



**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 2020**

# CONTENTS

2	Corporate information
3	Chairman's statement
4	Management discussion and analysis
11	Other information
17	Independent Review Report
18	Interim condensed consolidated statement of profit or loss and other comprehensive income
19	Interim condensed consolidated statement of financial position
21	Interim condensed consolidated statement of changes in equity
22	Interim condensed consolidated statement of cash flows
24	Notes to interim condensed consolidated financial information

# CORPORATE INFORMATION

## Executive Directors

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

## Non-executive Directors

Ms. Gao Lei (appointed on 1 June 2020)  
Mr. Zhu Ming  
Ms. Zhang Ling  
Mr. Yan Fuquan (resigned on 1 June 2020)

## 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

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

## Company secretary

Ms. He Lina

## Legal advisers

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 54, 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 2020.

## REVIEW

2020 was an eventful year.

The continuous development of the COVID-19 pandemic has a great adverse impact on the economy and people's livelihood in China and over the world. The Chinese government attached great importance to deploy comprehensive anti-infection measures to effectively control the epidemic. In addition, the Chinese government formulated more policies such as accelerating the construction of new infrastructure to promote economic development.

2020 was also an eventful year for Sun.King.

Combating the epidemic, Sun.King actively implemented the anti-infection requirements of Chinese governments at all levels and strictly implemented the anti-epidemic prevention and control system. Not anyone employee of the Group, including Wuhan Langde Electrics Co., Ltd., a subsidiary of the Company, has been infected with the pandemic. Sun.King actively fulfilled its corporate social responsibility, donated money and materials to Wuhan Red Cross, Suizhou Central Hospital, Hubei Province, and other places such as Wuxi and Jiashan to support the fight against COVID-19.

In terms of operations, Sun.King's IGBT R&D and production projects also achieved outstanding results. Since the official announcement of the IGBT project, in only a year's time, Sun.King effectively completed a series work including formulation of R&D team, exposition and design of the first product, establishment of a complete supply chain system, and construction of a proprietary IGBT production base. At present, the first 1200V/200A IGBT chip has entered the tape-out stage, and the first 1200V/600A ED-Type IGBT module using the above chip has also entered the stage of sample packaging and testing.

In addition, Sun.King's other innovative technology products also achieved excellent performance. The solid-state AC switch won the bid for the British smart grid technology demonstration project again; the solid-state DC switch won the European ship field order for the first time; the flexible DC support capacitor had good performance in the development of prototypes of flexible DC transmission equipment by multiple customers, and is expected to enter the project trial stage in the second half of the year.

2020 is the first year of the official launch of the Group's IGBT business and marks the beginning of the rapid development of many emerging technologies of the Group. With the greatest determination and effort, we will continue to vigorously promote the development of IGBT products and the development of production lines, accelerate the market development of IGBT and solid-state switches, impedance measurement and other innovative technologies, and realize the Group's objective of creating new drivers for corporate development and performance growth as soon as possible.

## ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank the shareholders, stakeholders, members of the Board and all our staff for their support and contributions. Together with the management team, I will continue to strive for better returns for the Shareholders and for greater corporate social value.

**Xiang Jie**  
*Chairman*

Hong Kong, 21 August 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

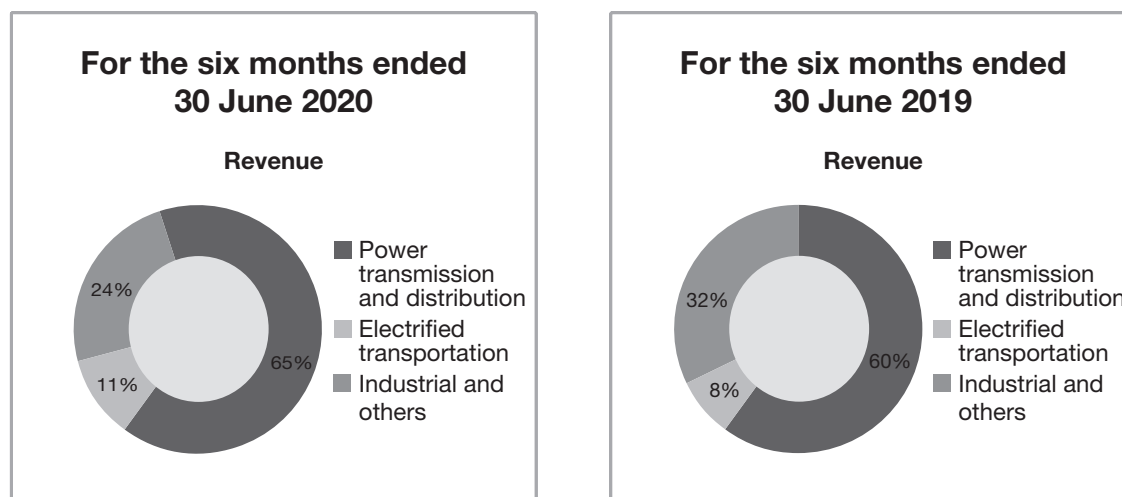
## BUSINESS REVIEW

### 1. Performance by business sector

The Group has one reportable operating segment which is principally engaged in the manufacturing and trading of power electronic components. Management monitors the results of Group's operation as a whole for the purpose of making decisions about resources allocation and performance assessment. For analysis purpose, the Group's business performance by sector is as follows:

	For the six months ended			
	30 June 2020		30 June 2019	
	Revenue (RMB million)	Gross profit margin %	Revenue (RMB million)	Gross profit margin %
Power transmission and distribution	444.6	31.8	377.2	29.5
Electrified transportation	75.0	26.5	50.7	31.6
Industrial and others	168.1	28.2	199.5	33.9
Total	687.7	Average 30.3	627.4	Average 31.1

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



#### 1.1 Power transmission and distribution sector

	For the six months ended		Change %
	30 June 2020	30 June 2019	
	Revenue (RMB million)		
<b>Power transmission and distribution sector</b>	<b>444.6</b>	<b>377.2</b>	<b>18</b>
Ultra-high voltage direct current (“UHVDC”) transmission	95.2	49.0	94
Flexible direct current (“DC”) transmission	323.0	279.5	16
Other power transmission and distribution	26.4	48.7	-46

Benefiting from the increased investment of the Chinese government and grid companies in the field of power transmission and transformation, and the gradual implementation of the Notice on Accelerating the Planning and Construction of a Batch of Key Projects for Power Transmission and Transformation (《關於加快推進一批輸變電重點工程規劃建設工作的通知》) of National Energy Administration and the Preliminary Working Plan for Ultra-high Voltage and Cross-Provincial Alternating Current (“AC”) and DC Projects of 500 kV and Above in 2020 (《2020年特高壓和跨省500千伏及以上交直流項目前期工作計劃》) of State Grid Corporation of China, a number of UHVDC transmission and flexible DC transmission projects were proceeded in an orderly manner and achieved good progress.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *UHVDC transmission*

In the first half of 2020, the Group delivered part of the orders of three 800kV UHVDC transmission projects, namely “Qinghai-Henan” (青海—河南), “Shaanbei-Wuhan” (陝北—武漢) and “Yazhong-Jiangxi” (雅中—江西), as well as the 500kV high voltage DC (“**HVDC**”) transmission project, namely “Yunnan-Guizhou Interconnection” (雲貴互聯), in batches. The Group’s revenue in this subsector increased by 94% as compared with the same period in 2019.

## *Flexible DC transmission*

In the first half of 2020, the Group mainly delivered relevant orders of the demonstration project on ultra-high voltage multi-terminal DC transmission from Wudongde power station to Guangdong and Guangxi (烏東德送電廣東廣西特高壓多端直流示範工程) (the “**Wudongde Project**”) and the demonstration project on Rudong offshore wind power flexible DC transmission (如東海上風電柔性直流輸電示範工程). The Group’s revenue in this subsector increased by 16% as compared with the same period in 2019.

## *Other power transmission and distribution*

In the first half of 2020, due to the adverse impact of the COVID-19 epidemic, the revenue of the Group’s intelligent grid online monitoring business decreased, resulting in a 46% decrease in the Group’s revenue in this subsector as compared with the same period in 2019.

## 1.2 Electrified transportation sector

	For the six months ended		Change %
	30 June 2020	30 June 2019	
	Revenue (RMB million)		
<b>Electrified transportation sector</b>	<b>75.0</b>	50.7	48
Rail transportation vehicles	<b>71.4</b>	45.5	57
Rail transportation power supply system	<b>2.8</b>	1.8	56
New energy vehicles	<b>0.8</b>	3.4	-76

### *Rail transportation vehicles*

In the first half of 2020, benefiting from good performance in high-power electric locomotives and passenger vehicle sector such as Chinese standard electric multiple unit and CRH5 alpine electric multiple unit, the Group’s revenue in this subsector increased by 57% as compared with the same period in 2019.

### *New energy vehicles*

In the first half of 2020, affected by the decline in production and sales of new energy vehicles and the decline in policy subsidies, the Group’s revenue in this subsector decreased by 76% as compared with the same period in 2019.

## 1.3 Industrial and others sector

	For the six months ended		Change %
	30 June 2020	30 June 2019	
	Revenue (RMB million)		
<b>Industrial and other section</b>	<b>168.1</b>	199.5	-16
Electrical equipment	<b>123.0</b>	89.6	37
New energy power generation	<b>23.6</b>	23.5	0
Metal smelting	<b>17.2</b>	77.4	-78
Scientific research institutes and others	<b>4.3</b>	9.0	-52

# MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, the Group performed well in the electrical equipment subsector which was predominantly industrial electronic control, and its revenue increased by 37% as compared with the same period in 2019; the Group had stable performance in the new energy power generation subsector, and its revenue was basically the same as that in 2019.

On the other hand, due to factors such as Jiujiang Sun.King Technology Co., Ltd. (“**Jiujiang Sunking**”) becoming an associate of the Company, revenue in metal smelting and scientific research institutes and others decreased by 78% and 52%, respectively, as compared with the same period in 2019.

## 2. Research and development (“R&D”)

The Group adheres to the business philosophy of motivating corporate development with scientific and technological innovation and places great emphasis on the R&D of new technologies and R&D team building. Through innovation and R&D in two major fields, namely international leading power semiconductor and supporting device technologies, and international frontier new power technologies, we strive to promote the rapid development of technological strength and business performance of the enterprise.

Since the start of the insulated gate bipolar transistor (“**IGBT**”) R&D and production project in 2019, the Group has completed a series of work including formulation of R&D team, exposition and design of the first product, establishment of a complete supply chain system, and construction of a proprietary IGBT production base. At present, the first 1200V/200A IGBT chip has entered the tape-out stage, and the first 1200V/600A ED-Type IGBT module using the above chip has also entered the stage of sample packaging and testing.

In addition, due to its excellent technical level and product quality, the Group’s solid-state AC switch products once again won the bid for the British smart grid technology demonstration project, and the Group’s solid-state DC switch has won orders for offshore wind power installation vessels from European customers. The flexible DC support capacitor had good performance in the development of prototypes of flexible DC transmission equipment by multiple customers, and is expected to enter the project trial stage in the second half of the year.

## FINANCIAL REVIEW

### Revenue

The Group’s revenue increased by approximately 9.6% from approximately RMB627.4 million for the six months ended 30 June 2019 to approximately RMB687.7 million for the same period in 2020, mainly due to the increased revenue in UHVDC transmission and flexible DC transmission projects.

### Cost of sales

The Group’s cost of sales increased by approximately 10.8% from approximately RMB432.3 million for the six months ended 30 June 2019 to approximately RMB479.1 million for the same period in 2020, mainly due to the increase in revenue.

### Gross profit and gross profit margin

The Group’s gross profit increased by approximately 6.9% from approximately RMB195.0 million for the six months ended 30 June 2019 to approximately RMB208.6 million for the same period in 2020, mainly due to the increase in proportion of high gross profit margin businesses.

The Group’s gross profit margin decreased from approximately 31.1% for the six months ended 30 June 2019 to approximately 30.3% for the same period in 2020, mainly due to the decrease in gross profit margin in industrial sector and rail transportation sector.

### Other income and gains

The Group’s other income and gains decreased significantly by approximately 79.6% from approximately RMB99.2 million for the six months ended 30 June 2019 to approximately RMB20.3 million for the six months ended 30 June 2020. The Group’s higher other income and gains for the six months ended 30 June 2019 was mainly due to the gain resulting from the disposal of 43% equity interests in Jiujiang Sunking in 2019.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Selling and distribution costs

The Group's selling and costs decreased by approximately 32.7% from approximately RMB36.0 million for the six months ended 30 June 2019 to approximately RMB24.2 million for the same period in 2020, mainly due to the decrease in travelling expenses and conference fees resulting from the COVID-19 epidemic.

## Administrative expenses

The Group's administrative expenses decreased slightly by approximately 1.2% from approximately RMB58.0 million for the six months ended 30 June 2019 to approximately RMB57.3 million for the same period in 2020.

## Finance costs

The Group's financial costs, which were made up of interest on bank loans wholly repayable within one year, increased by approximately 22.7% from approximately RMB8.8 million for the six months ended 30 June 2019 to approximately RMB10.8 million for the same period in 2020, mainly due to the increase in loans.

## Share of profits of a joint venture

The Group's share of profits of a joint venture increased significantly from a loss of approximately RMB0.04 million for the six months ended 30 June 2019 to a profit of approximately RMB0.63 million for the same period in 2020, mainly due to the increase in profits of a joint venture.

## Share of losses of associates

The Group's share of losses of associates increased significantly from a loss of approximately RMB0.03 million for the six months ended 30 June 2019 to a loss of approximately RMB4.2 million for the same period in 2020, mainly due to the share of loss of Jiujiang Sunking as an associate of the Company.

## Profit before tax

The Group's profit before tax decreased by approximately 35.8% from approximately RMB148.8 million for the six months ended 30 June 2019 to approximately RMB95.6 million for the same period of 2020. The Group's higher profit before tax for the six months ended 30 June 2019 was mainly due to the gain resulting from the disposal of 43% equity interests in Jiujiang Sunking in 2019.

## Income tax expenses

The Group's income tax expenses decreased significantly by approximately 70.7% from approximately RMB31.9 million for the six months ended 30 June 2019 to approximately RMB9.4 million for the same period in 2020, mainly due to the decrease in profit before tax.

## 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 by approximately 19.3% from approximately RMB113.5 million for the six months ended 30 June 2019 to approximately RMB91.7 million for the same period in 2020.

## Interim dividend

The Board has resolved to pay an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2020 (same period in 2019: 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 2020 to the shareholders of the Company whose names appear on the Company's register of members on 25 September 2020. Assuming no further share will be issued or repurchased from the date of this interim results announcement up to the expected dividend payment date, a total amount of HK\$32,616,620 (same period in 2019: HK\$32,305,880) will be absorbed.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from sales of its products, bank borrowings and proceeds of issue of new shares. As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB534.8 million (as at 31 December 2019: approximately RMB592.7 million) and interest-bearing bank borrowings of approximately RMB474.4 million (as at 31 December 2019: approximately RMB471.8 million). As at 30 June 2020, the Group's current ratio (current assets divided by current liabilities) was approximately 2.4 (as at 31 December 2019: approximately 2.4).

As at 30 June 2020, the Group's gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity was approximately 27.8% (as at 31 December 2019: approximately 26.8%).

As at 30 June 2020, the Group's bank loans were mainly denominated in Renminbi 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 slightly from approximately 4.6% as at 31 December 2019 to approximately 4.5% as at 30 June 2020. During the reporting period, 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.

## Foreign currency exposures

As most of the principal subsidiaries of the Company operate in the PRC, the functional currency of the Group is Renminbi. 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 2020, the Group did not have any significant contingent liabilities (as at 31 December 2019: Nil).

## Pledge of Group's assets

At 30 June 2020, certain of the Group's bills receivables of approximately RMB1.5 million (as at 31 December 2019: approximately RMB11.6 million) were pledged to secure certain of the Group's bills payables.

## 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 a 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 new shares at the subscription price of HK\$1.72 per share; (b) the Company allotted and issued 200,000,000 new 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 granted by the shareholders of the Company on 10 May 2017; and (c) the aggregate subscription amount of HK\$344 million shall be used for R&D, capital expenditure and general working capital of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out a breakdown of the use of proceeds of the abovementioned subscription:

Use	Allocation (HK\$)	Utilisation as at 30 June 2020 (HK\$)	Remaining balance as at 30 June 2020 (HK\$)	Expected time of full utilisation of remaining balance
R&D	103,200,000	103,200,000	–	Not applicable
Capital expenditure	103,200,000	84,980,900	18,219,100	31 December 2020
General working capital	137,600,000	137,600,000	–	Not applicable
Total	344,000,000	325,780,900	18,219,100	

## HUMAN RESOURCES

As at 30 June 2020, the Group had 606 employees (as at 31 December 2019: 581 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.

## PROSPECTS

Looking forward, the electric power industry in the PRC will continue to work towards the development directions of "replacement of other energy with clean energy and replacement of other energy with electricity". It will expedite the adjustment of its energy infrastructure and the reform of energy technologies. As a focus of the development and application of emerging power technologies, power electronics technologies are gaining more attention and application in all power system sectors. The rapid enhancement of the scale of new energy generation and electricity consumption, power transmission and distribution technologies, power electronics technologies and industry as represented by UHVDC transmission, flexible DC transmission and intelligent grids, will continue its rapid development. The fast growth of electric energy consumption scale and electric energy application technologies in the electrified rail transportation, new energy vehicle and electrified vessel sectors will also create unprecedented development opportunities for power electronics technologies and related industry.

In the second half of 2020, the Group will continue to deliver orders of three UHVDC transmission projects, namely "Shaanbei-Wuhan" (陝北—武漢), "Qinghai-Henan" (青海—河南) and "Yazhong-Jiangxi" (雅中—江西), as well as the Wudongde Project. Multiple HVDC transmission projects and flexible DC transmission projects such as "Baihetan-Jiangsu" (白鶴灘—江蘇), "Baihetan-Zhejiang" (白鶴灘—浙江) and Guangdong Power Grid DC Back-to-Back Guangzhou Project (廣東電網直流背靠背廣州工程) are expected to launch. In addition, the offshore wind power grid flexible DC transmission subsector has shown great development potential. Benefiting from the relatively high level of investment maintained in the subsectors of HVDC transmission and railway transportation, the business development outlook of the Group is promising in the second half of the year.

In addition, the Group will focus on accelerating the construction of IGBT's R&D and production lines, strive to launch the first IGBT chip and module samples, and start subsequent R&D of products.

The Group will continue to adhere to its business strategy of regarding technology leadership as the core of its competitiveness, strengthen management, adopt a sound financial policy and focus on independent technological R&D, and promote the advancement of energy technologies through continuous introduction of high-end power electronic devices, innovative technologies and solutions that spur rapid growth of corporate and social values.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

None of the Company or its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2020.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group had no material acquisition and disposal during the six months ended 30 June 2020.

## CORPORATE GOVERNANCE

As reported in the corporate governance report published in the 2019 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 2020. The Board reviews and monitors the operations of the Group from time to time with the aim of maintaining high standards of corporate governance practice.

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from Thursday, 24 September 2020 to Friday, 25 September 2020, both dates inclusive, during which no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 23 September 2020 for registration.

## BOARD OF DIRECTORS AND BOARD COMMITTEES

There had been no substantial discloseable change in the information of the Directors since last disclosed in the 2019 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 2020.

The current members of the audit committee are Mr. Chen Shimin (chairman of the audit committee), Mr. Zhu Ming, Mr. Zhang Xuejun and Mr. Leung Ming Shu. At the Company’s annual general meeting held on 21 May 2020, the shareholders of the Company approved the appointment of Ernst & Young as the Company’s external auditors up to the conclusion of the annual general meeting to be held in 2021. The procedures in relation to the selection, appointment and determination of the audit fees of the Company’s external auditors were reviewed by the audit committee and approved by the Board.

## REMUNERATION COMMITTEE

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 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.

## NOMINATION COMMITTEE

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 as approved by the Board, including annual review of Board structure, identification of eligible persons for the position of Director, supervision of Directors’ succession plans and assessment of the independence of the independent non-executive Directors.

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

# OTHER INFORMATION

## INVESTMENT COMMITTEE

The investment committee is responsible for advising the Board on investment of fixed assets (both tangible and intangible), equity, debt, financial securities, restructuring and joint ventures.

The current members of the investment committee are Ms. Gao Lei (chairman of the investment committee), Mr. Xiang Jie, Ms. Zhang Ling, Mr. Chen Shimin, Mr. Zhang Xuejun and Mr. Leung Ming Shu.

## 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 2020.

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 2019 annual report of the Company.

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

As at 30 June 2020, 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	Approximate percentage of interest in the Company <sup>(Note 3)</sup>
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	381,958,347 <sup>(Note 1)</sup>	23.42%
Mr. Gong Renyuan	Beneficial owner and the interest of spouse	19,360,000 <sup>(Note 2)</sup>	1.19%
Mr. Yue Zhoumin	Beneficial owner	5,600,000	0.34%

*Notes:*

1. As at 30 June 2020, among these 381,958,347 shares, 43,630,000 shares were directly held by Mr. Xiang Jie and the remaining 338,328,347 shares were directly held by Max Vision Holdings Limited. As at 30 June 2020, 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 2020, 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 381,958,347 shares in which Mr. Xiang Jie was interested.
2. As at 30 June 2020, among these 19,360,000 shares, 15,060,000 shares were directly held by Mr. Gong Renyuan and the remaining 4,300,000 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 4,300,000 shares held by Ms. Ren Jie.
3. There were 1,630,831,000 shares of the Company in issue as at 30 June 2020.

**(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 2020.

**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 2020, 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.

## OTHER INFORMATION

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

As at 30 June 2020, 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 <i>(Note 7)</i>
Max Vision Holdings Limited	Beneficial owner	338,328,347 <i>(Note 1)</i>	20.75%
Jiekun Limited	Interest in controlled corporation	338,328,347 <i>(Note 1)</i>	20.75%
BNP Paribas Corporate Services Pte Ltd.	Nominee	338,328,347 <i>(Note 1)</i>	20.75%
BNP Paribas Singapore Trust Corporation Limited	Trustee	338,328,347 <i>(Note 1)</i>	20.75%
Meng Fankun	Interest of spouse	381,958,347 <i>(Notes 1 and 2)</i>	23.42%
China Hi-Tech Holding Company Ltd.	Beneficial owner	300,000,000	18.40%
China Hi-Tech Group Corporation	Interest in controlled corporation	300,000,000 <i>(Note 3)</i>	18.40%
Guojing Capital Limited (國晶資本有限公司)	Beneficial owner	200,000,000	12.26%
China Venture Capital Fund Corporation Ltd. (中國國有資本風險投資基金股份有限公司)	Interest in controlled corporation	200,000,000 <i>(Note 4)</i>	12.26%
China Reform Venture Capital Investment Management (Shenzhen) Ltd. (國新(深圳)投資有限公司)	Interest in controlled corporation	200,000,000 <i>(Note 5)</i>	12.26%
China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司)	Interest in controlled corporation	200,000,000 <i>(Note 6)</i>	12.26%



*Notes:*

1. As at 30 June 2020, 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 2020, 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 381,958,347 shares in which Mr. Xiang was interested.
3. As at 30 June 2020, China Hi-Tech Holding Company Ltd. 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 Ltd.
4. As at 30 June 2020, Guojing Capital Limited was wholly owned by China Venture Capital Fund Corporation Ltd. As such, China Venture Capital Fund Corporation Ltd. was deemed under the SFO to be interested in the 200,000,000 shares held by Guojing Capital Limited.
5. As at 30 June 2020, 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.
6. As at 30 June 2020, China Reform Venture Capital Investment Management (Shenzhen) Ltd. was wholly owned by China Reform Holdings Corporation Ltd. As such, China Reform Holdings Corporation Ltd. was deemed under the SFO to be interested in the 200,000,000 shares held indirectly by China Reform Venture Capital Investment Management (Shenzhen) Ltd.
7. There were 1,630,831,000 shares of the Company in issue as at 30 June 2020.

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

Save as disclosed above, as at 30 June 2020, 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 share 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 share options to the Eligible Participants to subscribe for the shares of the Company at an exercise price and subject to the terms of the Share Option Scheme. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Group 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 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 share options granted to or to be granted to each Eligible Participant under the Share Option Scheme and any other schemes of the Group (including both exercised 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.

## OTHER INFORMATION

Details of movements in the share options under the Share Option Scheme during the six months ended 30 June 2020 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 2020	Number of share options				Cancelled/ Forfeited during the period	As at 30 June 2020	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)	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)	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)	28 August 2014	1,500,000	-	(1,500,000)	-	-	-	0.69	0.61	0.33	28 August 2015 to 27 August 2020	
Ms. Ren Jie (senior management and the spouse of Mr. Gong Renyuan)	28 August 2014	1,200,000	-	(1,200,000)	-	-	-	0.69	0.61	0.33	28 August 2015 to 27 August 2020	
<b>Sub-total</b>		<b>32,700,000</b>	<b>-</b>	<b>(32,700,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>					
Employees in aggregates	28 August 2014	1,416,000	-	(1,365,000)	(1,000)	-	50,000	0.69	0.61	0.31	28 August 2015 to 27 August 2020	
	24 August 2016	4,335,000	-	-	-	-	4,335,000	1.17	1.19	0.53	24 August 2017 to 23 August 2022	
	1 April 2020	-	16,450,000	-	(400,000)	-	16,050,000	1.10	1.07	0.39	1 April 2021 to 31 March 2026	
<b>Total</b>		<b>38,451,000</b>	<b>16,450,000</b>	<b>(34,065,000)</b>	<b>(401,000)</b>	<b>-</b>	<b>(20,435,000)</b>					

The Company conditionally adopted a share option scheme (the “**New Share Option Scheme**”) and conditionally terminated the Share Option Scheme pursuant to the shareholders’ approval obtained in the general meeting of the Company held on 21 May 2020. The New Share Option Scheme and the termination of the Share Option Scheme became effective on 3 June 2020. The purpose of the New Share Option Scheme is to enable the Company to grant share options to the Eligible Participants (as defined in the circular of the Company dated 9 April 2020) as incentives or rewards for their contribution to the Group.

The Board may, at its absolute discretion, offer share options to the Eligible Participants to subscribe for the shares of the Company at an exercise price and subject to the terms of the New Share Option Scheme. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the New Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 163,083,100 shares of the Company, being 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme.

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

No share option had been granted under the New Share Option Scheme for the six months ended 30 June 2020.



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 18 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 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The 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**”) issued by the International Accounting Standards Board. 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 an audit 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

21 August 2020

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

For the six months ended 30 June 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>	2019 RMB'000 (Unaudited)
<b>REVENUE</b>	<i>5</i>	<b>687,728</b>	627,353
Cost of sales		<b>(479,145)</b>	(432,305)
Gross profit		<b>208,583</b>	195,048
Other income and gains	<i>5</i>	<b>20,288</b>	99,236
Selling and distribution costs		<b>(24,187)</b>	(35,961)
Administrative expenses		<b>(57,280)</b>	(57,962)
Research and development costs		<b>(35,583)</b>	(27,698)
Other expenses and losses		<b>(1,958)</b>	(15,021)
Finance costs	<i>7</i>	<b>(10,768)</b>	(8,776)
Share of profits/(losses) of:			
A joint venture		<b>629</b>	(35)
Associates		<b>(4,163)</b>	(25)
<b>PROFIT BEFORE TAX</b>	<i>6</i>	<b>95,561</b>	148,806
Income tax expense	<i>8</i>	<b>(9,353)</b>	(31,897)
<b>PROFIT FOR THE PERIOD</b>		<b>86,208</b>	116,909
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		<b>28</b>	674
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>28</b>	674
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>86,236</b>	117,583
Profit/(loss) attributable to:			
Owners of the parent		<b>91,650</b>	113,028
Non-controlling interests		<b>(5,442)</b>	3,881
		<b>86,208</b>	116,909
Total comprehensive income/(loss) attributable to:			
Owners of the parent		<b>91,653</b>	113,541
Non-controlling interests		<b>(5,417)</b>	4,042
		<b>86,236</b>	117,583
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
	<i>10</i>		
Basic		<b>RMB5.69 cents</b>	RMB7.00 cents
Diluted		<b>RMB5.66 cents</b>	RMB6.93 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	309,924	304,511
Right-of-use assets		60,839	58,918
Deposits for purchase of items of property, plant and equipment		190	154
Goodwill		6,878	6,878
Other intangible assets		40,154	32,731
Investment in a joint venture		16,159	15,530
Investments in associates		75,932	80,095
Trade receivables	12	343	452
Contract assets		83,484	71,715
Deferred tax assets		9,492	8,141
<b>Total non-current assets</b>		<b>603,395</b>	<b>579,125</b>
<b>CURRENT ASSETS</b>			
Inventories		229,482	198,958
Trade and bills receivables	12	935,565	878,772
Contract assets		108,899	103,835
Prepayments, deposits and other receivables		92,518	178,762
Derivative financial instruments		5,774	2,422
Pledged deposits		24,941	31,709
Cash and cash equivalents		534,802	592,748
<b>Total current assets</b>		<b>1,931,981</b>	<b>1,987,206</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	217,077	275,852
Contract liabilities		22,323	24,626
Other payables and accruals		57,462	59,713
Derivative financial instruments		-	407
Lease liabilities		1,671	1,424
Interest-bearing bank borrowings		474,374	452,839
Tax payable		33,245	22,361
<b>Total current liabilities</b>		<b>806,152</b>	<b>837,222</b>
<b>NET CURRENT ASSETS</b>		<b>1,125,829</b>	<b>1,149,984</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,729,224</b>	<b>1,729,109</b>

continued/...

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Note</i>	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		–	19,000
Lease liabilities		<b>13,122</b>	10,664
Deferred income		<b>3,003</b>	3,234
Deferred tax liabilities		<b>4,183</b>	7,708
<b>Total non-current liabilities</b>		<b>20,308</b>	40,606
<b>Net assets</b>		<b>1,708,916</b>	1,688,503
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	14	<b>139,878</b>	136,996
Treasury shares		–	(2,736)
Reserves		<b>1,554,768</b>	1,537,680
		<b>1,694,646</b>	1,671,940
<b>Non-controlling interests</b>		<b>14,270</b>	16,563
<b>Total equity</b>		<b>1,708,916</b>	1,688,503

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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 <i>(note a)</i>	Other reserve RMB'000 <i>(note b)</i>	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	138,637	(4,135)	616,899	27,715	1,306	14,765	289,498	478,711	168	1,563,564	105,634	1,669,198
Profit for the period	-	-	-	-	-	-	-	113,028	-	113,028	3,881	116,909
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	513	513	161	674
Total comprehensive income for the period	-	-	-	-	-	-	-	113,028	513	113,541	4,042	117,583
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	3,705	3,705
Disposal of a subsidiary	-	-	-	-	-	-	(9,436)	9,436	-	-	(97,467)	(97,467)
Exercise of share options	219	-	1,751	(466)	-	-	-	-	-	1,504	-	1,504
Share-based payments	-	-	-	252	-	-	-	-	-	252	-	252
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	47	47
Transfer from retained profits	-	-	-	-	-	-	10,510	(10,510)	-	-	-	-
Final 2018 dividends	-	-	(42,734)	-	-	-	-	-	-	(42,734)	-	(42,734)
Shares repurchased for cancellation	(357)	3,136	(3,981)	-	357	-	-	(357)	-	(1,202)	-	(1,202)
At 30 June 2019	138,499	(999)	571,935	27,501	1,663	14,765	290,572	590,308	681	1,634,925	15,961	1,650,886
At 1 January 2020	136,996	(2,736)	529,524*	25,133*	3,189*	14,765*	292,869*	671,397*	803*	1,671,940	16,563	1,688,503
Profit for the period	-	-	-	-	-	-	-	91,650	-	91,650	(5,442)	86,208
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	3	3	25	28
Total comprehensive income for the period	-	-	-	-	-	-	-	91,650	3	91,653	(5,417)	86,236
Exercise of share options	3,136	-	35,733	(17,420)	-	-	-	-	-	21,449	-	21,449
Share-based payments	-	-	-	387	-	-	-	-	-	387	-	387
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	(1,309)	-	-	(1,309)	3,124	1,815
Transfer from retained profits	-	-	-	-	-	-	18,233	(18,233)	-	-	-	-
Final and special 2019 dividends	-	-	(89,474)	-	-	-	-	-	-	(89,474)	-	(89,474)
Cancellation of repurchased shares	(254)	2,736	(2,482)	-	254	-	-	(254)	-	-	-	-
At 30 June 2020	139,878	-	473,301*	8,100*	3,443*	14,765*	309,793*	744,560*	806*	1,694,646	14,270	1,708,916

## 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 capital contribution from non-controlling shareholders, as well as statutory reserve of PRC subsidiaries.

\* These reserve accounts comprise the consolidated reserves of RMB1,554,768,000 (31 December 2019: RMB1,537,680,000) in the condensed consolidated statement of financial position.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<i>Notes</i>	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		95,561	148,806
Adjustments for:			
Finance costs	7	10,768	8,776
Share of losses of a joint venture and associates		3,534	60
Interest income	5	(5,926)	(4,615)
Gain on disposal of subsidiary		–	(85,242)
Loss/(gain) on disposal of property, plant and equipment, net	6	6	(187)
Depreciation of property, plant and equipment	6	10,700	11,862
Depreciation of right-of-use assets	6	1,940	1,445
Amortisation of other intangible assets	6	2,071	1,235
Impairment of trade receivables and contract assets, net	6	(205)	2,016
Impairment of financial assets included in prepayments, deposits and other receivables, net	6	76	135
Fair value loss/(gain) on foreign currency forward contracts, net	6	(5,449)	12,859
Write-down of inventories to net realisable value	6	4,930	1,604
Amortisation of deferred income		(964)	(1,542)
Share-based payment expense		387	252
		<b>117,429</b>	97,464
Increase in inventories		(35,454)	(50,851)
Increase in trade and bills receivables and contract assets		(69,608)	(146,175)
Decrease/(increase) in prepayments, deposits and other receivables		8,995	(9,236)
Decrease/(increase) in pledged deposits		6,768	(5,835)
Increase/(decrease) in trade and bills payables		(58,775)	4,442
Increase/(decrease) in other payables and accruals and contract liabilities		(7,176)	23,157
Change in derivative financial instruments		1,690	(13,024)
Effect of foreign exchange rate changes, net		(1,630)	631
		<b>(37,761)</b>	(99,427)
Cash used in operations		(37,761)	(99,427)
Interest paid		(10,793)	(8,192)
Income taxes paid		(3,711)	(29,176)
		<b>(52,265)</b>	(136,795)
Net cash flows used in operating activities		<b>(52,265)</b>	(136,795)

continued/...

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<i>Note</i>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>	2019 RMB'000 (Unaudited)
Net cash flows used in operating activities		<b>(52,265)</b>	(136,795)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>1,495</b>	1,647
Purchases of property, plant and equipment		<b>(12,626)</b>	(1,786)
Additions to other intangible assets		<b>(9,018)</b>	(7,315)
Proceeds from disposal of property, plant and equipment		-	1,622
Increase in deposits for purchase of property, plant and equipment		<b>(36)</b>	(8,511)
Acquisition of a subsidiary		-	(3,020)
Proceeds from disposal of a subsidiary	15	<b>77,400</b>	40,414
Proceeds from disposal of an associate		<b>5,000</b>	-
Loan advanced to a joint venture		<b>(4,500)</b>	-
Net cash flows from investing activities		<b>57,715</b>	23,051
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from exercise of share options		<b>21,449</b>	1,504
Repurchase of shares		-	(1,202)
New bank loans		<b>270,472</b>	282,910
Repayment of bank loans		<b>(267,937)</b>	(306,034)
Principal portion of lease payments		<b>(1,156)</b>	(1,092)
Capital contribution from a non-controlling shareholder		<b>1,815</b>	47
Dividends paid		<b>(89,474)</b>	-
Net cash flows used in financing activities		<b>(64,831)</b>	(23,867)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(59,381)</b>	(137,611)
Cash and cash equivalents at beginning of period		<b>592,748</b>	766,891
Effect of foreign exchange rate changes, net		<b>1,435</b>	17
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>534,802</b>	629,297
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>534,802</b>	629,297

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”).

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

## 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

## 3. CHANGES IN ACCOUNTING POLICIES (continued)

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information as the Group does not have any rent concession.
- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## 4. 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.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers, other income and gains is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of power electronic components	<b>687,728</b>	627,353

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

All of the Group's revenue are recognised at a point in time when goods are delivered. 97% (2019: 98%) of the Group's revenue from contracts with customers is related to sales of power electronic components in Mainland China.

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Other income</b>		
Government grants*	8,087	6,996
Bank interest income	1,461	1,641
Other interest income	760	1,348
Interest income arising from revenue contracts	3,705	1,626
Sale of scrap materials	21	589
Others	805	185
	<b>14,839</b>	12,385
<b>Gains</b>		
Fair value gains on foreign currency forward contracts, net	5,449	-
Gain on disposal of a subsidiary	-	85,242
Foreign exchange gains, net	-	1,422
Gain on disposal of items of property, plant and equipment, net	-	187
	<b>5,449</b>	86,851
	<b>20,288</b>	99,236

\* 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.

## 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories sold	474,215	430,701
Write-down of inventories to net realisable value	4,930	1,604
Cost of sales	<b>479,145</b>	432,305
Depreciation of property, plant and equipment	10,700	11,862
Depreciation of right-of-use assets	1,940	1,445
Amortisation of other intangible assets	2,071	1,235
Impairment of trade receivables and contract assets, net	(205)	2,016
Impairment of financial assets included in prepayments, deposits and other receivables, net	76	135
Fair value loss/(gain) on foreign currency forward contracts, net	(5,449)	12,859
Loss/(gain) on disposal of property, plant and equipment, net	6	(187)
Gain on disposal of a subsidiary	-	(85,242)
Foreign exchange differences, net	895	(1,422)

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on bank loans	10,577	8,606
Interest on lease liabilities	191	170
	<b>10,768</b>	<b>8,776</b>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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%.

Certain subsidiaries of the Group are qualified as high technology enterprises and hence are granted a preferential CIT rate of 15%. Tax holidays were also granted by the relevant authority to a subsidiary of the Group, where CIT is exempted for the first two profitable years of the subsidiary and is chargeable at half of the applicable rate for the subsequent three years.

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	–	1,101
Current – Elsewhere		
Charge for the period	15,875	35,431
Overprovision in prior periods	(1,280)	(3,957)
Deferred	(5,242)	(678)
Total tax charge for the period	<b>9,353</b>	<b>31,897</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 9. DIVIDENDS

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Final declared and paid – HK3 cents (2019: HK3 cents) per ordinary share	44,737	42,734
Special declared and paid – HK3 cents (2019: Nil) per ordinary share	44,737	–
Proposed interim – HK2 cents (2019: HK2 cents) per ordinary share	29,793	29,117
<b>Total</b>	<b>119,267</b>	<b>71,851</b>

On 21 August 2020, the board of directors declared an interim dividend of HK2 cents (six months ended 30 June 2019: HK2 cents) per ordinary share, amounting to a total of approximately RMB29,793,000 (six months ended 30 June 2019: RMB29,117,000).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB91,650,000 (six months ended 30 June 2019: RMB113,028,000), and the weighted average number of ordinary shares of 1,611,013,857 (six months ended 30 June 2019: 1,614,562,160) in issue during the period.

The calculation of the diluted earnings per share amount 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	91,650	113,028

	Number of shares For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,611,013,857	1,614,562,160
Effect of dilution – weighted average number of ordinary shares:		
Share options	8,434,705	15,436,550
	<b>1,619,448,562</b>	<b>1,629,998,710</b>



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with an aggregate cost of RMB16,005,000 (30 June 2019: RMB5,110,000).

During the six months ended 30 June 2020, the Group disposed of assets with an aggregate net book value of RMB6,000 (30 June 2019: RMB1,436,000).

## 12. TRADE AND BILLS RECEIVABLES

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Trade receivables	<b>743,525</b>	696,692
Impairment	<b>(22,508)</b>	(22,898)
	<b>721,017</b>	673,794
Bills receivable	<b>214,891</b>	205,430
	<b>935,908</b>	879,224
Analysed into:		
Current portion	<b>935,565</b>	878,772
Non-current portion	<b>343</b>	452
	<b>935,908</b>	879,224

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. The Group does not hold any collateral or other credit enhancements over its trade receivables. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from an associate of RMB1,480,000 (31 December 2019: RMB1,130,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 3 months	<b>427,768</b>	271,930
3 to 6 months	<b>171,469</b>	234,383
6 to 12 months	<b>103,040</b>	77,617
Over 1 year	<b>18,740</b>	89,864
	<b>721,017</b>	673,794

At 30 June 2020, the Group's bills receivable would mature within twelve (31 December 2019: twelve) months.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 13. 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 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within six months	<b>187,631</b>	244,242
Over six months	<b>29,446</b>	31,610
	<b>217,077</b>	275,852

At 30 June 2020, there was no amount due to an associate in the Group's trade accounts payable (31 December 2019: RMB658,000).

## 14. ISSUED CAPITAL

During the period, the subscription rights attaching to 34,065,000 share options were exercised at the subscription prices of HK\$0.69 per share, resulting in the issue of 34,065,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$23,505,000 (equivalent to approximately RMB21,449,000). An amount of RMB17,420,000 was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

During the period, a total of 2,794,000 shares of the Company's treasury shares and RMB254,000 of issued capital have been cancelled. Accordingly, RMB254,000 was deducted from retained profits and transferred to capital redemption reserve.

## 15. NOTE TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

On 29 April 2019, the Group entered into a share transfer agreement in relation to the disposal of 43% equity interests in Jiujiang Sun.king Technology Co., Ltd. ("Jiujiang Sunking"), a then non-wholly-subsiary of the Group, to Shanghai Tanda Rolling Stock Seat System Co., Ltd. at a cash consideration of RMB193,500,000, of which RMB77,400,000 and RMB77,400,000 were received in 2019 and during the six-month period ended 30 June 2020, respectively, and RMB38,700,000 remained unsettled as of 30 June 2020. Jiujiang Suning has become a 19.25%-owned associate of the Group upon completion of this transaction.

## 16. CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

## 17. COMMITMENTS

### Commitments

The Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	<b>9,748</b>	11,525

**17. COMMITMENTS (continued)**
**Other Commitments**

Commitments under foreign currency forward contracts:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Purchase of Swiss franc	201,526	177,646
Purchase of the United States dollars	45,996	–
Purchase of Hong Kong dollars	27,004	–
	<b>274,526</b>	177,646

**18. 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:

	<b>For the six months ended 30 June</b>	
	<b>2020 RMB'000 (Unaudited)</b>	2019 RMB'000 (Unaudited)
Associates:		
Sale of products	209	–

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

	<b>For the six months ended 30 June</b>	
	<b>2020 RMB'000 (Unaudited)</b>	2019 RMB'000 (Unaudited)
Short term employee benefits	13,058	9,825
Post-employment benefits	953	785
Share-based payment expense	166	105
Total compensation paid to key management personnel	<b>14,177</b>	10,715

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 18. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

- (i) On 15 April 2019, Jiashan Sunking Power Equipment Technology Co., Ltd. (“**Jiashan Sunking**”), an indirect wholly-owned subsidiary of the Company, and Jiashan Henghua Property Development Co., Ltd. (“**Jiashan Henghua**”), which was owned as to 51% by Hi-Tech Property Co., Ltd. (“**Hi-Tech Property**”) and 49% by Jiashan Sunking, entered into an agreement pursuant to which 49% of a loan with an original amount of RMB50,000,000 advanced from Jiashan Henghua to Hi-Tech Property was to assign from Jiashan Henghua to Jiashan Sunking. The amount of the assigned loan was RMB24,500,000, which was unsecured, interest-bearing at a rate of 8.3% per annum and repayable as of 31 December 2019.

On 14 November 2019, Jiashan Sunking and Hi-Tech Property reached a supplemental agreement to extend the aforementioned loan and the corresponding accrued loan interest. Together with the remaining cash to be returned from Jiashan Henghua upon its deregistration, the total outstanding balance was approximately RMB27,829,000, of which RMB10,000,000 has been settled in 2019 and the remaining RMB17,829,000 is scheduled to be settled in 2020.

As at 30 June 2020, the outstanding balance due from Hi-Tech Property was RMB13,131,000, which was unsecured and interest-bearing at a rate of 8.3% per annum. The corresponding interest income during the period was RMB726,000 (six months ended 30 June 2019: RMB1,348,000).

- (ii) On 26 May 2020, Jiashan Sunking and Beijing Yaoting Tengyi Investment Partnership (“**Yaoting**”), a joint venture of the Group, entered into an agreement pursuant to which a loan of RMB4,500,000 was advanced from Jiashan Sunking to Yaoting. The loan was unsecured, interest-bearing at a rate of 8.3% per annum and repayable within one year. The corresponding interest income during the period was RMB34,000.

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Financial assets</b>				
Bills receivable	214,891	205,430	214,891	205,430
Derivative financial instruments	5,774	2,422	5,774	2,422
	<b>220,665</b>	207,852	<b>220,665</b>	207,852
<b>Financial liabilities</b>				
Derivative financial instruments	–	407	–	407
Interest-bearing bank borrowings	474,374	471,839	474,374	470,993
	<b>474,374</b>	472,246	<b>474,374</b>	471,400

Management has assessed that the fair values of the Group’s financial instruments, except for bills receivable and derivative 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 and interest-bearing bank borrowings by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and 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 fair value of bills receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties. Derivative financial instruments, mainly including foreign currency forward contracts, are measured using quoted prices in active markets.

The carrying amounts of bills receivable and derivative financial instruments are the same as their fair values.

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 2020</b>				
Derivative financial instruments	5,774	–	–	5,774
Bills receivable	–	214,891	–	214,891
	<b>5,774</b>	<b>214,891</b>	<b>–</b>	<b>220,665</b>
<b>As at 31 December 2019</b>				
Derivative financial instruments	2,422	–	–	2,422
Bills receivable	–	205,430	–	205,430
	<b>2,422</b>	<b>205,430</b>	<b>–</b>	<b>207,852</b>

### 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 31 December 2019</b>				
Derivative financial instruments	407	–	–	407

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Liabilities for which fair values are disclosed:

	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 2020</b>				
Interest-bearing bank borrowings	–	474,374	–	474,374
<b>As at 31 December 2019</b>				
Interest-bearing bank borrowings	–	470,993	–	470,993

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 (six months ended 30 June 2019: Nil).

## 20. EVENT AFTER THE REPORTING PERIOD

On 23 July 2020, the Group entered into a share transfer agreement with an independent third party, pursuant to which the Group agreed to sell its remaining 19.25% equity interests in an associate, Jiujiang Sunking, for a consideration of RMB100,000,000. The transaction is scheduled to be completed by 30 September 2020.

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

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 21 August 2020.