



**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 2018**

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# CORPORATE INFORMATION

## Executive Directors

Mr. Xiang Jie (*chairman of the Board*)  
Mr. Gong Renyuan (*chief executive officer*)  
Mr. Yue Zhoumin

## Non-executive Directors

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

## Independent non-executive Directors

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

## Authorised representatives

Mr. Yue Zhoumin  
Ms. He Lina

## Audit committee

Mr. Chen Shimin (*chairman of the audit committee*)  
Mr. Zhang Xuejun  
Mr. Leung Ming Shu  
Mr. Zhu Ming

## Remuneration committee

Mr. Leung Ming Shu  
(*chairman of the remuneration committee*)  
Mr. Chen Shimin  
Mr. Zhao Hang  
Mr. Zhang Xuejun

## Nomination committee

Mr. Zhang Xuejun  
(*chairman of the nomination committee*)  
Mr. Gong Renyuan  
Mr. Chen Shimin

## Investment committee

Mr. Yan Fuquan  
(*chairman of the investment committee*)  
Mr. Xiang Jie  
Mr. Zhang Xuejun  
Mr. Leung Ming Shu  
Mr. Chen Shimin  
Ms. Zhang Ling

## Joint Company Secretaries

Ms. Mok Ming Wai  
Ms. He Lina

## Legal adviser

Loeb & Loeb LLP

## Auditors

Ernst & Young

## Registered office

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

## Headquarters

Building 9-A  
KongGangRongHuiYuan  
Yuhua Road  
Tianzhu Airport Industrial Zone B  
Shunyi District  
Beijing  
People's Republic of China (the "PRC")

## Principal place of business in Hong Kong

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

## Principal share registrar and transfer office

SMP Partners (Cayman) Limited  
3rd Floor, Royal Bank House  
24 Shedden Road, P.O. BOX 1586  
Grand Cayman KY1-1110  
Cayman Islands

## Branch 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.sunking-tech.com](http://www.sunking-tech.com)

# CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board (the “**Board**”) of directors (the “**Directors**”) of Sun.King Power Electronics Group Limited (the “**Company**”), I am pleased to present the interim report of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2018.

## Industry Background

The structural reform of energy as represented by the rapid development of new power generation, the “replacement of fossil energy with electric power” (電能替代石化能源) and the technological reform of electric power transmission and usage efficiency are profoundly changing the scope and character of electric power in China and around the world. The power semiconductor and integrated technology are at the core of these two major reforms.

Demand in the power electronics market in the areas of direct current transmission, motor units, new energy vehicles, electrified vessels, industrial frequency transformation, metallurgy and military engineering is increasing and new technologies are continually emerging to drive the power electronics industry into a golden era.

## Company Orientation

The Group has always considered technological research and development to be the primary driver of its development. The Group's depth of knowledge and outstanding research and development strength has allowed it to become a market and technological leader in several sectors.

The Group is a core supplier of high-end power semiconductors and support devices in China. It is the exclusive or major supplier in China of products such as anode saturation resistors, high-voltage power capacitors, IGBT product packages for flexible direct current transmission, special power supplies for military engineering, IGBT modules and laminated busbars for rail transportation, and laminated busbars for electric vehicles.

Many of the Group's technological research and development achievements are world-leading. These include pulsed power, power electronic capacitor, solid direct current circuit breaker, solid alternating current switch and “isolated grid” rectification technologies.

## Market Development

### • Power transmission and distribution

With many ultra-high voltage direct current (“**UHVDC**”) transmission projects already completed and going into operation, the number of and the investment in new projects of the power transmission and distribution sector declined dramatically in 2018. However, with the successive initiation of Qinghai-Henan (青海—河南), Shaanbei-Hubei (陝北—湖北), Hami-Zhengzhou (renovation) (哈密—鄭州(更新改造)) and other UHVDC transmission projects, investment in UHVDC transmission is expected to be stable in the future.

The construction of an Experimental Flexible Direct Current Grid Demonstration Project in Zhangbei (張北柔性直流電網實驗示範工程) in 2018 indicates growing investment in China's flexible direct current transmission industry.

Demonstration Project on Ultra-high Voltage Multi-terminal Direct Current Transmission from Wudongde Power Station to Guangdong and Guangxi (烏東德電站送廣東廣西特高壓多端直流示範工程) and UHVDC Transmission Project from Baihetan-Jiangsu (白鶴灘—江蘇特高壓直流輸電工程) used hybrid direct current transmission which integrated UHVDC and flexible direct current transmission. Hybrid direct current transmission is likely to be a new trend for direct current transmission.

Overseas, tenders for the Matiari-Lahore (墨蒂亞裡至拉合爾) direct current transmission project in Pakistan and the Van (土耳其凡城) back-to-back converter station project in Turkey have been initiated. Phase II orders for the Brazil Meilishan (巴西美麗山) UHVDC transmission project are in progress.

### • Electrified transportation

The development of clean transportation as represented by metro and light rail, motor units, new energy vehicles and electrified vessels is crucial to the implementation of the “replacement of fossil energy with electric power” strategy and the establishment of a green transportation system. The upgrading of electrified technology and its application in the transportation sector has become a developmental priority for many countries. As the market continues to expand and more technological innovations emerge, demand for power electronics technology has grown substantially.

# CHAIRMAN'S STATEMENT

As for rail transportation vehicles, according to the Action Plan on Freight Growth from 2018 to 2020 (《2018-2020年貨運增量行動方案》) published in July 2018, over 1,000 freight locomotives are expected to be purchased every year on average by 2020. In the first half of 2018, a total of 428 freight locomotives were publicly tendered.

The domestically-made passenger motor units had an outstanding performance. The domestically-made standard motor unit has become the dominant passenger motor unit for procurement tender in China. A total of 45 eight-carriage and 50 sixteen-carriage variants have been tendered in the first half of 2018; they were all domestically-made "Fuxing" model. A new model (central power motor units) is also expected to be tendered within the year.

New energy vehicles continued their rapid growth. In the first half of 2018, production of these vehicles in China reached 413,000 units, with a sales volume at 412,000 units, representing a year-on-year increase of 94.9% and 111.5%, respectively. According to the Three-year Action Plan on Pollution Prevention & Control in Industry and Communication Industry (《堅決打好工業和通信業污染防治攻堅戰三年行動計劃》) published by the Ministry of Industry and Information Technology in July 2018, the sales volume for new energy vehicles will reach approximately two million units by year 2020.

Electrified vessels, which are powered by electricity principally, can reduce our reliance on petroleum and pollution, achieve high energy-efficiency, save hull space, improve vessel handling and minimize noise. Electrified vessels are likely to have a promising prospect in the field of electrified transportation.

- **Industry and others sectors**

Similar to the power transmission and distribution and transportation sectors, power electronics technology is becoming a fundamental driver of electrification technology upgrading and innovation in mining, metallurgy, chemical engineering, energy conservation, environmental protection, medical treatment, household appliances, military engineering and other social and economic fields. In 2018, market demand soared for power electronics and particularly for power semiconductors, making supply increasingly tight and creating an excellent environment for the industry's rapid development.

## Business Performance

In the first half of 2018, due to decreased sales revenues in the UHVDC transmission and metallurgy fields and increased sales revenues in the flexible direct current transmission, electric vehicles, motor units, new energy vehicles, new energy power generation, electrical equipment and other fields, the Group's total sales revenue amounted to approximately RMB587.9 million, representing a slight increase of approximately 1.2% compared with the same period of 2017.

As a result of structural changes to the products sold and the lower proportion of products with high gross profit in the sales revenue, the gross profit margin in the first half of 2018 decreased to approximately 35.3%, compared to approximately 43.1% of the same period in 2017. Net profit decreased by approximately 17.7% to approximately RMB85.6 million, from approximately RMB104.0 million in the same period of 2017.

## Development Strategies

To cope with decreasing investment in the UHVDC transmission sector, to seize market opportunities in sectors with high-speed development, and to achieve rapid growth in terms of corporate size and business results, the Group will implement the following business development strategies:

1. **Seize market opportunities in the fast-growing direct current transmission sector**

UHVDC transmission, flexible direct current transmission and hybrid direct current transmission, which all have a promising prospect, solve the problems of highly efficient transmission on a large scale and flexible allocation in clean energy power generation under different circumstances. With the rapid development in clean energy and growing demand for power transmission and distribution, direct current transmission continues to become the key investment for power grid construction; market demand for power semiconductors and support devices will, therefore, increase substantially.

By leveraging on its industry-leading technologies and products, the Group has become China's major supplier of various power semiconductors and support devices for direct current transmission. To maintain its leading position and seize opportunities in the substantially expanding market, the Group will continue to research and develop proprietary technologies, improve and upgrade existing products, introduce new technologies and products, and serve technological progress and project construction in the direct current transmission sector in China.

# CHAIRMAN'S STATEMENT

## 2. Foster the development of freight and passenger rail transportation business simultaneously

The Group is one of the major suppliers of IGBT modules and laminated busbars for high-power electric locomotives in China. Driven by the Freight Incremental Action Plan (《貨運增量行動計劃》), freight locomotive purchase volume achieved a growth. The Group also performed outstandingly in passenger motor unit business.

The Group's products have been widely used in various passenger motor units such as domestically-made standard motor unit, alpine electric motor unit and central power motor unit. In addition, our in-house developed "New Type of Rail Transit Traction Rectifier" (新型軌道交通牽引整流裝置) has been successfully applied as well.

The Group will continue to allocate more resources to the rail transportation sector in order to develop freight and passenger rail transportation business simultaneously and achieve a rapid growth of the rail transportation sector.

## 3. Advance into the new energy vehicle consumer market

New energy vehicles play a key role in the creation of a green transportation system. Unlike other business of the Group, end-users of new energy vehicles comprise social organizations and individuals. It is a consumer market of enormous size and potential. With the rapid growth in the production and sales of new energy vehicles, demand for power semiconductors and support devices will improve significantly.

Based on its successful experience and strong customer base in the high-voltage sector, the Group will focus on the research and development and promotion of products for the consumer market in the downstream of the medium-low-voltage sector. It will strive to explore the consumer market, enrich its end-market business, and seize the opportunities as the new energy vehicle market develops.

## 4. Exploit market opportunities in high-end applications of cutting-edge technologies

The Group is a world's leader in a range of cutting-edge technologies. The technological reserves of the Group in pulsed power, power electronic capacitors and solid direct current circuit breakers enjoys a broad potential market in direct current systems for electrified vessels, electric military engineering equipment, electric medical devices and other high-end and emerging areas of application.

The Group will engage in extensive cooperation with downstream industries to explore solutions for the application of cutting-edge technologies, explore potential market opportunities, promote the application and popularization of cutting-edge technologies, and boost the progress in electrical technologies in China to achieve high growth in its own businesses.

## PROSPECTS

In the second half of 2018, the Group expects to deliver most of its orders for the Experimental Flexible Direct Current Grid Demonstration Project in Zhangbei (張北柔性直流電網實驗示範工程). In rail transportation, the application market for high-power electric locomotives and motor units, the pulsed power technology industry and other sectors are also expected to maintain a solid trend of development.

The power semiconductor and integrated technology segment of power electronics is a sunrise industry with huge development potential. As it is inevitable that electric power will replace fossil energy for all downstream industries, the popularization and application of existing technologies and the potential of innovative new technologies will foster rapid long-term growth in demand for power electronics.

The Group considers technological research and development to be its primary development driver, and has consequently developed both a strong knowledge base and an outstanding research and development capability. In an environment characterized by constant technological progress and upgrading market demands, we have the ability to maintain and consolidate our leading industry position and achieve ongoing growth in corporate scale and economic returns.

## ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank our shareholders, business partners, members of the Board and all our staff for their support and contributions. Together with the management team, I will continue striving for better returns for our shareholders.

**Xiang Jie**  
*Chairman*

Hong Kong, 22 August 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### 1. Group Performance

For the six months ended 30 June 2018, the Group's sales revenue amounted to approximately RMB587.9 million (for the first half of 2017, approximately RMB580.9 million), representing an increase of approximately 1.2% compared to the same period in 2017.

The Group recorded increased sales revenue in the sectors of flexible direct current transmission, electric locomotives, motor units, new energy vehicles, new energy power generation and electrical equipment, but sales revenue in the sectors of ultra-high-voltage direct current ("UHVDC") transmission and metallurgy decreased. As such, the Group's overall sales revenue recorded a slight increase compared with the same period in 2017.

For the six months ended 30 June 2018, the Group's net profit amounted to approximately RMB85.6 million (for the first half of 2017, RMB104.0 million), representing a decrease of approximately 17.7% compared to the same period in 2017, of which the net profit after deducting non-recurring profit and loss amounted to approximately RMB64.3 million for the first half of 2018 (for the first half of 2017, approximately RMB93.2 million), representing a decrease of approximately 31.0% compared to the same period in 2017. The decrease in net profit was mainly due to changes in the sales structure of the Group's products and a decrease in proportion of revenue from products with high gross profit margin as compared with the same period in 2017.

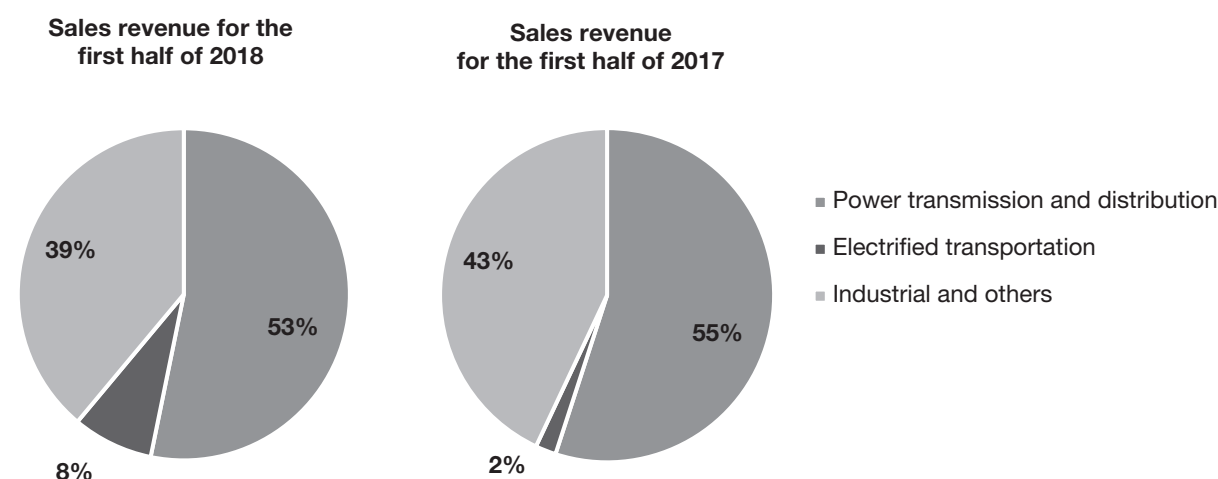
### 2. Performance by business sector

Performance of each business sector of the Group was as follows:

	For the six months ended 30 June 2018		For the six months ended 30 June 2017 <sup>(note)</sup>	
	Revenue (RMB million)	Gross profit margin %	Revenue (RMB million)	Gross profit margin %
Power transmission and distribution	312.8	37.3%	319.9	56.3%
Industrial and others	228.9	33.5%	246.4	26.9%
Electrified transportation	46.3	35.2%	14.6	28.1%
<b>Total</b>	<b>587.9</b>	<b>Average of 35.3</b>	<b>580.9</b>	<b>Average of 43.1</b>

Note: New energy vehicles were classified as belonging to the electrified transportation sector, instead of the industrial and others sector. Therefore, the revenue of the electrified transportation and the industrial and others sector for the same period of 2017 has been adjusted accordingly and is different to the data in the 2017 interim report.

The proportion of sales revenue for each of the Group's business sectors was as follows:



# MANAGEMENT DISCUSSION AND ANALYSIS

## Power transmission and distribution

In the first half of 2018, sales revenue in the power transmission and distribution sector decreased slightly compared to the same period in 2017. This was largely due to a significant decline in sales revenue of UHVDC transmission-related products; however, there was a significant increase in sales revenue of flexible direct current (“DC”) transmission-related products at the same time.

## Electrified transportation

In the first half of 2018, sales revenue of the electrified transportation business increased substantially compared to the same period in 2017. This was mostly fostered by an increase in sales revenue of products related to rail transportation vehicles and new energy vehicles.

## Industrial and others

In the first half of 2018, sales revenue from the industrial and other sector declined slightly compared to the same period in 2017. This stemmed mainly from the decreased sales revenue from products related to the metallurgical sector such as electrolytic aluminium; however, sales revenue from products related to the electrical equipment and new energy power generation sector increased at the same time.

## FINANCIAL REVIEW

### Revenue

The Group’s revenue increased by approximately 1.2% from approximately RMB580.9 million for the six months ended 30 June 2017 to approximately RMB587.9 million for the same period in 2018, mainly due to the increase in revenue from the flexible DC transmission, rail transportation, new energy and other sectors, although there was a decrease in revenue from the UHVDC transmission and metallurgy sectors.

### Cost of sales

The Group’s cost of sales increased by approximately 15.0% from approximately RMB330.6 million for the six months ended 30 June 2017 to approximately RMB380.1 million for the same period in 2018, mainly due to the decreased proportion of sales revenue from products with high gross profit margin.

### Gross profit and gross profit margin

The Group’s gross profit decreased by approximately 17.0% from approximately RMB250.4 million for the six months ended 30 June 2017 to approximately RMB207.8 million for the same period in 2018, mainly due to the decreased proportion of sales revenue from products with high gross profit margin.

The Group’s gross profit margin decreased from approximately 43.1% for the six months ended 30 June 2017 to approximately 35.3% for the same period in 2018, mainly attributable to the decreased proportion of sales revenue from products with high gross profit margin.

### Share of profits of associates

The Group’s share of profits of associates decreased from a profit of approximately RMB1.7 million for the six months ended 30 June 2017 to a profit of approximately RMB0.9 million for the same period in 2018.

### Selling and distribution costs

The Group’s selling and distribution costs decreased by approximately 12.0% from approximately RMB41.3 million for the six months ended 30 June 2017 to approximately RMB36.3 million for the same period in 2018, mainly due to the continuous strengthening of management and stringent control in costs and expenses by the Group.

### Administrative expenses

The Group’s administrative expenses slightly increased by approximately 0.8% from approximately RMB49.5 million for the six months ended 30 June 2017 to approximately RMB50.0 million for the same period in 2018.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

The Group's financial costs, which were made up of interests on bank loans wholly repayable within one year, decreased from approximately RMB8.8 million for the six months ended 30 June 2017 to approximately RMB7.1 million for the same period in 2018, mainly due to the decrease in the average interest rate and the decrease in the average balance of bank loans.

## Profit before tax

As a result of the foregoing, the Group's profit before tax had decreased from approximately RMB129.2 million for the six months ended 30 June 2017 to approximately RMB100.8 million for the same period of 2018.

## Income tax expenses

The Group's income tax expenses decreased by approximately 39.6% from approximately RMB25.2 million for the six months ended 30 June 2017 to approximately RMB15.2 million for the same period in 2018. The decrease in income tax expenses was mainly due to the decrease in profit before tax for the six months ended 30 June 2018.

## Total comprehensive income for the period attributable to owners of the parent

The Group's total comprehensive income for the period attributable to owners of the parent of the Group decreased from approximately RMB103.8 million for the six months ended 30 June 2017 to approximately RMB81.8 million for the same period in 2018.

## Interim dividend

The Board has resolved to pay an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2018 (same period in 2017: HK2 cents per ordinary share) out of the share premium account of the Company. The interim dividend is expected to be paid on or around 15 October 2018 to the shareholders of the Company whose names appear on the Company's register of members on 28 September 2018. Assuming no further share will be issued or repurchased from the date of this interim results announcement up to the expected dividend payment date, this will absorb a total amount of HK\$32,313,220 (same period in 2017: HK\$28,057,070).

## 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 2018, the Group's current ratio (current assets divided by current liabilities) was approximately 2.4 (as at 31 December 2017: approximately 2.3). As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB567.8 million (as at 31 December 2017: approximately RMB513.0 million) and interest-bearing bank loans of approximately RMB344.1 million (as at 31 December 2017: approximately RMB327.2 million).

As at 30 June 2018, the Group's gearing ratio measured on the basis of total interest-bearing bank loans to total equity was approximately 21.9% (as at 31 December 2017: approximately 21.5%).

As at 30 June 2018, the Group's bank loans were mainly denominated in Renminbi ("RMB") with the contractual maturity being within one year from the end of the reporting period. The effective interest rate on the Group's bank borrowings (equivalent to the weighted average contracted interest rates) decreased from approximately 5.45% as at 31 December 2017 to approximately 4.25% as at 30 June 2018. In 2018, 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 total liabilities to total assets ratio.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Interests and foreign currency exposures

As most of the principal subsidiaries of the Company operate in the PRC, the functional currency of the Group 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 currency exposure, the Group has entered into foreign currency forward contracts with creditworthy banks to manage its exchange rate exposures.

## Contingent liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities (as at 31 December 2017: Nil).

## Charges on Group's assets

As at 30 June 2018, none of the Group's property, plant and equipment and prepaid land lease payment was pledged to secure any bank loans.

As at 30 June 2018, certain of the Group's bills payable amounting to approximately RMB36.9 million (as at 31 December 2017: approximately RMB17.8 million) were secured by the pledge of certain bills receivables and cash and cash equivalents amounting to approximately RMB26.0 million (as at 31 December 2017: approximately RMB17.6 million) and approximately RMB8.0 million (as at 31 December 2017: approximately RMB6.5 million), respectively.

## USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES

As disclosed in the announcements of the Company dated 21 July 2017 and 6 December 2017 and the 2017 annual report of the Company, (a) the Company entered into the Subscription Agreement with China Venture Capital Fund Corporation Ltd. (中國國有資本風險投資基金股份有限公司) on 21 July 2017, pursuant to which China Venture Capital Fund Corporation Ltd. conditionally agreed to, or procure its nominee to, subscribe for 200,000,000 Subscription Shares at the Subscription Price of HK\$1.72 per Subscription Share; (b) the Company allotted and issued 200,000,000 Subscription Shares to Guojing Capital Limited (國晶資本有限公司), being the nominee of China Venture Capital Fund Corporation Ltd., on 6 December 2017 under the General Mandate; and (c) the aggregate Subscription Price of HK\$344 million shall be used as research and development, capital expenditure and general working capital of the Group.

The table below sets out the breakdown of the use of proceeds of the Subscription:

Uses	Allocation (HK\$)	Utilisation as at 30 June 2018 (HK\$)	Remaining balance as at 30 June 2018 (HK\$)	Expected time of full utilisation of remaining balance
Research and development	103,200,000	26,180,771	77,019,229	31 December 2020
Capital expenditure	103,200,000	2,897,967	100,302,033	31 December 2020
General working capital	137,600,000	118,500,000	19,100,000	31 December 2019
<b>Total</b>	<b>344,000,000</b>	<b>147,578,738</b>	<b>196,421,262</b>	

## HUMAN RESOURCES

As at 30 June 2018, the Group had 644 employees (as at 31 December 2017: 667 employees). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group regularly evaluates job performance of its employees to determine their salary and bonus. The Group has neither experienced any significant issues with its employees or disruptions in 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

In the second half of 2018, most orders for the Group's flexible DC grid project in Zhangbei (張北柔性直流電網試驗示範工程) are expected to be delivered. The rail transportation business represented by the application market for high-powered electric locomotives and motor units is also expected to continue a solid trend of development.

Looking forward, China's electric power industry will continue to work toward the major initiatives of "replacement of other energy with clean energy" (清潔替代) and "replacement of other energy with electricity" (電能替代). It will increase the proportion of clean energy in power generation and electricity consumption at an accelerated pace, and increase the construction of DC transmission projects suitable for clean energy. Targeted markets such as DC transmission, new energy vehicles and high-end electrical technology applications will continue to enjoy rapid growth. The Group will continue to increase its technological research and development and market development efforts, and to continuously improve operational efficiency, strengthen budget management, cost control and cash flow management, and will strive to achieve long-term rapid growth.

## REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,615,621,000 shares of the Company in issue as at 30 June 2018.

During the six months ended 30 June 2018, the Company purchased 1,418,000 shares of the Company at an aggregate purchase price before expense of HK\$2,211,920 on the Stock Exchange. The 1,418,000 purchased shares were cancelled during the year under review.

In addition, 5,822,000 shares bought back but not yet cancelled in 2017 have been cancelled on 8 January 2018. The aforementioned purchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the market price per share and to improving the confidence of investors in the Company.

## MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed herein, the Group had no material acquisition and disposal during the six months ended 30 June 2018.

## CORPORATE GOVERNANCE

As reported in the corporate governance report published in the 2017 annual report of the Company, the Group places high value in its corporate governance practice and the Board firmly believes that good corporate governance practice could improve accountability and transparency for the benefits of the shareholders of Company.

The Company had 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 of Hong Kong Limited (the “**Listing Rules**”) for the six months ended 30 June 2018. The Board reviews and monitors the operation of the Company from time to time with the aim of maintaining high standards of corporate governance practice.

## BOARD OF DIRECTORS AND BOARD COMMITTEES

With effect from 12 October 2017, the Board appointed Mr. Yan Fuquan, Mr. Zhu Ming and Ms. Zhang Ling as non-executive Directors. With effect from 4 December 2017, the Board appointed Mr. Zhao Hang as an independent non-executive Director. Mr. Zhu Ming will take up a role as a member of the audit committee of the Board. Mr. Zhao Hang will take up a role as a member of the remuneration committee of the Board. Mr. Yan Fuquan will take up a role as the chairman of the investment committee of the Board. Ms. Zhang Ling will take up a role as a member of the investment committee of the Board.

Save as disclosed herein, there had been no substantial disclosable change in the information of the Directors since last disclosed in the 2017 annual report of the Company pursuant to Rule 13.51(B)(1) of the Listing Rules.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The audit committee has reviewed the accounting principles and practice adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters, including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018.

The audit committee comprises Mr. Chen Shimin (chairman of the audit committee), Mr. Zhang Xuejun, Mr. Leung Ming Shu and Mr. Zhu Ming. At the Company’s annual general meeting held on 3 May 2018, 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 2019. 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 prescribed in accordance with the Listing Rules. The roles and functions of the remuneration committee are 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 relevant written terms of reference 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. Leung Ming Shu (chairman of the remuneration committee), Mr. Chen Shimin, Mr. Zhang Xuejun and Mr. Zhao Hang.

# OTHER INFORMATION

## NOMINATION COMMITTEE

The nomination committee was established on 19 August 2010. The roles and functions of the nomination committee are to formulate policies on the Director nomination for the Board's consideration and to implement the Director nomination policies approved by the Board, including annual review of Board structure, 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. Zhang Xuejun (chairman of the nomination committee), 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 Mr. Yan Fuquan (chairman of the investment committee), Mr. Chen Shimin, Mr. Leung Ming Shu, Mr. Xiang Jie, Mr. Zhang Xuejun and Ms. Zhang Ling.

## CORPORATE CULTURE AND SOCIAL RESPONSIBILITY

The Group is fully aware of the importance of establishing a sound corporate culture. The Group organises corporate activities from time to time to promote team cohesion. The Group also publishes Sun.King Bimonthly (賽晶雙月刊) informing all employees of the news of the Group and reminding employees of the Group's core value.

## 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 has made specific enquiry of all Directors and the Directors confirmed that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2018.

Save as disclosed herein, there had been no material change in the development or future development of the Group's business and financial position, and no important event affecting the Group had occurred since the publication of the 2017 annual report of the Company.

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

As at 30 June 2018, 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"), which were required pursuant to Section 352 of the SFO, to be entered in the register required to be kept by the Company under such provision; or the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

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

#### Relevant interests in the Company held by:

Name of Director	Nature of interest	Number of ordinary shares held	Number of underlying shares held under equity derivatives <sup>(Note 4)</sup>	Total	Approximate percentage of interest in the Company <sup>(Note 5)</sup>
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	357,532,347 <sup>(Note 1)</sup>	20,000,000	377,532,347	23.37%
Mr. Gong Renyuan	Beneficial owner and the interest of spouse	6,960,000 <sup>(Note 2)</sup>	12,400,000 <sup>(Note 3)</sup>	19,360,000	1.20%
Mr. Yue Zhoumin	Beneficial owner	4,100,000	1,500,000	5,600,000	0.35%

#### Notes:

- As at 30 June 2018, among these 357,532,347 shares, 19,204,000 shares were directly held by Mr. Xiang Jie and the remaining 338,328,347 shares were directly held by Max Vision Holdings Limited. As at 30 June 2018, Max Vision Holdings Limited was wholly owned by Jiekun Limited, which was in turn wholly owned by BNP Paribas Corporate Services Pte. Ltd.. As at 30 June 2018, BNP Paribas Corporate Services Pte Ltd. was wholly owned by BNP Paribas Singapore Trust Corporation Limited, which was the trustee of a private trust of which Mr. Xiang Jie was the settlor and his family members were the beneficiaries. Ms. Meng Fankun, being the spouse of Mr. Xiang Jie, was deemed under the SFO to be interested in the 377,532,347 shares in which Mr. Xiang Jie was interested.
- As at 30 June 2018, among these 6,960,000 shares, 4,310,000 shares were directly held by Mr. Gong Renyuan and the remaining 2,650,000 shares were held by Ms. Ren Jie, the spouse of Mr. Gong Renyuan. Mr. Gong Renyuan was deemed under the SFO to be interested in the 2,650,000 shares held by Ms. Ren Jie.
- Among the 12,400,000 shares which may be issued upon the exercise of the share options, 10,750,000 shares represented the shares which may be issued upon the exercise of the share options granted to Mr. Gong Renyuan and the remaining 1,650,000 shares represented the shares which may be issued upon the exercise of the share options granted to Ms. Ren Jie, being the spouse of Mr. Gong Renyuan. Mr. Gong Renyuan was deemed under the SFO to be interested in the 1,650,000 shares which may be issued upon the exercise of the share options granted to 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 1,615,621,000 shares of the Company in issue as at 30 June 2018.

### (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 the shares, underlying shares and debentures of the Company or its associated corporations as at 30 June 2018.

# OTHER INFORMATION

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2018, 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.

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

As at 30 June 2018, 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:

<b>Name of Substantial shareholder</b>	<b>Nature of interest</b>	<b>Total number of shares held</b>	<b>Approximate percentage of interest in the Company <sup>(Note 8)</sup></b>
Max Vision Holdings Limited	Beneficial owner	338,328,347 <sup>(Note 1)</sup>	20.92%
Jiekun Limited	Interest in controlled corporation	338,328,347 <sup>(Note 1)</sup>	20.92%
BNP Paribas Corporate Services Pte. Ltd.	Nominee	338,328,347 <sup>(Note 1)</sup>	20.92%
BNP Paribas Singapore Trust Corporation Limited	Trustee	338,328,347 <sup>(Note 1)</sup>	20.92%
Meng Fankun	Interest of spouse	377,532,347 <sup>(Notes 1 and 2)</sup>	23.37%
China Hi-Tech Holding Company Ltd.	Beneficial owner	300,000,000 <sup>(note 3)</sup>	18.65%
China Hi-Tech Group Corporation	Interest in controlled corporation	300,000,000 <sup>(note 4)</sup>	18.65%
Guojing Capital Limited	Beneficial owner	200,000,000 <sup>(note 5)</sup>	12.43%
China Venture Capital Fund Corporation Ltd.	Interest in controlled corporation	200,000,000 <sup>(note 5)</sup>	12.43%
China Reform Venture Capital Investment Management (Shengzhen) Ltd.	Interest in controlled corporation	200,000,000 <sup>(note 6)</sup>	12.43%
China Reform Holdings Corporation Ltd.	Interest in controlled corporation	200,000,000 <sup>(note 7)</sup>	12.43%

## OTHER INFORMATION

### Notes:

1. As at 30 June 2018, Max Vision Holdings Limited was wholly owned by Jiekun Limited, which was in turn wholly owned by BNP Paribas Corporate Service Pte Ltd. As at 30 June 2018, BNP Paribas Corporate Services Pte. Ltd. was wholly owned by BNP Paribas Singapore Trust Corporation Limited which was the trustee of a private trust of which Mr. Xiang Jie was the settlor and his family members were beneficiaries. As such Jiekun Limited, BNP Paribas Corporate Service Pte Ltd. and BNP Paribas Singapore Trust Corporation Limited were also deemed to be interested in the 338,328,347 shares owned by Max Vision Holdings Limited.
2. Ms. Meng Fankun, the spouse of Mr. Xiang Jie, was deemed under the SFO to be interested in the 377,532,347 shares in which Mr. Xiang was interested.
3. On 24 July 2017, China Hi-Tech Holding Company Limited entered into a sale and purchase agreement with Max Vision Holdings Limited, Mr. Gong Renyuan and Mr. Yue Zhoumin as sellers, pursuant to which Max Vision Holdings Limited, Mr. Gong Renyuan and Mr. Yue Zhoumin sold and China Hi-Tech Holding Company Limited purchased an aggregate of 125,000,000 shares in the Company. China Hi-Tech Holding Company Limited also entered into a sale and purchase agreement dated 22 July 2017 with certain Shareholders for the sale and purchase of an aggregate of 175,000,000 shares of the Company. As such, China Hi-Tech Holding Company Limited hold an aggregate of 300,000,000 shares in the Company.
4. As at 30 June 2018, China Hi-Tech Holding Company Limited was wholly owned by China Hi-Tech Group Corporation. As such, China Hi-Tech Group Corporation was deemed under the SFO to be interested in the 300,000,000 shares held by China Hi-Tech Holding Company Limited.
5. On 21 July 2017, the Company entered into the subscription agreement with China Venture Capital Fund Corporation Ltd., a total of 200,000,000 subscription shares have been allotted and issued by the Company under the subscription. On 6 December 2017, China Venture Capital Fund Corporation Ltd. procured its nominee, being Guojing Capital Limited, to subscribe for the 200,000,000 subscription shares. For details, please refer to the announcements of the Company dated 21 July 2017 and 6 December 2017, respectively. As at 30 June 2018, Guojing Capital Limited was interested in the 200,000,000 shares held by China Venture Capital Fund Corporation Ltd..
6. As at 30 June 2018, China Reform Venture Capital Investment Management (Shenzhen) Ltd. held approximately 35.29% equity interests in China Venture Capital Fund Corporation Ltd.. As such, China Reform Venture Capital Investment Management (Shenzhen) Ltd. was deemed under the SFO to be interested in the 200,000,000 shares held indirectly by China Venture Capital Fund Corporation Ltd..
7. As at 30 June 2018, China Reform Holdings Corporation Ltd. held 100% equity interest in China Reform Venture Capital Investment Management (Shenzhen) Ltd.. As such, China Reform Holdings Corporation Ltd. was deemed under the SFO to be interested in the 200,000,000 shares held indirectly by China Reform Venture Capital Investment Management (Shenzhen) Ltd..
8. There were 1,615,621,000 shares of the Company in issue as at 30 June 2018.

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

Save as disclosed above, as at 30 June 2018, 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.



# OTHER INFORMATION

## 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 first 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 2018 and share options outstanding as at the beginning and the end of the year are set out below:

Name of grantees	Date of grant	As at 1 January 2018	Number of share options				Cancelled/ Forfeited during the period	As at 30 June 2018	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. Xiang Jie (Chairman of the Board, 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	0.64	0.27	28 May 2014 to 27 May 2019	
	28 August 2014	20,000,000	-	-	-	-	20,000,000	0.69	0.61	0.88	28 August 2015 to 27 August 2020	
Mr. Gong Renyuan (Chief executive officer and executive Director)	26 April 2012	1,500,000	-	(1,500,000)	-	-	-	0.55	0.47	0.23	26 April 2013 to 25 April 2018	
	28 May 2013	750,000	-	-	-	-	750,000	0.68	0.64	0.27	28 May 2014 to 27 May 2019	
	28 August 2014	10,000,000	-	-	-	-	10,000,000	0.69	0.61	0.33	28 August 2015 to 27 August 2020	
Mr. Yue Zhoumin (Executive Director)	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	0.64	0.27	28 May 2014 to 27 May 2019	
	28 August 2014	2,000,000	-	(500,000)	-	-	1,500,000	0.69	0.61	0.33	28 August 2015 to 27 August 2020	

## OTHER INFORMATION

Name of grantees	Date of grant	As at 1 January 2018	Number of share options			Cancelled/ Forfeited during the period	As at 30 June 2018	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						
Ms. Ren Jie (senior management and the spouse of Mr. Gong Renyuan)	26 April 2012	250,000	-	(250,000)	-	-	-	0.55	0.47	0.23	26 April 2013 to 25 April 2018
	28 May 2013	450,000	-	-	-	-	450,000	0.68	0.64	0.27	28 May 2014 to 27 May 2019
	28 August 2014	1,200,000	-	-	-	-	1,200,000	0.69	0.61	0.33	28 August 2015 to 27 August 2020
		51,100,000	-	(17,200,000)	-	-	33,900,000				
Employees in aggregates	26 April 2012	150,000	-	(150,000)	-	-	-	0.55	0.47	0.20	26 April 2013 to 25 April 2018
	28 May 2013	802,500	-	(441,000)	-	-	361,500	0.68	0.64	0.26	28 May 2014 to 27 May 2019
	28 August 2014	6,136,500	-	(1,120,000)	(65,000)	-	4,951,500	0.69	0.61	0.31	28 August 2015 to 27 August 2020
	24 August 2016	4,850,000	-	(75,000)	-	-	4,775,000	1.17	1.19	0.53	24 August 2017 to 23 August 2022
Other grantees											
Total		63,039,000	-	(18,986,000)	(65,000)	-	43,988,000				

# 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 19 to 34, 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 2018, 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 Hong Kong 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 compliance with IAS 34.

**Ernst & Young**  
*Certified Public Accountants*

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

22 August 2018

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		For the six months ended 30 June	
	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>587,932</b>	580,945
Cost of sales		<b>(380,136)</b>	(330,565)
Gross profit		<b>207,796</b>	250,380
Other income and gains	4	<b>24,868</b>	12,000
Selling and distribution costs		<b>(36,325)</b>	(41,282)
Administrative expenses		<b>(49,960)</b>	(49,547)
Research and development costs		<b>(21,657)</b>	(20,678)
Other expenses and losses		<b>(17,697)</b>	(14,552)
Finance costs	6	<b>(7,130)</b>	(8,815)
Share of profits/(losses) of:			
A joint venture		<b>(13)</b>	(22)
Associates		<b>913</b>	1,672
<b>PROFIT BEFORE TAX</b>	5	<b>100,795</b>	129,156
Income tax expense	7	<b>(15,235)</b>	(25,206)
<b>PROFIT FOR THE PERIOD</b>		<b>85,560</b>	103,950
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		<b>(87)</b>	650
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>(87)</b>	650
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>85,473</b>	104,600
Profit attributable to:			
Owners of the parent		<b>81,893</b>	103,366
Non-controlling interests		<b>3,667</b>	584
		<b>85,560</b>	103,950
Total comprehensive income attributable to:			
Owners of the parent		<b>81,837</b>	103,789
Non-controlling interests		<b>3,636</b>	811
		<b>85,473</b>	104,600
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
	8		
Basic		<b>RMB5.07 cents</b>	RMB7.40 cents
Diluted		<b>RMB5.00 cents</b>	RMB7.19 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	<i>Notes</i>	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>323,744</b>	323,581
Prepaid land lease payments		<b>35,885</b>	36,361
Deposits for purchase of items of property, plant and equipment		–	1,703
Goodwill		<b>41,037</b>	41,037
Other intangible assets		<b>38,697</b>	34,897
Club memberships		<b>1,554</b>	1,554
Investment in a joint venture		<b>15,579</b>	15,592
Investments in associates		<b>28,413</b>	27,000
Trade receivables	10	<b>64,711</b>	104,155
Deferred tax assets		<b>11,938</b>	11,430
<b>Total non-current assets</b>		<b>561,558</b>	597,310
<b>CURRENT ASSETS</b>			
Inventories		<b>139,688</b>	186,255
Trade and bills receivables	10	<b>1,013,518</b>	879,304
Prepayments, deposits and other receivables		<b>38,351</b>	67,671
Prepaid land lease payments		<b>952</b>	952
Derivative financial instruments		<b>4,620</b>	–
Pledged deposits		<b>15,751</b>	27,517
Cash and cash equivalents		<b>567,750</b>	513,015
<b>Total current assets</b>		<b>1,780,630</b>	1,674,714
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	<b>209,732</b>	238,845
Contract liabilities		<b>102,508</b>	–
Other payables and accruals		<b>60,579</b>	117,445
Derivative financial instruments		–	130
Interest-bearing bank borrowings		<b>344,123</b>	327,184
Tax payable		<b>35,705</b>	45,353
<b>Total current liabilities</b>		<b>752,647</b>	728,957
<b>NET CURRENT ASSETS</b>		<b>1,027,983</b>	945,757
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,589,541</b>	1,543,067

(Continued)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Deferred income	5,674	12,659
Deferred tax liabilities	9,045	9,255
<b>Total non-current liabilities</b>	<b>14,719</b>	<b>21,914</b>
<b>Net assets</b>	<b>1,574,822</b>	<b>1,521,153</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	138,436	137,476
Treasury shares	-	(8,773)
Reserves	1,354,160	1,313,372
	<b>1,492,596</b>	<b>1,442,075</b>
<b>Non-controlling interests</b>	<b>82,226</b>	<b>79,078</b>
<b>Total equity</b>	<b>1,574,822</b>	<b>1,521,153</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent											
	Issued capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Deemed contribution reserve RMB'000 (note a)	Other reserve RMB'000 (note b)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	119,283	-	418,092	31,479	288	14,765	244,978	175,635	(16)	1,004,504	24,622	1,029,126
Profit for the period	-	-	-	-	-	-	-	103,366	-	103,366	584	103,950
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	423	423	227	650
Total comprehensive income for the period	-	-	-	-	-	-	-	103,366	423	103,789	811	104,600
Acquisition of a subsidiary	-	-	-	-	-	-	(4,347)	-	-	(4,347)	4,347	-
Exercise of share options	864	-	7,163	(2,374)	-	-	-	-	-	5,653	-	5,653
Share-based payments	-	-	-	2,302	-	-	-	-	-	2,302	-	2,302
Transfer from retained profits	-	-	-	-	-	-	36,533	(36,533)	-	-	-	-
Final 2016 dividends	-	-	(18,214)	-	-	-	-	-	-	(18,214)	-	(18,214)
At 30 June 2017	120,147	-	407,041	31,407	288	14,765	277,164	242,468	407	1,093,687	29,780	1,123,467
At 1 January 2018	137,476	(8,773)	682,175*	30,392*	684*	14,765*	275,817*	309,725*	(186)*	1,442,075	79,078	1,521,153
Profit for the period	-	-	-	-	-	-	-	81,893	-	81,893	3,667	85,560
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(56)	(56)	(31)	(87)
Total comprehensive income for the period	-	-	-	-	-	-	-	81,893	(56)	81,837	3,636	85,473
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(12)	-	-	(12)	(488)	(500)
Exercise of share options	1,582	-	11,456	(3,853)	-	-	-	-	-	9,185	-	9,185
Share-based payments	-	-	-	1,011	-	-	-	-	-	1,011	-	1,011
Transfer from retained profits	-	-	-	-	-	-	13,693	(13,693)	-	-	-	-
Final 2017 dividends	-	-	(39,710)	-	-	-	-	-	-	(39,710)	-	(39,710)
Shares repurchased for cancellation	(622)	8,773	(9,941)	-	622	-	-	(622)	-	(1,790)	-	(1,790)
At 30 June 2018	138,436	-	643,980*	27,550*	1,306*	14,765*	289,498*	377,303*	(242)*	1,492,596	82,226	1,574,822

## Notes:

- (a) The 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) The other reserve mainly represents a certain waiver of loans and/or advances by Sunking BVI to the Group in prior years, the reserve arose from acquisition of non-controlling interests, and statutory reserve of PRC subsidiaries.

\* These reserve accounts comprise the consolidated reserves of RMB1,354,160,000 (31 December 2017: RMB1,313,372,000) in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		100,795	129,156
Adjustments for:			
Finance costs	6	7,130	8,815
Share of profits of a joint venture and associates		(900)	(1,650)
Interest income	4	(5,231)	(993)
Loss/(gain) on disposal of items of property, plant and equipment, net	4,5	(75)	68
Gain on disposal of an available-for-sale investment		-	(802)
Depreciation	5	9,597	11,091
Amortisation of other intangible assets	5	1,288	1,303
Amortisation of prepaid land lease payments	5	476	681
Impairment of trade and other receivables	5	11,925	4,804
Fair value gains on foreign currency forward contracts, net	4	(5,338)	(558)
Write-down of inventories to net realisable value	5	1,953	148
Impairment of an available-for-sale investment	5	-	6,000
Amortisation of deferred income		(2,766)	(2,287)
Share-based payment expense		1,011	2,302
		119,865	158,078
Decrease in inventories		44,613	26,615
Increase in trade and bills receivables		(103,765)	(128,375)
Decrease in prepayments, deposits and other receivables		29,566	29,262
Increase/(decrease) in trade and bills payables		(29,113)	21,779
Increase in other payables and accruals and contract liabilities		43,633	3,206
Increase in derivative financial instruments		588	241
Cash generated from operations		105,387	110,806
Interest paid		(7,151)	(8,815)
Income taxes paid		(25,587)	(17,557)
Effect of foreign exchange rate changes, net		(12)	142
Net cash flows from operating activities		72,637	84,576

(Continued)



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash flows from operating activities	72,637	84,576
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,056	993
Purchases of items of property, plant and equipment	(9,829)	(8,311)
Additions to other intangible assets	(5,174)	-
Proceeds from disposal of items of property, plant and equipment	141	387
Decrease in deposits for purchase of items of property, plant and equipment	1,703	278
Acquisition of a subsidiary	-	(9,188)
Additions to investment in an associate	(500)	-
Decrease in pledged deposits	11,766	1,495
Net cash flows from/(used in) investing activities	163	(14,346)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	9,185	5,653
New bank loans	264,692	364,041
Repayment of bank loans	(247,753)	(272,601)
Acquisition of additional interest in a subsidiary	(500)	-
Repurchase of own shares	(3,979)	-
Dividends paid	(39,710)	(18,214)
Net cash flows from/(used in) financing activities	(18,065)	78,879
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>54,735</b>	<b>149,109</b>
Cash and cash equivalents at beginning of period	513,015	103,023
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>567,750</b>	<b>252,132</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	567,750	252,132

## 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 address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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 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 (“**IASB**”).

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 2017.

The accounting policies and basis of preparation 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 2017, except for the adoption of the following new or revised International Financial Reporting Standards (“**IFRSs**”) issued by IASB for the first time for financial year beginning 1 January 2018.

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>

The Group applies IFRS 15 using the modified retrospective approach which means that the cumulative impact of the initial adoption of IFRS 15 (if any) would be recognised in retained earnings as of 1 January 2018 and that comparatives was not be restated. The Group concluded other than more disclosure of disaggregated revenue information and certain reclassification of contract liabilities from other payables, there is no change in the timing of revenue recognition, i.e. the Group will continue to recognize revenue at a point in time when the goods are delivered. As such, no adjustment was required to the Group’s retained earnings as of 1 January 2018. A contract liability represents the Group’s obligation to transfer goods to a customer for which the Group has received consideration from the customer. In this regards, cash or bank acceptance notes collected from certain customers before product delivery is recognised as contract liabilities.

The Group concluded IFRS 9 has no material impact on the classification and measurement of its financial assets and has no significant impact on the impairment assessment of its financial assets. The Group did not restate comparatives and no transition adjustment against the opening balance of equity at 1 January 2018 was made.

The other amendments and interpretations apply for the first time in 2018 have no material impact on the accounting policies of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

## 3. OPERATING SEGMENT INFORMATION

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

### Geographical information

As the Group's major operations, 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 represents the net invoiced value of goods sold after allowances for returns and trade discounts during the period.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Revenue</b>		
Power transmission and distribution	312,818	319,935
Industrial and others	228,862	246,415
Electrified transportation	46,252	14,595
<b>Total revenue from contracts with customers</b>	<b>587,932</b>	<b>580,945</b>
<b>Other income</b>		
Government grants*	12,516	7,478
Sale of scrap materials	1,205	2,458
Interest income	5,231	993
Others	503	345
	<b>19,455</b>	<b>11,274</b>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment, net	75	–
Fair value gains on foreign currency forward contracts, net	5,338	558
Others	–	168
	<b>5,413</b>	<b>726</b>
	<b>24,868</b>	<b>12,000</b>

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

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cost of inventories sold	378,183	330,417
Write-down of inventories to net realisable value	1,953	148
<b>Cost of sales</b>	<b>380,136</b>	<b>330,565</b>
Depreciation	9,597	11,091
Amortisation of other intangible assets	1,288	1,303
Amortisation of prepaid land lease payments	476	681
Minimum lease payments under operating leases for land and buildings	1,340	1,629
Impairment of trade and other receivables	11,925	4,804
Loss/(gain) on disposal of items of property, plant and equipment, net	(75)	68
Impairment of an available-for-sale investment	-	6,000
Foreign exchange differences, net	5,772	4,482

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on bank loans	7,130	8,815

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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%.

Jiashan Sunking Power Equipment Technology Co., Ltd. and Zhejiang Saiying Power Technology Co., Ltd., subsidiaries of the Company, were registered as new and high technology enterprises, and is subject to CIT at a rate of 15% for the three years ending 31 December 2018.

Jiujiang Sun.king 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 2019.

Wuhan Langde Electrics 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 2018.

Wuxi Sunking Power Capacitor 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 2018.

Wuxi Zhuofeng Information 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 2019.

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	371	4,850
Current – Elsewhere		
Charge for the period	16,975	26,236
Overprovision in prior periods	(1,407)	(1,809)
Deferred	(704)	(4,071)
Total tax charge for the period	15,235	25,206

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,614,918,425 (six months ended 30 June 2017: 1,396,977,544) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>81,893</b>	103,366

	Number of shares For the six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,614,918,425</b>	1,396,977,544
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>23,148,621</b>	39,945,243
	<b>1,638,067,046</b>	1,436,922,787

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment at a total cost of approximately RMB9,829,000 (six months ended 30 June 2017: RMB8,311,000) and disposed of items of property, plant and equipment with a total net carrying amount of approximately RMB66,000 (six months ended 30 June 2017: RMB455,000).

At 30 June 2018, the Group's property, plant and equipment with an aggregate carrying amount of Nil (31 December 2017: RMB34,314,000) were pledged to banks to secure certain bank loans granted to the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

## 10. TRADE AND BILLS RECEIVABLES

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Trade receivables	<b>1,013,361</b>	957,562
Impairment	<b>(59,572)</b>	(47,546)
	<b>953,789</b>	910,016
Bills receivable	<b>124,440</b>	73,443
Less: Amount shown as non-current	<b>(64,711)</b>	(104,155)
	<b>1,013,518</b>	879,304

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and 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 5% to 10%, of the contracted amount (the retention money) to be settled within six months to sixty months, as agreed between the Group and the respective customers on a case by case basis, subsequent to the fulfillment of certain conditions including delivery of goods or completion of installation as stipulated in the respective sales contracts.

An ageing 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 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Within 3 months	<b>382,255</b>	381,040
3 to 6 months	<b>148,245</b>	192,893
6 to 12 months	<b>258,669</b>	280,518
Over 1 year	<b>164,620</b>	55,565
	<b>953,789</b>	910,016

**10. TRADE AND BILLS RECEIVABLES (continued)**

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	<b>630,560</b>	493,593
Less than 6 months past due	<b>246,751</b>	268,757
6 to 12 months past due	<b>117,748</b>	120,456
1 to 2 years past due	<b>22,050</b>	33,733
	<b>1,017,109</b>	916,539

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 30 June 2018, certain bills receivables of the Group with an aggregate carrying amount of RMB25,978,000 (31 December 2017: RMB17,619,000) were pledged to secure certain of the Group's bills payable.

**11. TRADE AND BILLS PAYABLES**

An ageing 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 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Within 6 months	<b>149,208</b>	182,649
Over 6 months	<b>60,524</b>	56,196
	<b>209,732</b>	238,845

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

At 30 June 2018, certain of the Group's bills payable amounting to RMB36,864,000 (31 December 2017: RMB17,826,000) were secured by the pledge of the Group's bills receivable amounting to RMB25,978,000 (31 December 2017: RMB17,619,000) and cash and cash equivalents amounting to RMB7,958,000 (31 December 2017: RMB6,546,000), respectively.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

## 12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and cash equivalents and pledged deposits, held by the Group as at 30 June 2018 and 31 December 2017:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Financial assets at fair value through profit or loss:		
Derivative financial instruments	4,620	–
Debt instruments at amortised cost:		
Trade and bills receivables	1,078,229	983,459
Financial assets included in prepayments, deposits and other receivables	8,995	48,992
	<b>1,091,844</b>	<b>1,032,451</b>

Set out below is an overview of financial liabilities held by the Group as at 30 June 2018 and 31 December 2017:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	–	130
Financial liabilities at amortised cost:		
Trade and bills payables	209,732	238,845
Financial liabilities included in other payables and accruals	31,876	25,323
Interest-bearing bank borrowings	344,123	327,184
	<b>585,731</b>	<b>591,482</b>

## 13. CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

## 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 ten 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 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Within one year	3,091	2,995
In the second to fifth years, inclusive	5,669	6,269
After five years	1,004	1,674
	<b>9,764</b>	<b>10,938</b>

**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:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	<b>2,755</b>	3,076

**Other Commitments**

Commitments under foreign currency forward contracts:

	<b>30 June 2018 RMB'000 (Unaudited)</b>	31 December 2017 RMB'000 (Audited)
Purchase of Swiss franc	<b>275,379</b>	11,982

**16. RELATED PARTY TRANSACTIONS**

Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2018 RMB'000 (Unaudited)</b>	2017 RMB'000 (Unaudited)
Short term employee benefits	<b>4,751</b>	4,823
Post-employment benefits	<b>745</b>	681
Share-based payment expense	<b>592</b>	1,352
Total compensation paid to key management personnel	<b>6,088</b>	6,856

**17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

At the end of the reporting period, management has assessed that the fair values of the Group's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments and the discounted method used for calculating the non-current portion of trade receivables by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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.

The Group enters into derivative financial instruments with various counterparties. Derivative financial instruments, mainly including forward currency contracts, are measured using quoted prices in active markets. The carrying amounts of forward currency contracts are the same as their fair values.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

### Assets measured at fair value:

	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	
<b>As at 30 June 2018</b>				
Derivative financial instruments	4,620	–	–	4,620
<b>As at 31 December 2017</b>				
Derivative financial instruments	–	–	–	–

### Liabilities measured at fair value:

	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	
<b>As at 30 June 2018</b>				
Derivative financial instruments	–	–	–	–
<b>As at 31 December 2017</b>				
Derivative financial instruments	130	–	–	130

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 financial assets and financial liabilities. (31 December 2017: Nil).

## 18. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the board of directors declared an interim dividend of HK2 cent per share for the six month ended 30 June 2018 (six months ended 30 June 2017: HK2 cent per share).

## 19. 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 22 August 2018.