase in losses on foreign currency forward contracts for the six months ended 30 June 2013; and (b) the increase in provision for bad debts for the six months ended 30 June 2013.

## Finance costs

The Group's financial costs, which are made up of interest on bank loans wholly repayable within five years, decreased from approximately RMB9.2 million for the six months ended 30 June 2012 to approximately RMB8.0 million for the corresponding period in 2013. The decrease in finance costs was due to the increase in borrowings from banks in Hong Kong with lower interest rates for the six months ended 30 June 2013.

## Share of loss of a joint venture

In March 2012, Jiashan Sunking Converter Technology Co., Ltd.\* (嘉善華瑞賽晶變流技術有限公司) (“**Sunking Converter**”) established a joint venture with other two independent third parties to carry on the business of producing, selling, installing, commissioning and maintaining electronic traction systems and train control and monitoring systems for trains in the PRC (excluding Hong Kong, Macau and Taiwan). Such joint venture is owned as to 70% by Sunking Converter. For the six months ended 30 June 2013, such joint venture recorded a loss of approximately RMB0.9 million, in which 70% was borne by the Group.

## Profit before tax

As a result of the foregoing, the Group's profit before tax increased by approximately 1,126.5% from approximately RMB3.4 million for the six months ended 30 June 2012 to approximately RMB41.7 million for the corresponding period in 2013.

## Income tax expense

The Group's income tax expense increased by approximately 23.5% from approximately RMB8.1 million for the six months ended 30 June 2012 to approximately RMB10.0 million for the corresponding period in 2013. The increase in income tax expense was primarily due to the increase in profit before tax for the six months ended 30 June 2013 and the underprovision against income tax in prior periods.

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

The Group's profit and total comprehensive income for the period attributable to owners of the parent was approximately RMB30.0 million for the six months ended 30 June 2013, while the loss and total comprehensive loss for the period attributable to owners of the parent was approximately RMB3.0 million for the corresponding period in 2012. The Group's net profit margin, which is calculated as profit and total comprehensive income for the period attributable to owners of the parent divided by revenue, was approximately 7.9% for the six months ended 30 June 2013, while the Group's net loss margin was approximately 1.1% for the corresponding period in 2012.

## Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (corresponding period in 2012: Nil).

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from sales of its products and bank borrowings. As at 30 June 2013, the Group's current ratio (current assets divided by current liabilities) was approximately 1.7 (31 December 2012: approximately 1.7). As at 30 June 2013, the Group had cash and cash equivalents of approximately RMB143.3 million (31 December 2012: approximately RMB186.7 million) and interest-bearing bank loans of approximately RMB271.6 million (31 December 2012: approximately RMB268.4 million). The increase in short-term bank loans was mainly for working capital purpose.

As at 30 June 2013, the Group's gearing ratio measured on the basis of total interest-bearing bank loans to total equity was approximately 31.3% (31 December 2012: approximately 32.2%).

As at 30 June 2013, all the Group's bank loans were mainly denominated in RMB and had contractual maturity within one year from the end of the reporting period. The effective interest rates on the Group's fixed-rate bank borrowings were also equal to the weighted average contracted interest rates of approximately 6.0% per annum as at 30 June 2013 (31 December 2012: approximately 6.3% per annum). During the period under review, there was no material movement in the Group's funding and treasury policy.

The majority of the Group's fund has been deposited in banks in the PRC and Hong Kong. The Board believes that the Group possesses sufficient cash and cash equivalents to meet its commitments and working capital requirements in the second half of the fiscal year. The Group will continue to implement prudent financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets.

## Interest rate and foreign currency exposures

The Group's interest rate risk primarily relates to its bank borrowings with variable interest rates. The Group currently has not entered into any interest rate swap to hedge against its exposures to changes in fair values of its borrowings. The Group's cash flow interest rate risk primarily relates to its variable-rate bank deposits. Currently, the Group does not have any specific policy to manage its interest rate risk, but it will closely monitor the interest rate risk exposures in the future. In the opinion of the Board, the Group did not have any significant exposures to cash flow interest rate risk as at 30 June 2013.

As most of the principal subsidiaries of the Company are operating in the PRC, their functional currency is RMB. However, certain purchases of the Group are denominated in CHF, United States dollar, euro and Hong Kong dollar ("HKD"), which are currencies other than the functional currency of the relevant Group entities and thus expose the Group to foreign currency risk.

Since 2007, the Group has been reducing its CHF exposures against RMB by using foreign exchange forward contracts in order to increase its foreign exchange visibility and limit loss. The carrying amount of foreign currency forward contracts outstanding as at 30 June 2013 was approximately RMB3.3 million (loss) (31 December 2012: approximately RMB1.4 million (gain)).

## Contingent liabilities

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

## Charges on Group assets

As at 30 June 2013, the Group pledged (a) deposits of approximately RMB21.3 million (31 December 2012: approximately RMB17.9 million) to secure short-term foreign currency forward contracts and letters of credit of the Group; (b) certain trade receivables with an aggregate carrying amount of approximately RMB62.2 million (31 December 2012: approximately RMB152.6 million) to secure the bank loans granted to the Group; and (c) certain bills receivable of approximately RMB53.4 million (31 December 2012: approximately RMB25.0 million) to secure certain of the Group's bills payable.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USAGE OF PROCEEDS OF THE LISTING

Net proceeds of approximately HKD593.0 million were raised from the listing (the “**Listing**”) of the Company’s shares on the Stock Exchange in October 2010. Up to 30 June 2013, RMB397.4 million of the net proceeds of the Listing had been utilised in repayment of bank borrowings, land acquisition and construction of buildings for expansion of production capacity, building construction for research and development, strategic acquisitions and investments, and working capital and general corporate expenses.

## HUMAN RESOURCES

As at 30 June 2013, the Group had 623 employees (31 December 2012: 635 employees). Key components of the Group’s remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labor disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees.

## PROSPECTS

The Group’s vision is to become a leading enabler of power efficiency and emission reduction in the PRC by providing a comprehensive range of power electronic components, integrated systems and technology solutions domestically and internationally. Looking forward, the PRC government has increased the public finance expenditure to promote domestic demand, especially to facilitate investment in social and infrastructure. Further, with the PRC government’s stable investment in power grid, investment plan for smart power grid and re-launch of investment in rail transportation and vehicle, the demand for the Group’s products is expected to increase. The Group will focus on the PRC rail transportation, and power distribution and transmission sectors, which are expected to benefit from the continuous public investments encouraged by the PRC government’s policies.

The Group places a strong emphasis on improving its research and development capability so as to diversify its product range and stay at the technological forefront in the industry. The Group will endeavor to expand its market share and diversify product portfolio, as well as enhancing its capability in developing high-end products through its proprietary know-how and strategic business collaborations with suitable partners.

In addition, the Group will continue to improve production and operational efficiency, and utilisation rate of its manufacturing facilities in order to achieve a sustainable growth. The Board and the management of the Company will dedicate their efforts in leading the employees to drive the development of the Group, so as to maximise benefits for the shareholders of the Company.

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not engaged in any material acquisitions or disposals for the six months ended 30 June 2013.



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE

In the corporate governance report published in the 2012 annual report of the Company, the Company reports that it places high value on its corporate governance practice and the Board firmly believes that good corporate governance practice could improve accountability and transparency for the benefit of the shareholders of Company. The Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) for the six months ended 30 June 2013. The Board reviews and monitors the practices of the Company from time to time with the aim of maintaining high standards of corporate governance practice.

## BOARD OF DIRECTORS AND BOARD COMMITTEES

Since January 2013, the compositions of the Board, the audit committee of the Board (the “**Audit Committee**”), the nomination committee of the Board, the remuneration committee of the Board and the investment committee of the Board remain the same as set out in the 2012 annual report of the Company.

There has been no substantial change in the information on the Directors since last disclosed in the 2012 annual report of the Company.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practice adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the condensed consolidated financial statements of the Group for the six months ended 30 June 2013.

The Audit Committee comprises Mr. Chen Shimin (chairman), Mr. Wang Yi and Mr. Ye Weigang Greg. At the Company’s annual general meeting held on 28 May 2013, the shareholders of the Company approved the appointment of Ernst & Young as the Company’s external auditor up to the conclusion of the annual general meeting to be held in 2014. The procedures in relation to the selection, appointment and determination of the audit fees of the Company’s external auditor were reviewed by the Audit Committee and approved by the Board.

## REMUNERATION COMMITTEE

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

The current members of the remuneration committee are Mr. Wang Yi (chairman), Mr. Wong Kun Kau and Mr. Li Fengling.

## NOMINATION COMMITTEE

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

The current members of the nomination committee are Mr. Li Fengling (chairman), Mr. Gong Renyuan and Mr. Chen Shimin.

## INVESTMENT COMMITTEE

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

The investment committee comprises of two independent non-executive Directors, Mr. Li Fengling (chairman) and Mr. Chen Shimin; two non-executive Directors, Mr. Ye Weigang Greg and Mr. Wong Kun Kau; and one executive Director, Mr. Xiang Jie.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed herein, for the six months ended 30 June 2013 and up to the date of this report, there were no changes to information required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules.

## INTERNAL CONTROL

The Board considers that the Group's internal control system was effective and adequate for the six months ended 30 June 2013. The Board, through the Audit Committee, has conducted review on the internal control system and considers no significant areas of concern which may affect the shareholders of the Company have been identified.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Board having made specific enquiry of all Directors and the Directors confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 30 June 2013.

# CORPORATE GOVERNANCE

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

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, laws of Hong Kong) (the "SFO"), as recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### (i) Long positions in the shares, underlying shares and debentures of the Company:

Name of Director	Nature of interest	Number of ordinary shares	Number of underlying shares held under equity derivatives <sup>(Note 3)</sup>	Total	Approximate percentage of interest in the Company <sup>(Note 4)</sup>
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	421,182,347 <sup>(Note 1)</sup>	13,350,000	434,532,347	31.89%
Mr. Gong Renyuan	Beneficial owner and the interest of spouse	18,060,000	10,370,000 <sup>(Note 2)</sup>	28,430,000	2.09%
Mr. Yue Zhoumin	Beneficial owner	4,000,000	2,020,000	6,020,000	0.44%
Mr. Huang Xiangqian	Beneficial owner	4,450,000	2,300,000	6,750,000	0.50%

#### Notes:

- As at 30 June 2013, out of these 421,182,347 shares, 4,854,000 shares were directly held by Mr. Xiang Jie and the remaining 416,328,347 shares were held by Max Vision Holdings Limited ("Max Vision"). The entire share capital of Max Vision is held by Jiekun Limited, which is wholly-owned by Emmanuel Services Limited and in-turn wholly-owned by a private trust, while Mr. Xiang Jie is the founder and one of beneficiaries and BNP Paribas Singapore Trust Corporation Limited is the trustee. Ms. Meng Fankun, the spouse of Mr. Xiang Jie, is one of beneficiaries of the private trust.
- Out of these 10,370,000 underlying shares, 8,350,000 underlying shares were directly held by Mr. Gong Renyuan and the remaining 2,020,000 underlying shares were held by Ms. Ren Jie, the spouse of Mr. Gong Renyuan. Mr. Gong Renyuan is deemed under the SFO to be interested in the 2,020,000 underlying shares held by Ms. Ren Jie.
- These interests represented the interests in underlying shares in respect of share options granted by the Company to these Directors as beneficial owners, the details of which are set out in the section below headed "Share Option Scheme".
- There were 1,362,694,000 shares of the Company in issue as at 30 June 2013.

### (ii) Short position in the shares, underlying shares and debentures of the Company:

None of the Directors of the chief executives had short positions in respect of shares, debentures, under equity derivatives or interests in underlying shares of the Company or its associated corporations as at 30 June 2013.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in the interim report, at no time during the six months ended 30 June 2013, and up to the date of this interim report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was in the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

# CORPORATE GOVERNANCE

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, to the best knowledge of the Directors, the records of interest (being 5% or more of the issued share capital of the Company, other than the Directors or the chief executive of the Company) as registered in the register kept by the Company under section 336 of the SFO were as follows:

### (i) Long positions in the shares and underlying shares of the Company:

Name of Substantial shareholder	Nature of interest	Total number of shares held	Approximate percentage of interest in the Company <sup>(Note 5)</sup>
Max Vision	Beneficial owner	416,328,347 <sup>(Note 1)</sup>	30.55%
Jiekun Limited	Interest in controlled corporation	416,328,347 <sup>(Note 1)</sup>	30.55%
Emmanuel Services Limited	Interest in controlled corporation	416,328,347 <sup>(Note 1)</sup>	30.55%
BNP Paribas Singapore Trust Corporation Limited	Trustee	416,328,347 <sup>(Note 1)</sup>	30.55%
Meng Fankun	Interest of spouse	434,532,347 <sup>(Notes 1 and 2)</sup>	31.89%
NewMargin Growth Fund L.P.	Beneficial owner	200,000,000	14.68%
Common Goal Holdings Limited ("Common Goal")	Beneficial owner	89,570,000	6.57%
Peregrine Greater China Capital Appreciation Fund, L.P. ("Peregrine Greater China")	Interest in controlled corporation	89,570,000 <sup>(Note 3)</sup>	6.57%
Bull Capital Partners GP Limited ("Bull Capital")	Interest in controlled corporation	89,570,000 <sup>(Note 4)</sup>	6.57%

#### Notes:

- The entire share capital of Max Vision is held by Jiekun Limited, which is wholly-owned by Emmanuel Services Limited and in-turn wholly-owned by a private trust, while Mr. Xiang Jie is the founder and one of beneficiaries and BNP Paribas Singapore Trust Corporation Limited is the trustee. Ms. Meng Fankun, the spouse of Mr. Xiang Jie, is one of beneficiaries of the private trust.
- Ms. Meng Fankun, the spouse of Mr. Xiang Jie, is deemed under the SFO to be interested in the 434,532,347 shares in which Mr. Xiang Jie was interested.
- Peregrine Greater China held 100% equity interest in Common Goal. As such, it is deemed to be interested in the 89,570,000 shares held by Common Goal.
- Bull Capital was the general partner of Peregrine Greater China and held 6.49% of its equity interest. As such, Bull Capital is deemed to be interested in the 89,570,000 shares held indirectly by Peregrine Greater China in Common Goal.
- There were 1,362,694,000 shares of the Company in issue as at 30 June 2013.

# CORPORATE GOVERNANCE

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

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

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

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

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

# CORPORATE GOVERNANCE

Details of movements in the share options under the Share Option Scheme during the six months ended 30 June 2013 and share options outstanding as at the beginning and end of the period are set out below:

Name of grantees	Date of grant	As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Number of share options cancelled/ forfeited during the period	As at 30 June 2013	Exercise price (HKD per share)	Share price immediately before the grant date (HKD per share)	Fair value of share options <sup>#</sup> (HKD per share)	Exercisable period
Mr. Xiang Jie (chairman, executive Director and substantial shareholder of the Company)	26 April 2012	12,000,000	-	-	-	-	12,000,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	-	1,350,000	-	-	-	1,350,000	0.68	0.63	0.27	28 May 2014 to 27 May 2019
		12,000,000	1,350,000	-	-	-	13,350,000				
Mr. Gong Renyuan (chief executive officer and executive Director)	27 April 2011	1,350,000	-	-	-	-	1,350,000	1.83	1.72	0.83	27 April 2012 to 26 April 2017
	26 April 2012	6,000,000	-	-	-	-	6,000,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	-	1,000,000	-	-	-	1,000,000	0.68	0.63	0.27	28 May 2014 to 27 May 2019
		7,350,000	1,000,000	-	-	-	8,350,000				
Mr. Yue Zhoumin (executive Director)	27 April 2011	420,000	-	-	-	-	420,000	1.83	1.72	0.83	27 April 2012 to 26 April 2017
	26 April 2012	1,000,000	-	-	-	-	1,000,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	-	600,000	-	-	-	600,000	0.68	0.63	0.27	28 May 2014 to 27 May 2019
		1,420,000	600,000	-	-	-	2,020,000				
Mr. Huang Xiangqian (executive Director)	27 April 2011	700,000	-	-	-	-	700,000	1.83	1.72	0.83	27 April 2012 to 26 April 2017
	26 April 2012	1,000,000	-	-	-	-	1,000,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	-	600,000	-	-	-	600,000	0.68	0.63	0.27	28 May 2014 to 27 May 2019
		1,700,000	600,000	-	-	-	2,300,000				
Ms. Ren Jie (senior management and the spouse of Mr. Gong Renyuan)	27 April 2011	420,000	-	-	-	-	420,000	1.83	1.72	0.81	27 April 2012 to 26 April 2017
	26 April 2012	1,000,000	-	-	-	-	1,000,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	-	600,000	-	-	-	600,000	0.68	0.63	0.27	28 May 2014 to 27 May 2019
		1,420,000	600,000	-	-	-	2,020,000				
		23,890,000	4,150,000	-	-	-	28,040,000				
Employees in aggregates	27 April 2011	7,230,000	-	-	-	(1,200,000)	6,030,000	1.83	1.72	0.79	27 April 2012 to 26 April 2017
	26 April 2012	20,450,000	-	-	-	(2,200,000)	18,250,000	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	-	13,700,000	-	-	-	13,700,000	0.68	0.63	0.26	28 May 2014 to 27 May 2019
		27,680,000	13,700,000	-	-	(3,400,000)	37,980,000				
Other grantees	27 April 2011	4,000,000	-	-	-	-	4,000,000	1.83	1.72	0.83	27 April 2012 to 26 April 2017
Total		55,570,000	17,850,000	-	-	(3,400,000)	70,020,000				

# The fair value per option varies slightly amongst employees, executives and other grantees because certain parameters including post-vesting forfeiture rates for different level of grantees were adopted for valuation purpose based on historical turnover rate of similar level and management's estimation.

# CORPORATE GOVERNANCE

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate with the assistance of an independent valuation firm, Shanghai Nortex Certified Public Accountants Co., Ltd. The major variables and assumptions are derived as follows:

- (a) Expected volatility: based on the weighted average of the Company's historical volatility with trading history available and the industry average historical volatility; and
- (b) Dividend yield: assumed to be zero.

As any changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of professional appraiser, the model does not necessarily provide a reliable single measure of the fair value of the share options.

## **REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

None of the Company nor its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities during six months ended 30 June 2013.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 30, which comprises the condensed consolidated statement of financial position of Sun.King Power Electronics Group Limited (the “**Company**”) and its subsidiaries as at 30 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “*Interim Financial Reporting*” (“**IAS 34**”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
Certified Public Accountants

22nd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

22 August 2013



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE	4	382,129	274,854
Cost of sales		(260,708)	(207,146)
Gross profit		121,421	67,708
Other income and gains	4	10,850	6,004
Selling and distribution costs		(30,286)	(18,526)
Administrative expenses		(34,773)	(34,131)
Other expenses		(16,909)	(8,484)
Finance costs	6	(7,973)	(9,220)
Share of loss of a joint venture		(614)	–
PROFIT BEFORE TAX	5	41,716	3,351
Income tax expense	7	(10,025)	(8,054)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		31,691	(4,703)
Attributable to:			
Owners of the parent		30,031	(2,971)
Non-controlling interests		1,660	(1,732)
		31,691	(4,703)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		RMB2.20 cents	RMB(0.22) cents
Diluted		RMB2.20 cents	RMB(0.22) cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<i>Notes</i>	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	324,694	299,833
Prepaid land lease payments		61,435	62,135
Deposits for purchase of items of property, plant and equipment		1,158	1,107
Goodwill		40,357	40,357
Other intangible assets		24,684	25,109
Club memberships		2,534	2,534
Investment in a joint venture		2,734	3,348
Trade receivables	11	47,155	46,688
Deferred tax assets		10,749	10,931
<b>Total non-current assets</b>		<b>515,500</b>	<b>492,042</b>
<b>CURRENT ASSETS</b>			
Inventories		114,040	129,638
Trade and bills receivables	11	620,006	472,947
Prepayments, deposits and other receivables		50,450	64,572
Derivative financial instruments		–	1,376
Due from a director	17(a)	370	180
Prepaid land lease payments		1,401	1,401
Pledged deposits		21,341	17,933
Cash and cash equivalents		143,261	186,660
<b>Total current assets</b>		<b>950,869</b>	<b>874,707</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	190,806	161,103
Other payables and accruals		77,695	51,174
Derivative financial instruments		3,321	–
Interest-bearing bank borrowings		271,553	268,362
Tax payable		24,659	21,212
<b>Total current liabilities</b>		<b>568,034</b>	<b>501,851</b>

(Continued)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2013

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
NET CURRENT ASSETS	<b>382,835</b>	372,856
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>898,335</b>	864,898
NON-CURRENT LIABILITIES		
Deferred income	<b>17,432</b>	18,382
Deferred tax liabilities	<b>13,643</b>	13,994
Total non-current liabilities	<b>31,075</b>	32,376
Net assets	<b>867,260</b>	832,522
EQUITY		
Equity attributable to owners of the parent		
Issued capital	<b>117,137</b>	117,137
Reserves	<b>701,297</b>	668,219
	<b>818,434</b>	785,356
Non-controlling interests	<b>48,826</b>	47,166
Total equity	<b>867,260</b>	832,522

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

Attributable to owners of the parent										
Note	Issued capital RMB'000 (Unaudited)	Employee Share premium account RMB'000 (Unaudited)	Employee share-based compensation reserve RMB'000 (Unaudited)	Capital redemption reserve RMB'000 (Unaudited)	Deemed contribution reserve RMB'000 (Unaudited) (note a)	Other reserve RMB'000 (Unaudited) (note b)	Retained profits/ losses (accumulated) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 1 January 2012	117,385	400,511	5,253	40	13,855	248,886	(4,646)	781,284	45,797	827,081
Total comprehensive loss for the period	-	-	-	-	-	-	(2,971)	(2,971)	(1,732)	(4,703)
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	1,751	1,751
Share-based payments	-	-	2,000	-	530	-	-	2,530	-	2,530
Share award <sup>13</sup>	-	-	-	-	-	-	-	-	4,000	4,000
Repurchase and cancellation of shares	(80)	(224)	-	80	-	-	(80)	(304)	-	(304)
At 30 June 2012	117,305	400,287	7,253	120	14,385	248,886	(7,697)	780,539	49,816	830,355
At 1 January 2013	117,137	399,888	9,032	288	14,765	248,697	(4,451)	785,356	47,166	832,522
Total comprehensive income for the period	-	-	-	-	-	-	30,031	30,031	1,660	31,691
Share-based payments	-	-	3,047	-	-	-	-	3,047	-	3,047
At 30 June 2013	117,137	399,888*	12,079*	288*	14,765*	248,697*	25,580*	818,434	48,826	867,260

## Notes:

- a. Deemed contribution reserve represents share-based payment expense incurred and recognised by the Group as settled by issue of shares of Sun.King Group Limited (賽晶集團有限公司) ("Sunking BVI"), a former shareholder of the Company.
- b. Other reserve mainly represents a certain waiver of loans and/or advances by Sunking BVI to the Group in prior years and the reserve arose from acquisition of a non-controlling interest.
- \* These reserve accounts comprise the consolidated reserves of RMB701,297,000 (31 December 2012: RMB668,219,000) in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(7,306)	(8,959)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(39,283)	(23,291)
NET CASH FLOWS FROM FINANCING ACTIVITIES	3,190	55,541
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(43,399)	23,291
Cash and cash equivalents at beginning of period	186,660	184,452
Effect of foreign exchange rate changes, net	–	(443)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>143,261</b>	<b>207,300</b>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	143,261	202,300
Non-pledged time deposits with original maturity of less than three months when acquired	–	5,000
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	143,261	207,300

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 March 2010. The ordinary shares of the Company have been listed on the Main Board of the Stock Exchange with effect from 13 October 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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

The condensed consolidated interim financial information is presented in RMB.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013, noted below:

International Financial Reporting Standard ("IFRS") 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Government Loans</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – <i>Transition Guidance</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
IAS 19 Amendments	<i>Employee Benefits</i>
IAS 27 (Revised)	<i>Separate Financial Statements</i>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i>
IFRS Interpretation Committee – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of IFRSs issued in May 2012

The above new and revised IFRSs did not have any significant impact on the accounting policies, financial position or performance of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment which is principally engaged in the manufacturing and trading of power electronic components.

### Geographical information

As the Group's major operations, customers and non-current assets are located in the PRC, no further geographical segment information is provided.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts during the period.

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sales of goods	382,129	274,854
<b>Other income</b>		
Interest income	383	951
Government grants*	6,486	4,464
Commission income	831	318
	7,700	5,733
<b>Gains</b>		
Gains on disposal of items of property, plant and equipment, net	23	135
Foreign exchange differences, net	3,075	–
Others	52	136
	3,150	271
	10,850	6,004

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

## 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Cost of inventories sold	259,520	207,146
Write-down of inventories to net realisable value	1,188	–
<b>Cost of sales</b>	<b>260,708</b>	<b>207,146</b>
Depreciation	8,725	6,925
Amortisation of other intangible assets	242	251
Amortisation of land lease payments	700	663
Minimum lease payments under operating leases for lands and buildings	787	733
Impairment of trade receivables	4,320	4,285
Realised and unrealised fair value losses on foreign currency forward contracts, net	7,263	1,264
Unrealised fair value losses of derivative financial instruments	903	–
Foreign exchange differences, net	(3,075)	1,643

## 6. FINANCE COSTS

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

	For the six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest on bank loans wholly repayable within five years	7,973	9,220



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

## 7. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

Wuxi Zhuofeng Information Technology Co., Ltd.\* (無錫卓峰信息科技有限公司), a subsidiary of the Company, was recognised as a wholly-foreign-owned enterprise and was entitled to tax exemption from CIT for two years commencing from its first profit making year in 2012, followed by a 50% tax rate reduction for CIT for the subsequent three years.

Jiujiang Jiuzheng Rectifier Co., Ltd.\* (九江九整整流器有限公司) (“**Jiujiang Rectifier**”) and Wuhan Langde Electrics Co., Ltd.\* (武漢朗德電氣有限公司), subsidiaries of the Company, were registered as new and high technology enterprises, and are subject to CIT at a rate of 15% for the three years ending 31 December 2013.

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	9,423	8,286
Underprovision in prior periods	771	–
Deferred	(169)	(232)
Total tax charge for the period	10,025	8,054

\* For identification purpose only

## 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,362,694,000 (six months ended 30 June 2012: 1,365,355,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2013 and six months ended 30 June 2012 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

## 9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment at a total cost of RMB33,643,000 (six months ended 30 June 2012: RMB16,545,000) and disposed of items of property, plant and equipment with a total net carrying amount of RMB818,000 (six months ended 30 June 2012: RMB317,000).

As at 30 June 2013, certificate of ownership in respect of a building of the Group in Mainland China, which was acquired from an independent third party, with a carrying amount of RMB20,357,000 (31 December 2012: RMB20,849,000) had not been obtained by the Group.

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Trade receivables	<b>518,582</b>	321,427
Impairment	<b>(19,436)</b>	(15,116)
	<b>499,146</b>	306,311
Bills receivable	<b>168,015</b>	213,324
Less: Amount shown as non-current	<b>(47,155)</b>	(46,688)
	<b>620,006</b>	472,947

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

## 11. TRADE AND BILLS RECEIVABLES (continued)

For certain customers, the Group allows a percentage, ranging from 2% to 10%, of the contracted amount (the retention money) to be settled within six months to thirty-six months, as agreed between the Group and the respective customer on a case by case basis, subsequent to the fulfillment of certain conditions including delivery of goods or completion of installation as stipulated in the respective sales contracts.

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

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Within 3 months	249,942	132,753
3 to 6 months	116,400	35,544
7 to 12 months	68,274	91,178
Over 1 year	64,530	46,836
	<b>499,146</b>	<b>306,311</b>

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

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Within 6 months	97,369	213,324
7 to 12 months	70,646	-
	<b>168,015</b>	<b>213,324</b>

As at 30 June 2013, certain trade receivables of the Group with an aggregate carrying amount of RMB62,224,000 (31 December 2012: RMB152,627,000) were pledged to banks to secure the bank loans granted to the Group.

As at 30 June 2013, certain of the Group's bills receivable of approximately RMB53,406,000 (31 December 2012: RMB25,000,000) were pledged to secure certain of the Group's bills payable.

**12. TRADE AND BILLS PAYABLES**

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

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Within 6 months	<b>141,884</b>	123,507
Over 6 months	<b>48,922</b>	37,596
	<b>190,806</b>	161,103

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

As at 30 June 2013, certain of the Group's bills payable were secured by the pledge of the Group's bills receivable amounting to approximately RMB53,406,000 (31 December 2012: RMB25,000,000).

**13. SHARE AWARD**

Jiashan Sunking Converter Technology Co., Ltd.\* (嘉善華瑞賽晶變流技術有限公司) ("**Sunking Converter**"), a subsidiary of the Company, was established in March 2010. As at 31 December 2011, the paid-in capital of Sunking Converter was RMB10,000,000, of which 65% was held by the Group and 35% in aggregate was held by unrelated parties to the Group (the "**Sunking Converter NCI(s)**"). During the six months ended 30 June 2012, a capital contribution in the form of unregistered technical know-how was made by one of the Sunking Converter NCIs.

In the opinion of the directors of the Company, the contribution of unregistered technical know-how was regarded as a share-based payment by the Group for the expertise of the Sunking Converter NCI. The fair value of the share-based payment of approximately RMB4,000,000, which was determined referencing to the fair value of the Sunking Converter's equity at the date of capital contribution, was charged to selling and distribution costs in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2012.

\* For identification purpose only

**14. CONTINGENT LIABILITIES**

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2013

## 15. OPERATING LEASE ARRANGEMENTS AS LESSEE

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

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

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Within one year	1,166	711
In the second to fifth years, inclusive	443	298
	<b>1,609</b>	1,009

## 16. CAPITAL COMMITMENTS

In addition to the operating lease arrangements detailed in note 15 above, the Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	20,054	33,278

## 17. RELATED PARTY TRANSACTIONS

### (a) An amount due from a director

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Mr. Gong Renyuan	370	180

The balance is unsecured, interest-free and repayable on demand. The maximum outstanding balance due from Mr. Gong Renyuan during the six months ended 30 June 2013 was RMB1,060,000.

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

	<b>For the six months ended 30 June</b>	
	<b>2013 RMB'000 (Unaudited)</b>	2012 RMB'000 (Unaudited)
Short term employee benefits	3,172	3,060
Post-employment benefits	335	358
Share-based payment expense	1,368	1,794
Total compensation paid to key management personnel	<b>4,875</b>	5,212

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY

As at 30 June 2013 and 31 December 2012, the carrying amounts of the Group's financial instruments approximated to their fair values.

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

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

### Assets measured at fair value:

#### Group

##### As at 30 June 2013

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Derivative financial instruments	–	–	–	–

##### As at 31 December 2012

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Derivative financial instruments	1,376	–	–	1,376

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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## 18. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

### Liabilities measured at fair value:

#### Group

As at 30 June 2013

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Derivative financial instruments	3,321	–	–	3,321

As at 31 December 2012

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Derivative financial instruments	–	–	–	–

## 19. COMPARATIVE AMOUNTS

During the six months ended 30 June 2013, the directors of the Company have reviewed the components of the gains and expenses and reclassified certain gains and expenses in the condensed consolidated statement of comprehensive income. Accordingly, the corresponding comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the directors of the Company, the reclassification results in a more appropriate presentation of the Group's operating results.

## 20. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved and authorised for issue by the Board on 22 August 2013.