



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 2014

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CORPORATE INFORMATION

Executive Directors

Mr. Xiang Jie (*chairman of the Board*)
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
Mr. Lau Lap Kwan
Ms. Ma Sau Kuen Gloria (resigned on 24 February 2014)

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

Secretary

Mr. Lau Lap Kwan
Ms. Ma Sau Kuen Gloria (resigned on 24 February 2014)

Legal adviser

Pang & Co. in association with Loeb & Loeb LLP

Auditors

Ernst & Young

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
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
Level 22, Hopewell Centre
183 Queen's Road East
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

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 2014.

During the period under review, the Group continued its vision to become a leading enabler of power efficiency and emission reduction in the PRC by strengthening its research and development and product innovation capability, improving operational efficiency and product quality, and enhancing product diversification. Due to the postponement of certain construction and investment projects and the subsequent delay in delivery of the Group's products, the Group's revenue decreased by 39.0% from approximately RMB382.1 million for the six months ended 30 June 2013 to approximately RMB235.0 million for the corresponding period in 2014. Although the Group continues to implement effective management and strict control policy on costs and expenses, reasonably control its cash flow and trade receivables, due to the decrease in revenue for the six months ended 30 June 2014, the gross profit margin decreased from 31.8% for the six months ended 30 June 2013 to approximately 27.2% for the corresponding period in 2014. The above adverse factors have led to the Group's profit/(loss) and total comprehensive income/(loss) for the period decreased from approximately RMB31.7 million for the six months ended 30 June 2013 to approximately RMB(26.4) million for the six months ended 30 June 2014.

During the six months ended 30 June 2014, the PRC economy showed steady growth, in particularly the PRC Government has substantially increased its fixed asset investment plans in the fields of rail transportation and power grids.

During the six months ended 30 June 2014, the Group continued to maintain cooperation with China CNR Corporation Limited (stock code: 6199) in supplying insulated gate bipolar transistor (“**IGBT**”) power modules and laminated busbars. During the six months ended 30 June 2014, the Group's revenue generated from the rail transportation sector amounted to approximately RMB53.8 million, with the amount of new purchase orders reached approximately RMB 78.9 million. The planned fixed asset investment of China Railway Corporation for 2014 exceeds RMB800.0 billion, among which there is a substantial increase in planned investment for rail transportation equipment. Since the rail freight reform has yet to be fully implemented and the demand for rail freight has remained weak, the investment in rail freight electric locomotives during the six months ended 30 June 2014 was lower than that during the corresponding period in 2013, and as a result, there was a decrease in the Group's revenue. In the long run, as large-scale investment and mileage of rail transportation continue to grow, the Group will benefit from the long-term growth in demand for rail freight locomotives.

During the six months ended 30 June 2014, the Group's revenue reached approximately RMB53.8 million in the field of power transmission, with amount of new purchase orders reached approximately RMB133.8 million. The planned fixed asset investment of the State Grid Corporation of China for 2014 exceeds RMB400.0 billion, among which a key investment item is ultra-high voltage power transmission lines, which can be used for solving the problem of energy transportation in the western region. However, these projects requires a long construction period, and the progress of implementation is highly subject to governmental policy. The postponement in ultra-high voltage direct current transmission projects and flexible direct current power transmission projects and the subsequent delay in delivery of the Group's products including anode saturable reactors, which are used for ultra-high voltage power transmission projects, and IGBT power module and laminated busbars, which are used for flexible direct current power transmission projects, has resulted in a decrease in the Group's revenue.

During the six months ended 30 June 2014, the sales of the Group's high-voltage power capacitors continued to grow. The Group's high-voltage power capacitors were successful in winning the bids of the State Grid Corporation of China and China Southern Power Grid Company, with the amounts involved in these bids rising continuously. During the six months ended 30 June 2014, the amount of the Group's new purchase orders of high-voltage power capacitors almost doubled than that during the corresponding period in 2013.

The Group has maintained stable development for its products used for the industrial sector including high power rectifiers, power quality control device, laminated busbars, and power electronic components, etc. During the six months ended 30 June 2014, the Group's revenue derived from products used for the industrial sector amounted to approximately RMB127.3 million, with the amount of new purchase orders reached RMB117.4 million, which recorded a slight decrease as compared to that during the corresponding period in 2013 and yet is better than the average level in the same industry.

CHAIRMAN'S STATEMENT

The Group has been actively developing overseas market opportunities. The Group's high power rectifiers, anode saturable reactors, high power capacitors and laminated busbars have been applied in many overseas projects. During the six months ended 30 June 2014, the Group has participated in the Hanover Fair and Power Electronics Exhibition in Nuremberg, both of which were held in Germany.

Looking forward to the second half of 2014, the Group is optimistic about the prospects of the market conditions as the PRC government and the local governments have been developing and implementing the power transmission and distribution, and railway transportation investment plans. The Group will continue to enhance its budget management, cost control, and cash flow management. Meanwhile, the Group will further advance its technology, research and development of new products, operational efficiency, product quality and diversification in order to achieve rapid development.

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

Xiang Jie
Chairman

Hong Kong, 21 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue, which is generated from sales of goods, decreased by approximately 38.5% from approximately RMB382.1 million for the six months ended 30 June 2013 to approximately RMB235.0 million for the corresponding period in 2014. The decrease in revenue was mainly attributable to the postponement of some projects and delay in delivery of some goods.

Cost of sales

The Group's cost of sales decreased by approximately 34.4% from approximately RMB260.7 million for the six months ended 30 June 2013 to approximately RMB171.1 million for the corresponding period in 2014. The decrease in cost of sales was mainly resulted from the postponement of some projects and delay in delivery of some goods.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 47.3% from approximately RMB121.4 million for the six months ended 30 June 2013 to approximately RMB64.0 million for the corresponding period in 2014. The decrease in gross profit was primarily resulted from the decrease in revenue.

The Group's gross profit margin decreased from approximately 31.8% for the six months ended 30 June 2013 to approximately 27.2% for the corresponding period in 2014. The decrease in gross profit margin was primarily due to the increase in unit production costs as a result of decrease in revenue.

Other income and gains

The Group's other income and gains of the Group decreased by approximately 22.0% from approximately RMB10.9 million for the six months ended 30 June 2013 to approximately RMB8.5 million for the corresponding period in 2014. The decrease in other income and gains was primarily due to decrease in exchange gains/(losses) and government grants.

Selling and distribution costs

The Group's selling and distribution costs increased by approximately 23.4% from approximately RMB30.3 million for the six months ended 30 June 2013 to approximately RMB37.4 million for the corresponding period in 2014. The increase in selling and distribution costs was primarily attributable to the increase in expenses with the attempt to expand to new market areas.

Administrative expenses

The Group's administrative expenses decreased slightly by approximately 1.7% from approximately RMB34.8 million for the six months ended 30 June 2013 to approximately RMB34.2 million for the corresponding period in 2014. The decrease in administrative expenses was primarily attributable to the implementation of strict policy on expenditure control and reduction of unnecessary expenditure for the six months ended 30 June 2014.

Other expenses

The Group's other expenses decreased by approximately 17.2%, from approximately RMB16.9 million for the six months ended 30 June 2013 to approximately RMB14.0 million for the corresponding period in 2014. The decrease in other expenses was mainly due to the decrease in losses on foreign currency forward contracts for the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The Group's financial costs, which are made up of interest on bank loans wholly repayable within five years, remained stable as at approximately RMB8.1 million for the six months ended 30 June 2014 as compared to approximately RMB8.0 million for the corresponding period in 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 2014, such joint venture recorded a loss of approximately RMB0.9 million, in which 70% was borne by the Group.

Profit/(loss) before tax

As a result of the foregoing, the Group's profit/(loss) before tax decreased by approximately 155.9% from approximately RMB41.7 million for the six months ended 30 June 2013 to approximately RMB(23.3) million for the corresponding period in 2014.

Income tax expense

The Group's income tax expense decreased by approximately 69.0% from approximately RMB10.0 million for the six months ended 30 June 2013 to approximately RMB3.1 million for the corresponding period in 2014. The decrease in income tax expense was primarily due to the decrease in profit before tax for the six months ended 30 June 2014.

Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the parent

The Group's loss and total comprehensive loss for the period attributable to owners of the parent was approximately RMB21.8 million for the six months ended 30 June 2014, while the profit and total comprehensive income for the period attributable to owners of the parent was approximately RMB30.0 million for the corresponding period in 2013, which was primarily due to the postponement of some projects and delay in delivery of some goods.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (corresponding period in 2013: Nil).

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 2014, the Group's current ratio (current assets divided by current liabilities) was approximately 1.4 (31 December 2013: approximately 1.6). As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB120.0 million (31 December 2013: approximately RMB153.9 million) and interest-bearing bank loans of approximately RMB280.0 million (31 December 2013: approximately RMB299.0 million).

As at 30 June 2014, the Group's gearing ratio measured on the basis of total interest-bearing bank loans to total equity was approximately 33.2% (31 December 2013: approximately 34.0%).

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2014, all the Group's bank loans were 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 5.8% per annum as at 30 June 2014 (31 December 2013: approximately 6.1% per annum). During the period under review, there was no material movement in the Group's funding and treasury policy.

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. 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.

Foreign currency exposures

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

The carrying amount of foreign currency forward contracts outstanding as at 30 June 2014 was approximately RMB0.3 million (liability) (31 December 2013: approximately RMB0.7 million (asset)).

Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

Charges on Group assets

As at 30 June 2014, the Group pledged (a) deposits of approximately RMB8.1 million (31 December 2013: approximately RMB17.4 million) as guarantee deposits and deposits for securing short-term foreign currency forward contracts and letters of credit of the Group; and (b) certain bills receivable of approximately RMB26.3 million (31 December 2013: approximately RMB64.5 million) to secure certain bills payable of the Group.

USE OF PROCEEDS FROM 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. As at 30 June 2014, RMB513.2 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 2014, the Group had 603 employees (31 December 2013: 664 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 labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking into the in the second half of the fiscal year, the Group will continue its vision 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. The Group plans to achieve its vision through strengthening its research and development capability, enhancing product diversification, improving operational efficiency and product quality, reinforcing personnel training and recruiting talents, implementing effective management and strict control policy on costs and expenses.

With the PRC government's continuous increase in investment in rail transportation, the demand for the products supplied by the Group and the joint venture established between Sunking Converter and the other two independent third parties is expected to increase. The Group will endeavour to explore and develop overseas markets through strategic business collaborations with suitable partners and customers.

Following the PRC government and related agencies' increase in investment in power transmission and distribution projects, there will be major development in the power transmission sector in the PRC, especially ultra-high voltage direct current transmission projects and flexible direct current power transmission projects. According to the National Energy Administration's approved plan for constructing trans-regional ultra-high voltage power transmission lines, five new ultra-high voltage power transmission lines will be constructed by the end of 2017 to solve the uneven distribution of power and combat the increasingly serious environmental pollution issues. Meanwhile, with the Group's power capacitor products continuously succeeded in winning the bids in State Grid Corporation of China and increase in promotion of flexible direct current power transmission techniques, the Group is confident in the development opportunities within the power transmission sector.

During the second half of the fiscal year, it is expected that the Group's business will benefit from the PRC government's implementation of the power transmission and distribution, railways and other fixed assets related investment plans. The Group expects the market will be better than the first half of the fiscal year. Furthermore, the Group will, through strategic business collaborations with suitable partners, merger and acquisitions, and long-term business cooperation with major customers, expand its market share, increase its revenue opportunities, and will continue to develop and expand the regional and overseas market.

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 for the six months ended 30 June 2014.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not engaged in any material acquisitions or disposals for the six months ended 30 June 2014.

CORPORATE GOVERNANCE

In the corporate governance report published in the 2013 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 adopted and 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 2014. 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 2014, 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 2013 annual report of the Company.

There has been no substantial change in the information on the Directors since last disclosed in the 2013 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

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 27 May 2014, 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 2015. 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.

CORPORATE GOVERNANCE

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 2014 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 2014. 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 2014.

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

As at 30 June 2014, 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 ^(Note 3)	Total	Approximate percentage of interest in the Company ^(Note 4)
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	421,182,347 ^(Note 1)	13,350,000	434,532,347	31.88%
Mr. Gong Renyuan	Beneficial owner and the interest of spouse	18,060,000	10,370,000 ^(Note 2)	28,430,000	2.10%
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%

CORPORATE GOVERNANCE

Notes:

1. As at 30 June 2014, 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**”) which is an investment holding company wholly owned by Jiekun Limited, which is in turn wholly owned by BNP Paribas Corporate Services Pte Ltd. The entire issued share capital of Jiekun Limited is held by BNP Paribas Corporate Services Pte Ltd in trust for BNP Paribas Singapore Trust Corporation Limited as trustees of a Private Trust of which Mr. Xiang is the settlor and BNP Paribas Singapore Trust Corporation Limited is the trustee. Ms. Meng Fankun, who is the spouse of Mr. Xiang and one of the beneficiary of the said private trust was also deemed under the SFO to be interested in the total 421,182,347 Shares.
2. 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.
3. 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”.
4. There were 1,362,928,000 shares of the Company in issue as at 30 June 2014.

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

None of the Directors or 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 2014.

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 2014, 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 2014, 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 ^(Note 5)
Max Vision	Beneficial owner	416,328,347	30.55%
Jiekun Limited	Interest in controlled corporation	416,328,347 ^(Note 1)	30.55%
BNP Paribas Corporate Services Pte Limited	Interest in controlled corporation	416,328,347 ^(Note 1)	30.55%
BNP Paribas Singapore Trust Corporation Limited	Interest in controlled corporation	416,328,347 ^(Note 1)	30.55%
Meng Fankun	Interest of spouse	434,532,347 ^(Notes 1 and 2)	31.88%
NewMargin Growth Fund L.P.	Beneficial owner	200,000,000	14.67%
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 ^(Note 3)	6.57%
Bull Capital Partners GP Limited ("Bull Capital")	Interest in controlled corporation	89,570,000 ^(Note 4)	6.57%

Notes:

- Max Vision, an investment holding company, is wholly owned by Jiekun Limited, which is in turn wholly-owned by BNP Paribas Corporate Service Pte Ltd. The entire issued share capital of Jiekun Limited is held by BNP Paribas Corporate Services Pte Ltd in trust for BNP Paribas Singapore Trust Corporation Limited as trustees of a Private Trust of which Mr. Xiang is the settlor and BNP Paribas Singapore Trust Corporation Limited is the trustee. As such Jiekun Limited, BNP Paribas Corporate Service Pte Ltd and BNP Paribas Singapore Trust Corporation Limited are also deemed to be interested in the 421,182,347 Shares owned by Max Vision by virtue of the SFO.
- 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 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 1,362,928,000 Shares in issue as at 30 June 2014.

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

Save as disclosed above, as at 30 June 2014, 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.

Details of movements in the share options under the Share Option Scheme during the six months ended 30 June 2014 and share options outstanding as at the beginning and the end of the period are set out below:

Name of grantees	Date of grant	Number of share options					As at 30 June 2014	Exercise price per share (HK\$)	Share price immediately before the grant date (HK\$ per share)	Fair value of share options (HK\$ per share)	Exercisable period
		As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled/ Forfeited during the 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
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
Mr. Yue Zhou Min (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 April 2013	600,000	-	-	-	-	600,000	0.68	0.63	0.27	28 May 2014 to 27 May 2019

CORPORATE GOVERNANCE

Name of grantees	Date of grant	As at 1 January 2014	Number of share options				Cancelled/ Forfeited during the period	As at 30 June 2014	Exercise price per share (HK\$)	Share price immediately before the grant date (HK\$ per share)	Fair value of share options (HK\$ per share)	Exercisable period
			Granted during the period	Exercised during the period	Lapsed during the period							
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	
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	
		28,040,000	-	-	-	-	28,040,000					
Employees in aggregates	27 April 2011	5,670,000	-	-	-	-	5,670,000	1.83	1.72	0.79	27 April 2012 to 26 April 2017	
	26 April 2012	17,016,000	-	-	-	850,000	16,166,000	0.55	0.47	0.20	26 April 2013 to 25 April 2018	
	28 May 2013	13,400,000	-	-	-	600,000	12,800,000	0.68	0.63	0.26	28 May 2014 to 27 May 2019	
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		68,126,000	-	-	-	1,450,000	66,676,000					

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 2014, and the related condensed consolidated statements of profit or loss and other 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

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

21 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE	4	235,037	382,129
Cost of sales		(171,077)	(260,708)
Gross profit		63,960	121,421
Other income and gains	4	8,479	10,850
Selling and distribution costs		(37,352)	(30,286)
Administrative expenses		(34,219)	(34,773)
Other expenses		(14,044)	(16,909)
Finance costs	6	(8,064)	(7,973)
Share of losses of			
A joint venture		(624)	(614)
An associate		(1,426)	-
PROFIT/(LOSS) BEFORE TAX	5	(23,290)	41,716
Income tax expense	7	(3,130)	(10,025)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(26,420)	31,691
Attributable to:			
Owners of the parent		(21,775)	30,031
Non-controlling interests		(4,645)	1,660
		(26,420)	31,691
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		RMB(1.60) cents	RMB2.20 cents
Diluted		RMB(1.60) cents	RMB2.20 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	351,934	342,280
Prepaid land lease payments		60,034	60,734
Deposits for purchase of items of property, plant and equipment		17,346	1,315
Goodwill		37,159	37,159
Other intangible assets		24,731	24,950
Club memberships		2,534	2,534
Investment in a joint venture		1,580	2,205
Investment in an associate		22,764	24,190
Available-for-sale investment		16,800	16,800
Trade receivables	11	101,601	93,994
Deferred tax assets		6,470	6,960
Total non-current assets		642,953	613,121
CURRENT ASSETS			
Inventories		101,962	91,920
Trade and bills receivables	11	472,141	524,579
Prepayments, deposits and other receivables		53,315	36,597
Prepaid land lease payments		1,401	1,401
Derivative financial instruments		–	743
Pledged deposits		8,092	17,375
Cash and cash equivalents		119,983	153,860
Total current assets		756,894	826,475
CURRENT LIABILITIES			
Trade and bills payables	12	170,481	142,477
Other payables and accruals		60,470	71,575
Derivative financial instruments		307	–
Interest-bearing bank borrowings		280,000	299,000
Tax payable		18,451	18,091
Total current liabilities		529,709	531,143
NET CURRENT ASSETS		227,185	295,332
TOTAL ASSETS LESS CURRENT LIABILITIES		870,138	908,453

(Continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Note</i>	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		870,138	908,453
NON-CURRENT LIABILITIES			
Deferred income		14,795	16,297
Deferred tax liabilities		12,693	13,429
Total non-current liabilities		27,488	29,726
Net assets		842,650	878,727
EQUITY			
Equity attributable to owners of the parent			
Issued capital		117,156	117,156
Reserves		683,987	703,703
Proposed final dividend	9	-	11,716
		801,143	832,575
Non-controlling interests		41,507	46,152
Total equity		842,650	878,727

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

Attributable to owners of the parent

	Issued capital RMB'000 (Unaudited)	Employee Share premium account RMB'000 (Unaudited)	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/ accumulated losses RMB'000 (Unaudited)	Proposed final dividend RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non- controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 1 January 2013	117,137	399,888	9,032	288	14,765	248,697	(4,451)	-	785,356	47,166	832,522
Profit and 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
At 1 January 2014	117,156	400,119	13,084	288	14,765	248,697	26,750	11,716	832,575	46,152	878,727
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(21,775)	-	(21,775)	(4,645)	(26,420)
Share-based payments	-	-	1,163	-	-	-	-	-	1,163	-	1,163
Final 2013 dividend paid	-	-	-	-	-	-	896	(11,716)	(10,820)	-	(10,820)
At 30 June 2014	117,156	400,119*	14,247*	288*	14,765*	248,697*	5,871*	-	801,143	41,507	842,650

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 RMB683,987,000 (31 December 2013: RMB703,703,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(23,290)	41,716
Adjustments for:			
Finance costs	6	8,064	7,973
Share of losses of a joint venture		624	614
Share of losses of an associate		1,426	-
Interest income	4	(1,217)	(383)
Gains on disposal of items of property, plant and equipment	4	(1,325)	(23)
Depreciation	5	9,510	8,725
Amortisation of other intangible assets	5	666	242
Impairment of trade receivables	5	3,991	4,320
Loss/(gain) on fair value of foreign currency forward contracts, net	4, 5	(489)	7,263
Amortisation of prepaid land lease payments	5	700	700
Write-down of inventories to net realisable value	5	934	1,188
Government grants	4	(3,289)	(6,486)
Share-based payment expense		1,163	3,047
		(2,532)	68,896
Decrease/(increase) in inventories		(10,976)	14,410
Decrease/(increase) in trade and bills receivables		40,840	(151,847)
Decrease/(increase) in prepayments, deposits and other receivables		(16,718)	23,390
Increase in trade and bills payables		28,004	29,702
Increase/(decrease) in other payables and accruals		(11,105)	26,521
Increase/(decrease) in derivative financial instruments		1,539	(3,469)
Increase in an advance to a director		-	(190)
Cash generated from operations		29,052	7,413
Interest paid		(8,064)	(7,972)
Income taxes paid		(3,016)	(6,747)
Net cash flows from/(used in) operating activities		17,972	(7,306)

(Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Net cash flows from/(used in) operating activities	17,972	(7,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,217	383
Purchases of items of property, plant and equipment	(20,484)	(33,643)
Proceeds from disposal of items of property, plant and equipment	2,645	79
Increase in deposits for purchase of items of property, plant and equipment	(16,031)	(7,992)
Additions to other intangible assets	(447)	(239)
Decrease/(increase) in pledged deposits	9,283	(3,407)
Receipt of government grants	1,788	5,536
Net cash flows used in investing activities	(22,029)	(39,283)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	270,000	259,872
Repayment of bank loans	(289,000)	(256,682)
Dividends paid	(10,820)	-
Net cash flows from/(used in) financing activities	(29,820)	3,190
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,877)	(43,399)
Cash and cash equivalents at beginning of period	153,860	186,660
CASH AND CASH EQUIVALENTS AT END OF PERIOD	119,983	143,261
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	119,983	143,261

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2014

1. CORPORATE INFORMATION

Sun.King Power Electronics Group Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 19 March 2010. The ordinary shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited 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 Company and its subsidiaries (collectively referred to as the “**Group**”) are trading and manufacturing of power electronic components.

The condensed consolidated interim financial information is presented in Renminbi (“**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 2013.

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 2013, except for the adoption of new and revised standards and interpretations as of 1 January 2014, noted below:

IFRS 10, IFRS 12 and IAS 27 (2011)	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets – Recoverable Disclosures of Non-Financial Assets</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC-Int 21	<i>Levies</i>

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

As the Group’s major operations, customers and non-current assets are located in the People’s Republic of China (the “**PRC**”), no further geographical segment information is provided.

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	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue		
Sales of goods	235,037	382,129
Other income		
Interest income	1,217	383
Government grants*	3,289	6,486
Commission income	–	831
Others	944	–
	5,450	7,700
Gains		
Gains on disposal of raw materials	1,158	–
Gains on disposal of items of property, plant and equipment, net	1,325	23
Foreign exchange differences, net	–	3,075
Realised and unrealised fair value gains on foreign currency forward contracts, net	489	–
Others	57	52
	3,029	3,150
	8,479	10,850

* 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2014

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	170,143	259,520
Write-down of inventories to net realisable value	934	1,188
Cost of sales	171,077	260,708
Depreciation	9,510	8,725
Amortisation of other intangible assets	666	242
Amortisation of prepaid land lease payments	700	700
Minimum lease payments under operating leases for lands and buildings	1,339	787
Impairment of trade receivables	3,991	4,320
Realised and unrealised fair value losses on foreign currency forward contracts, net	-	7,263
Unrealised fair value losses of derivative financial instruments	-	903
Foreign exchange differences, net	1,340	(3,075)

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	8,064	7,973

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 June 2014 on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2014.

Hong Kong profits tax had not been provided for the six months ended 30 June 2013 as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2013.

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%.

無錫卓峰信息科技有限公司(Wuxi Zhuofeng Information Technology Co., Ltd.*), 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 the first profit making year in 2012, followed by a 50% tax rate reduction for CIT for the subsequent three years.

7. INCOME TAX (continued)

武漢朗德電氣有限公司(Wuhan Langde Electrics Co., Ltd.*), a subsidiary of the Company, was registered as new and high technology enterprises, and is subject to CIT at a rate of 15% for the three years ending 16 December 2016.

嘉善華瑞賽晶電氣設備科技有限公司(Jiashan Sunking Power Equipment Technology Co., Ltd.*), a subsidiary of the Company, was registered as a new and high technology enterprise, and is subject to CIT at a rate of 15% for the three years ending 31 December 2015.

	For the six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	686	–
Current – Mainland China		
Charge for the period	2,644	9,423
Underprovision in prior periods	46	771
Deferred	(246)	(169)
Total tax charge for the period	3,130	10,025

* For identification purpose only

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

The calculation of basic earnings/(loss) per share amount 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 1,362,928,000 (six months ended 30 June 2013: 1,362,694,000) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2014 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2013 in respect of a dilution as the impact of the options outstanding had no dilutive effect on the basic earnings per share amount presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment at a total cost of RMB20,484,000 (six months ended 30 June 2013: RMB33,643,000) and disposed of items of property, plant and equipment with a total net carrying amount of RMB1,320,000 (six months ended 30 June 2013: RMB56,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2014

11. TRADE AND BILLS RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	509,468	485,257
Impairment	(23,035)	(19,044)
	486,433	466,213
Bills receivable	87,309	152,360
Less: Amount shown as non-current	(101,601)	(93,994)
	472,141	524,579

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.

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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 3 months	130,596	219,484
3 to 6 months	53,050	82,277
7 to 12 months	186,532	86,581
Over 1 year	116,255	77,871
	486,433	466,213

11. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 6 months	87,309	106,029
7 to 12 months	-	42,438
	87,309	148,467

As at 31 December 2013, certain trade receivables of the Group with an aggregate carrying amount of RMB25,331,000 were pledged to banks to secure the bank loans granted to the Group.

As at 30 June 2014, certain of the Group's bills receivable of approximately RMB26,300,000 (31 December 2013: RMB64,469,000) 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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 6 months	104,397	117,924
Over 6 months	66,084	24,553
	170,481	142,477

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

As at 30 June 2014, certain of the Group's bills payable were secured by the pledge of the Group's bills receivable amounting to approximately RMB26,300,000 (31 December 2013: RMB64,469,000).

13. CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2014

14. 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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	1,945	649
In the second to fifth years, inclusive	5,406	331
	7,351	980

15. CAPITAL COMMITMENTS

In addition to the operating lease arrangements detailed in note 14 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	24,070	14,297

16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	<i>Notes</i>	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
An associate: Interest income	<i>(i)</i>	718	-
A joint venture: Service income	<i>(ii)</i>	500	-

Notes:

- (i) The interest income arose from a loan to an associate bearing an interest rate of 15% per annum.
- (ii) The service income arose from the consulting service provided to a joint venture. The consulting service was made according to the mutually agreed terms.

16. RELATED PARTY TRANSACTIONS (continued)

- (b) Outstanding balances with related parties

	<i>Notes</i>	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Prepayments, deposits and other receivables			
Due from an associate	<i>(i)</i>	9,878	10,001
Due from a joint venture	<i>(ii)</i>	1,287	658

Notes:

- (i) Included in the amount due from an associate are a loan to the associate and interest receivable from the associate of RMB9,517,000 (31 December 2013: RMB9,517,000) and RMB361,000 (31 December 2013: RMB484,000), respectively. The loan to the associate is unsecured, interest-bearing at the rate of 15% per annum and is repayable within one year.
- (ii) The balance is unsecured, interest-free and repayable on demand.
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Short term employee benefits	3,631	3,172
Post-employment benefits	236	335
Share-based payment expense	1,163	1,368
Total compensation paid to key management personnel	5,030	4,875

17. FAIR VALUE AND FAIR VALUE HIERARCHY

As at 30 June 2014 and 31 December 2013, other than the available-for-sale investment, of which the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably, the carrying amounts of the Group's financial instruments approximate to their fair values largely due to the short term maturities of these instruments.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2014

17. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2014				
Derivative financial instruments	-	-	-	-
As at 31 December 2013				
Derivative financial instruments	743	-	-	743

Liabilities measured at fair value:

Group

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2014				
Derivative financial instruments	307	-	-	307
As at 31 December 2013				
Derivative financial instruments	-	-	-	-

During the period, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 December 2013: Nil).

18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 21 August 2014.