

Interim Report 2022



SUN.KING TECHNOLOGY GROUP LIMITED
賽晶科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 580

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CORPORATE INFORMATION

Executive Directors

Mr. Xiang Jie (*chairman of the board (the “Board”) of directors (the “Director(s)”*)

Mr. Gong Renyuan (*chief executive officer*)

Mr. Yue Zhoumin

Non-executive Director

Ms. Zhang Ling

Independent Non-executive Directors

Mr. Chen Shimin

Mr. Zhang Xuejun

Mr. Leung Ming Shu

Mr. Zhao Hang (*resigned on 1 January 2022*)

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

Remuneration Committee

Mr. Leung Ming Shu

(*chairman of the remuneration committee*)

Mr. Chen Shimin

Mr. Zhang Xuejun

Mr. Zhao Hang (*resigned on 1 January 2022*)

Nomination Committee

Mr. Zhang Xuejun

(*chairman of the nomination committee*)

Mr. Gong Renyuan

Mr. Chen Shimin

Investment Committee

Mr. Zhao Hang (*chairman of the investment committee*)
(*resigned on 1 January 2022*)

Mr. Xiang Jie (*chairman of the investment committee*)
(*appointed on 1 January 2022*)

Ms. Zhang Ling

Mr. Chen Shimin

Mr. Zhang Xuejun

Mr. Leung Ming Shu

Company Secretary

Ms. He Lina

Legal Advisers

Loeb & Loeb LLP

External Auditor

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Headquarters

9-A, KongGangRongHuiYuan

Yuhua Road

Zone B, Airport Industrial Zone

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

Suntera (Cayman) Limited

Suite 3204, Unit 2A, Block 3, Building D

P.O. Box 1586

Gardenia Court, Camana Bay

Grand Cayman KY1-1100

Cayman Islands

Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

17th Floor, Far East Finance Centre

16 Harcourt Road

Hong Kong

Principal Banks

Bank of China Limited, Jiashan branch

China Construction Bank Corporation, Jiashan branch

and Wuxi Xishan branch

Listing Information

Place of listing: Main Board of The Stock Exchange of

Hong Kong Limited (the “Stock Exchange”)

Stock code: 580

Website

www.sunking-tech.com

CHAIRMAN'S STATEMENT

Dear shareholders,

Since the introduction of the “Carbon Peak and Carbon Neutrality” strategic objective in 2021, a number of guiding opinions and implementation plans have been released and implemented, including the “Action Plan for Carbon Peak by 2030” (《2030年前碳達峰行動方案》). As a result, sectors relating to the business of Sun.King Technology Group Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) such as ultra-high-voltage direct current (“**UHVDC**”) transmission, new energy power generation and electric vehicles have gained high priority and rapid development. On the other hand, in the first half of 2022, as the international situation such as the Russia-Ukraine crisis has become increasingly complex and severe, and unfavourable factors such as the frequent outbreaks of pandemic in the PRC have had a certain degree of adverse impact on the domestic economic environment and the operations of the Group.

In the face of the difficult and complex situation, the Group focused on strengthening its own pandemic prevention management, adopting pragmatic and flexible measures to minimise the adverse impact of the pandemic on personnel and logistics and other aspects, and doing its utmost to ensure the orderly process of production and operations. The Group continued to strengthen the development of new products and the promotion of new businesses. Of which, the DC-link capacitors for flexible direct current (“**DC**”) transmission of the Group have begun delivery in batches to the customers. In addition, the Group has already supplied over 150,000 pieces of self-developed i20 insulated gate bipolar transistor (“**IGBT(s)**”) chips and d20 diode chips and nearly 20,000 pieces of ED type IGBT modules to more than 10 customers, and has initiated the research and development (the “**R&D**”) of a number of new products.

However, as the Group’s downstream markets were affected by various unfavourable factors such as frequent outbreaks of pandemics, in particular the planned construction of a number of conventional UHVDC transmission and flexible DC transmission projects did not commence in the first half of 2022, the Group’s results fell short of expectations.

In May 2022, the State Council issued the “Package of Policies and Measures to Solidly Stabilise the Economy” (《紮實穩住經濟的一攬子政策措施》), laying the groundwork for a steady economic rebound. In particular, a number of initiatives involving the UHVDC corridor, large-scale wind and photovoltaic bases and automobile consumption are also conducive to the good development of the Group’s business in the second half of 2022.

In addition, the Group will continue to accelerate the development of the self-produced IGBT business. Focus will be on the market expansion of 1200V i20 IGBT chips and d20 diode chips as well as ED type IGBT modules and the construction of the second IGBT module packaging and testing production line. At the same time, the Group aims to complete the R&D of 1700V i20 IGBT chips and d20 diode chips, ST type IGBT modules and HEEV type silicon carbide modules.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank the shareholders of the Company (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, 24 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

(1) Domestic and overseas market performance

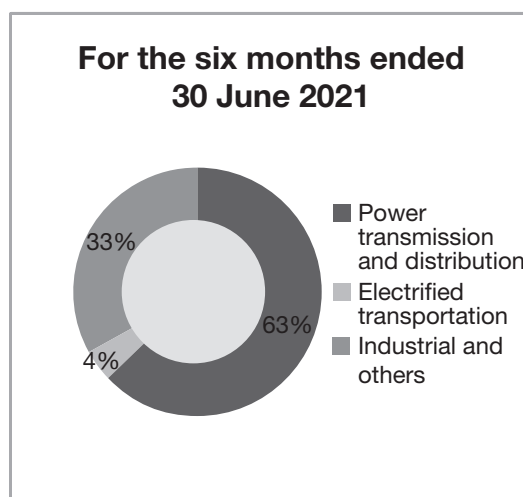
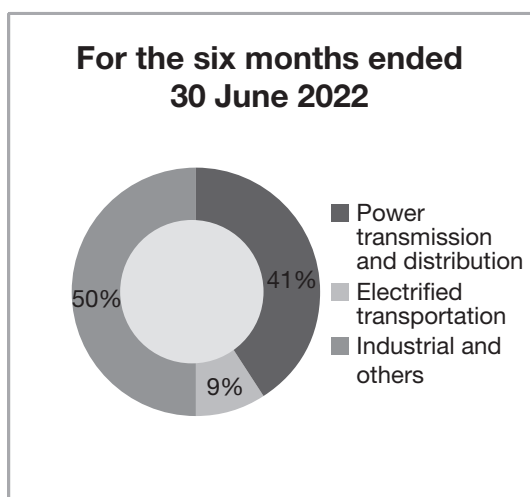
	2022		For the six months ended 30 June 2021	
	Revenue (RMB'000)	Gross profit margin	Revenue (RMB'000)	Gross profit margin
Domestic market	407,524	26.8%	479,909	25.4%
Overseas market	12,518	52.3%	10,875	46.3%
Total	420,042	Average 27.5%	490,784	Average 25.8%

(2) Domestic market performance

The products provided by the Group are categorised into applied sectors, namely, power transmission and distribution, electrified transportation and industrial and others. The Group's performance in the domestic market is as follows:

Applied sectors	2022		For the six months ended 30 June 2021	
	Revenue (RMB'000)	Gross profit margin	Revenue (RMB'000)	Gross profit margin
Power transmission and distribution	166,499	35.7%	303,369	27.7%
Electrified transportation	36,908	12.9%	18,792	23.7%
Industrial and others	204,117	22.0%	157,748	21.0%
Total	407,524	Average 26.8%	479,909	Average 25.4%

The proportion of revenue of each of the Group's business sectors in the domestic market is as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

(a) Power transmission and distribution sector

The Group provides a wide range of products such as anode saturation reactors, power capacitors and DC support capacitors for flexible DC transmission to the high-voltage DC transmission sector. In addition, the Group provides a wide range of products such as intelligent power grid online monitoring systems, power capacitors and power quality control devices to other power transmission and distribution sectors such as intelligent power grid. The Group's performance in the power transmission and distribution sector is as follows:

	For the six months ended 30 June		
	2022 Revenue (RMB'000)	2021 Revenue (RMB'000)	Change
Power transmission and distribution sector	166,499	303,369	-45%
UHVDC transmission	72,457	51,938	40%
Flexible DC transmission	20,912	197,413	-89%
Other power transmission and distribution	73,130	54,018	35%

UHVDC transmission

In the first half of 2022, the Group made delivery in batches of products of orders for use in the Baihetan-Zhejiang ± 800 KV UHVDC transmission project and the Fujian-Guangdong interconnection project, with revenue from this sub-sector increasing by approximately 40% as compared to the same period in 2021.

Flexible DC transmission

In the first half of 2022, the Group mainly delivered products of orders for use in the ± 220 kV Zhongbu-Tingshan flexible low-frequency transmission demonstration project. The Group's revenue from this sub-sector decreased by approximately 89% as compared to the same period in 2021 as there was no delivery of new products of orders resulting from no new flexible DC transmission project being commenced.

Other power transmission and distribution

In the first half of 2022, the Group's revenue from this sub-sector grew by approximately 35% as compared to the same period in 2021 due to good sales of online monitoring system and power capacitors.

(b) Electrified transportation sector

The Group provides a wide range of power electronic components to the manufacturers of rail transit vehicle equipment; products such as power quality control devices, automatic cross-phase intelligent switches for electrified railways and solid-state DC circuit breakers to the manufacturers of rail transportation power supply system; and various products such as self-developed IGBTs and laminated busbars to the sub-sector of electric vehicles. In addition, the Group provides a variety of products such as solid-state DC/alternating current ("AC") switches and impedance measuring devices to other transportation sectors such as marine and aviation. The Group's performance in the electrified transportation sector is as follows:

	For the six months ended 30 June		
	2022 Revenue (RMB'000)	2021 Revenue (RMB'000)	Change
Electrified transportation sector	36,908	18,792	96%
Rail transportation	21,552	18,096	19%
Electric vehicles	13,885	118	11,667%
Other transportation	1,471	578	154%

Rail transportation

In the first half of 2022, the Group's revenue from this sub-sector grew by approximately 19% as compared to the same period in 2021 due to the slight increase in the volume of delivery of products of orders in this sub-sector.

MANAGEMENT DISCUSSION AND ANALYSIS

Electric vehicles

In the first half of 2022, the Group's revenue from this sub-sector grew significantly as compared to the same period in 2021 due to the commencement of delivery in batches of the self-developed IGBTs.

Other transportation

As the business in this sub-sector is in the exploratory stage, projects and orders are still unstable.

(c) Industrial and others

The Group supplies a wide range of products including self-developed IGBTs, laminated busbars, power quality control devices and power capacitors to the manufacturers of electrical control and energy saving equipment and the manufacturers of new energy power generation equipment in the industrial sector, and to the scientific R&D sector. The performance of the Group in the industrial and others sector is as follows:

	For the six months ended 30 June		
	2022	2021	Change
	Revenue (RMB'000)	Revenue (RMB'000)	
Industrial and others	204,117	157,748	29%
Electrical equipment	148,665	97,130	53%
New energy power generation	47,383	59,484	-20%
Scientific research institutes and others	8,069	1,134	612%

Electrical equipment

In the first half of 2022, the Group's revenue from this sub-sector grew by approximately 53% as compared to the same period in 2021 due to strong demand and increased market development effort in the downstream market.

New energy power generation

In the first half of 2022, the Group's revenue from this sub-sector decreased by approximately 20% as compared to the same period in 2021 due to the extended lead time for some of the distributed products.

Scientific research institutes and others

The Group supplies a wide range of products to a variety of scientific research institutions. Currently, the scale of this type of business is relatively small and the revenue is not stable.

(3) Overseas market performance

The Group's domestic and overseas subsidiaries are actively exploring overseas markets.

In the first half of 2022, the Group's products sold in overseas markets included laminated busbars, solid state AC/DC switches, pulsed power supplies and impedance measurement.

	For the six months ended 30 June		
	2022	2021	Change
	Revenue (RMB'000)	Revenue (RMB'000)	
Overseas market	12,518	10,875	15%
Products of domestic subsidiaries	1,299	2,684	-52%
Products of overseas subsidiaries	11,219	8,191	37%

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Update on R&D and new business

The Group has always considered technological innovation to be the primary driver of its development and places great emphasis on the R&D of new technology and R&D team building. The Group is committed to promoting the rapid development of its technological capabilities and operating results by accelerating the exploration and development of internationally leading power semiconductor and supporting device technologies, as well as international cutting-edge power electronics technologies.

(a) IGBTs

In the first half of 2022, the Group's self-developed 1200V i20 IGBT chips and d20 diode chips as well as ED type IGBT modules were approved and ordered by a number of customers in the sectors of electric vehicles, wind power generation and photovoltaic power generation, and began to deliver in batches. In addition, the Group has initiated the development of a number of new products including 1700V i20 IGBT chips and d20 diode chips, as well as ST type IGBT modules and HEEV type silicon carbide modules.

(b) DC support capacitors for flexible DC transmission

The Group delivered part of the products of batch orders for use in the ± 220 kV Zhongbu-Tingshan flexible low-frequency transmission demonstration project.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately 14.4% from approximately RMB490.8 million for the six months ended 30 June 2021 to approximately RMB420.0 million for the six months ended 30 June 2022 primarily due to the decrease in revenue from the power transmission and distribution sector.

Cost of sales

The cost of sales of the Group decreased by approximately 16.4% from approximately RMB364.0 million for the six months ended 30 June 2021 to approximately RMB304.3 million for the six months ended 30 June 2022 primarily due to the decrease in revenue.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 8.8% from approximately RMB126.8 million for the six months ended 30 June 2021 to approximately RMB115.7 million for the six months ended 30 June 2022 primarily due to the decrease in revenue.

The gross profit margin of the Group increased from approximately 25.8% for the six months ended 30 June 2021 to approximately 27.5% for the six months ended 30 June 2022 primarily due to the increase in the proportion of products with higher gross margin.

Other income and gains

The other income and gains of the Group increased by approximately 39.3% from approximately RMB17.8 million for the six months ended 30 June 2021 to approximately RMB24.8 million for the six months ended 30 June 2022 primarily due to the gains on forward foreign exchange contracts.

Selling and distribution costs

The selling and distribution costs of the Group increased by approximately 16.7% from approximately RMB30.0 million for the six months ended 30 June 2021 to approximately RMB35.0 million for the six months ended 30 June 2022 primarily due to the commencement of marketing activities of the self-produced IGBT business and the increase in freight costs due to the impact of higher oil prices and the COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The administrative expenses of the Group decreased slightly by approximately 1.3% from approximately RMB61.2 million for the six months ended 30 June 2021 to approximately RMB60.4 million for the six months ended 30 June 2022.

R&D costs

The R&D costs of the Group decreased by approximately 3.9% from approximately RMB41.3 million for the six months ended 30 June 2021 to approximately RMB39.7 million for the six months ended 30 June 2022.

Other expenses and losses

The other expenses and losses of the Group decreased significantly by approximately 82.4% from approximately RMB11.9 million for the six months ended 30 June 2021 to approximately RMB2.1 million for the six months ended 30 June 2022 primarily due to the loss on forward foreign exchange contracts for the same period in 2021.

Finance costs

The finance costs of the Group decreased by approximately 51.3% from approximately RMB8.0 million for the six months ended 30 June 2021 to approximately RMB3.9 million for the six months ended 30 June 2022 primarily due to the decrease in outstanding bank loans in the period.

Share of losses of a joint venture

The Group's share of losses of a joint venture increased from approximately RMB0.4 million for the six months ended 30 June 2021 to approximately RMB3.4 million for the six months ended 30 June 2022 primarily due to the increase in losses of Beijing Yaoting Tengyi Investment Partnership (北京曜廷騰逸投資合夥企業(有限合夥)).

Loss before tax

As a result of the foregoing, the loss before tax of the Group decreased from approximately RMB8.2 million for the six months ended 30 June 2021 to approximately RMB4.2 million for the same period in 2022.

Income tax expense

The income tax expenses of the Group increased by approximately 51.1% from approximately RMB4.5 million for the six months ended 30 June 2021 to approximately RMB6.8 million for the six months ended 30 June 2022 primarily due to the increase in profit from businesses other than the self-produced IGBT business.

Total comprehensive loss for the period

The net profit margin of the Group, which is calculated as loss attributable to owners of the parent for the period divided by revenue, increased from approximately -2.2% for the six months ended 30 June 2021 to approximately -1.7% for the six months ended 30 June 2022.

The loss attributable to owners of the parent decreased by approximately 35.5% from approximately RMB11.0 million for the six months ended 30 June 2021 to approximately RMB7.1 million for the six months ended 30 June 2022 primarily due to the increase in profit from businesses other than the self-produced IGBT business.

The total comprehensive loss attributable to owners of the parent decreased by approximately 49.1% from approximately RMB11.0 million for the six months ended 30 June 2021 to approximately RMB5.6 million for the six months ended 30 June 2022 primarily due to the increase in profit from businesses other than the self-produced IGBT business.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

The inventories of the Group decreased by approximately 10.1% from approximately RMB206.5 million as at 31 December 2021 to approximately RMB185.7 million as at 30 June 2022 primarily due to the decrease in stocking.

The average inventory turnover days of the Group decreased from approximately 147 days for the year ended 31 December 2021 to approximately 127 days for the six months ended 30 June 2022 primarily due to the decrease in stocking.

Trade and bills receivables

The trade and bills receivables of the Group increased by approximately 20.1% from approximately RMB629.3 million as at 31 December 2021 to approximately RMB755.8 million as at 30 June 2022 primarily due to the slow turnaround as a result of the impact of the COVID-19.

The average trade and bills receivables turnover days of the Group increased from approximately 245 days for the year ended 31 December 2021 to approximately 288 days for the six months ended 30 June 2022 primarily due to the slow turnaround as a result of the impact of the COVID-19.

Trade and bills payables

The trade and bills payables of the Group increased by approximately 15.6% from approximately RMB182.1 million as at 31 December 2021 to approximately RMB210.5 million as at 30 June 2022 primarily due to the adjustments to payment policy.

The average trade and bills payables turnover days of the Group increased from approximately 102 days for the year ended 31 December 2021 to approximately 116 days for the six months ended 30 June 2022 primarily due to the adjustments to payment policy.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings.

The current ratio of the Group, which is calculated as current assets divided by current liabilities, decreased from approximately 4.2 as at 31 December 2021 to approximately 3.8 as at 30 June 2022 primarily due to the increase in accounts payable and bills balances.

As at 30 June 2022, the cash and cash equivalents of the Group were mainly denominated in Renminbi and Swiss francs. The cash and cash equivalents of the Group decreased by approximately 6.8% from approximately RMB587.2 million as at 31 December 2021 to approximately RMB547.1 million as at 30 June 2022 primarily due to the decrease in revenue and the commencement of the self-produced IGBT business.

As at 30 June 2022, the interest-bearing bank borrowings of the Group were denominated in Renminbi and Hong Kong dollars. The interest-bearing bank borrowings of the Group decreased slightly by approximately 1.7% from approximately RMB204.1 million as at 31 December 2021 to RMB200.6 million as at 30 June 2022, of which RMB192.0 million were bank borrowings with fixed interest rates.

The gearing ratio of the Group, measured on the basis of total interest-bearing bank borrowings to total equity, decreased slightly from approximately 11.3% as at 31 December 2021 to approximately 11.2% as at 30 June 2022.

The Group continues to implement prudent financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Group's assets

As at 30 June 2022, certain of the bills payable of the Group were secured by the bills receivable amounting to approximately RMB40.5 million (31 December 2021: approximately RMB23.2 million).

As at 30 June 2022, bank loans of the Group in the amount of RMB100.0 million were secured by certain of the land use rights and building, plant and machinery with net carrying amounts as at 30 June 2022 of approximately RMB16.9 million and RMB83.2 million (31 December 2021: approximately RMB17.1 million and RMB84.3 million), respectively.

Foreign currency exposure

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

Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

HUMAN RESOURCES

As at 30 June 2022, the Group employed 729 employees. Key components of the Group's remuneration packages included basic salary, medical insurance, discretionary cash bonus, retirement benefit scheme and share options. The Group conducts periodic reviews on the performance of its employees, and their salaries and bonuses are performance-based. The Group provides various types of training to its employees, including targeted training related to the career development of its employees, and also encourages its employees to participate in training related to their jobs organised by external organisations. The Group did not experience any significant problems with its employees or disruptions to its operations due to labour disputes, nor did it experience any difficulty in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees.

PROSPECTS

With the gradual implementation of various economic stabilisation policies such as the "Package of Policies and Measures to Solidly Stabilise the Economy" (《紮實穩住經濟的一攬子政策措施》), and the gradual improvement of the COVID-19 situation in the Mainland China, the domestic economy showed a steadily recovering trend. Recently, the State Grid Corporation of China convened a meeting to promote the construction of major projects, proposing to increase the "three-alternating and nine-direct" ultra-high-voltage and other preliminary work, and strive to approve the commencement of work of the Jinshang-Hubei, Longdong-Shandong, Ningxia-Hunan and Hami-Chongqing UHVDC transmission projects within the year. In addition, a number of DC transmission projects, such as the ± 500 kV Gezhouba-Nanqiao DC transmission project, and the Yangjiang-Qingzhou offshore wind farm soft and straight centralised transmission project, are also expected to commence construction. The Group's businesses in the sectors like the power transmission and distribution sector, the electrified transportation sector and the industrial and others sector are showing good development momentum. The above-mentioned favourable factors have provided the Group with good opportunities for the rapid development of its business in the long run.

In the second half of 2022, the Group will continue to expand its customer base and business scale for 1200V i20 IGBT chips and d20 diode chips as well as ED type IGBT modules, and accelerate the R&D of 1700V i20 IGBT chips and d20 diode chips, ST type IGBT modules and HEEV type silicon carbide modules, as well as the construction of the second IGBT module packaging and testing production line.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,635,948,000 shares of the Company (the "Share(s)") in issue as at 30 June 2022.

During the six months ended 30 June 2022, the Company repurchased 4,000,000 Shares for an aggregate purchase price (including relevant expenses) of approximately HK\$8,426,287 on the Stock Exchange. Details of the repurchase of such Shares are as follows:

Month of repurchase in 2022	Number of Shares repurchased	Price per Share		Aggregate purchase price (approximately) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
April	1,800,000	2.28	2.05	3,855,245
May	2,200,000	2.17	1.98	4,571,042

The 4,000,000 Shares repurchased were cancelled in the first half of 2022.

The aforementioned repurchases were made for the benefit of the Company and the 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

The Group had no material acquisition and disposal during the six months ended 30 June 2022.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency of the Company. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code to govern its corporate governance practice. The Board also reviews and monitors the practice of the Company from time to time with the aim of maintaining and improving the standard of corporate governance practice. The Company met the applicable code provisions set out in Part 2 of the Corporate Governance Code during the six months ended 30 June 2022.

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 its own code of conduct regarding Directors’ securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors complied with the required standards as set out in the Model Code during the six months ended 30 June 2022.

REVIEW OF FINANCIAL STATEMENTS BY AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters, including the review of the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 and this interim report.

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 Company’s annual report for the year 2021.

DIVIDENDS

As the Group recognised loss for the six months ended 30 June 2022, the Board has not recommended the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

CHANGES IN INFORMATION ON DIRECTORS AND CHIEF EXECUTIVES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the six months ended 30 June 2022 are as follows:

Since May 2022, Mr. Leung Ming Shu, who is an independent non-executive Director, has been serving as an independent non-executive director at Infinities Technology International (Cayman) Holdings Limited, whose shares are listed on the Stock Exchange (stock code: 1961). Since August 2021, Mr. Leung has been serving as a non-executive director of Gogox Holdings Limited, whose shares have been listed on the Stock Exchange since 24 June 2022 (stock code: 2246).

Save as disclosed herein, there was no change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the six months ended 30 June 2022.

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

As at 30 June 2022, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in the Shares, underlying Shares and debentures of the Company

Name of Director	Nature of interest	Number of ordinary Shares held	Approximate percentage of interests in the Company ^(Note 3)
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	381,958,347 ^(Note 1)	23.35%
Mr. Gong Renyuan	Beneficial owner and interest of spouse	19,360,000 ^(Note 2)	1.18%
Mr. Yue Zhoumin	Beneficial owner	2,000,000	0.12%

Notes:

- As at 30 June 2022, among the 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 2022, Max Vision Holdings Limited was wholly-owned by Jiekun Limited, which was wholly-owned by Sapphire Skye Holdings Limited. As at 30 June 2022, Sapphire Skye Holdings Limited was wholly-owned by Zedra Trust Company (Singapore) Limited, which was the trustee of a private trust of which Mr. Xiang Jie was the settlor and his family members were the beneficiaries.
- As at 30 June 2022, among the 19,360,000 Shares, 15,060,000 Shares were held by Mr. Gong Renyuan and the remaining 4,300,000 Shares were held by Ms. Ren Jie, who is 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.
- There were 1,635,948,000 Shares in issue as at 30 June 2022.

(b) Short positions in the Shares, underlying Shares and debentures of the Company

None of the Directors or the chief executives of the Company had any short position in the Shares, underlying Shares and debentures of the Company or any associated corporation as at 30 June 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, to the best knowledge of the Directors, the interests or short positions of the persons, other than a Director or a chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO, were as follows:

OTHER INFORMATION

(a) Long positions in the Shares and underlying Shares

Name of substantial Shareholder	Nature of interest	Number of ordinary Shares held	Approximate percentage of interests in the Company <i>(Note 3)</i>
Max Vision Holdings Limited	Beneficial owner	338,328,347 <i>(Note 1)</i>	20.68%
Jiekun Limited	Interest in controlled corporation	338,328,347 <i>(Note 1)</i>	20.68%
Sapphire Skye Holdings Limited	Nominee	338,328,347 <i>(Note 1)</i>	20.68%
Zedra Trust Company (Singapore) Limited	Trustee	338,328,347 <i>(Note 1)</i>	20.68%
Meng Fankun	Interest of spouse	381,958,347 <i>(Notes 1 and 2)</i>	23.35%

Notes:

- As at 30 June 2022, Max Vision Holdings Limited was wholly-owned by Jiekun Limited, which was wholly-owned by Sapphire Skye Holdings Limited. As at 30 June 2022, Sapphire Skye Holdings Limited was wholly-owned by Zedra Trust Company (Singapore) Limited, which was the trustee of a private trust of which Mr. Xiang Jie was the settlor and his family members were the beneficiaries. As such, Jiekun Limited, Sapphire Skye Holdings Limited and Zedra Trust Company (Singapore) Limited were deemed under the SFO to be interested in the 338,328,347 Shares held by Max Vision Holdings Limited.
- Ms. Meng Fankun, who is 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.
- There were 1,635,948,000 Shares in issue as at 30 June 2022.

(b) Short positions in the Shares and underlying Shares

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

Prior to the listing of the Shares on the Stock Exchange (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 Company 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 at an exercise price and subject to the terms of the Share Option Scheme. The total number of Shares which may be issued upon the 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, representing 10% of the total number of Shares in issue upon the Listing and approximately 8.35% of the total number of Shares in issue as at 30 June 2022.

The total number of Shares issued and to be issued upon the exercise of the share options granted 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 was terminated on 3 June 2020 such that no further share options could be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any share option granted prior to the termination. Under the Share Option Scheme, each share option has a 10-year exercise period unless otherwise determined by the Board. There is no minimum period for which a share option must be held before it can be exercised unless otherwise determined by the Board and specified in the offer. HK\$1 shall be payable on acceptance of the share options within such time as may be specified in the offer, which shall not be later than 21 days from the date on which the share options are offered.

OTHER INFORMATION

The exercise price shall be at the discretion of the Directors, provided that it shall not be less than the highest of:

- the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the share options are offered;
- the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the share options are offered; and
- the nominal value of a Share.

Details of movements in the share options under the Share Option Scheme during the six months ended 30 June 2022 and share options outstanding as at the beginning and the end of the period are set out below:

Grantees	Date of grant	Number of share options					As at 30 June 2022	Exercise price (HK\$ per Share)	Share price immediately before the date of grant (HK\$ per Share)	Weighted average share price immediately before the date of exercise (HK\$ per Share)	Fair value of share options (HK\$ per Share)	Vesting period	Exercisable period
		As at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled/ Forfeited during the period							
Employees in aggregate	24 August 2016	779,500	-	(729,500)	-	-	50,000	1.17	1.19	3.02	0.53	One year from the date of grant	24 August 2017 to 23 August 2022
	1 April 2020	11,554,000	-	(2,086,000)	(500,000)	-	8,968,000	1.10	1.07	2.82	0.39	One year from the date of grant	1 April 2021 to 31 March 2026
Total		12,333,500	-	(2,815,500)	(500,000)	-	9,018,000						

The Company conditionally adopted a new 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 following participants (the “**Eligible Participant(s)**”) as incentives or rewards for their contribution to the Group:

- any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any entity in which any member of the Group holds any equity interest (the “**Invested Entity**”);
- any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity;
- any supplier of goods to any member of the Group or any Invested Entity;
- any customer of any member of the Group or any Invested Entity;
- any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity,

OTHER INFORMATION

and, for the purposes of the New Share Option Scheme, the offer may be made to any company wholly-owned by one or more Eligible Participants.

The Board may, at its absolute discretion, offer share options to the Eligible Participants to subscribe for the Shares at an exercise price and subject to the terms of the New Share Option Scheme. The total number of Shares which may be issued upon the 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, representing 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme and approximately 9.97% of the total number of Shares in issue as at the date of this interim report.

The total number of Shares issued and to be issued upon the exercise of the share options granted 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 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. There is no minimum period for which a share option must be held before it can be exercised unless otherwise determined by the Board and specified in the offer. HK\$1 shall be payable on acceptance of the share options within such time as may be specified in the offer, which shall not be later than 21 days from the date on which the share options are offered.

The exercise price shall be at the discretion of the Directors, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the share options are offered;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the share options are offered; and
- (c) the nominal value of a Share.

No share option has been granted under the New Share Option Scheme since it was adopted.



To the board of directors of Sun.King Technology 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 Technology Group Limited (the “**Company**”) and its subsidiaries as at 30 June 2022 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

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

24 August 2022

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

For the six months ended 30 June 2022

	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	5	420,042	490,784
Cost of sales		(304,348)	(364,023)
Gross profit		115,694	126,761
Other income and gains	5	24,788	17,840
Selling and distribution costs		(35,027)	(29,987)
Administrative expenses		(60,422)	(61,210)
Research and development costs		(39,746)	(41,261)
Other expenses and losses		(2,112)	(11,924)
Finance costs	7	(3,896)	(7,987)
Share of losses of:			
A joint venture		(3,427)	(401)
An associate		(4)	(38)
LOSS BEFORE TAX	6	(4,152)	(8,207)
Income tax expense	8	(6,765)	(4,506)
LOSS FOR THE PERIOD		(10,917)	(12,713)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Fair value gains on financial investments at fair value through other comprehensive income		1,478	–
Exchange differences on translation of foreign operations		134	(31)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		1,612	(31)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(9,305)	(12,744)
Loss attributable to:			
Owners of the parent		(7,149)	(10,957)
Non-controlling interests		(3,768)	(1,756)
		(10,917)	(12,713)
Total comprehensive loss attributable to:			
Owners of the parent		(5,634)	(10,963)
Non-controlling interests		(3,671)	(1,781)
		(9,305)	(12,744)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		RMB(0.44 cents)	RMB(0.67 cents)
Diluted		RMB(0.44 cents)	RMB(0.67 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	504,692	516,782
Right-of-use assets		55,939	56,967
Deposits for purchase of property, plant and equipment		36,038	2,979
Goodwill		6,878	6,878
Other intangible assets		60,943	62,212
Investment in a joint venture		10,261	13,688
Investment in an associate		1,143	1,147
Contract assets		57,307	50,950
Deferred tax assets		5,366	6,020
Total non-current assets		738,567	717,623
CURRENT ASSETS			
Inventories		185,699	206,457
Trade and bills receivables	12	755,811	629,345
Contract assets		9,665	64,387
Prepayments, deposits and other receivables		39,345	61,345
Derivative financial instruments		1,456	–
Financial investments at fair value through other comprehensive income		100,000	98,261
Financial investments at fair value through profit or loss		5,270	–
Pledged deposits		11,556	12,547
Cash and cash equivalents		547,135	587,176
Total current assets		1,655,937	1,659,518
CURRENT LIABILITIES			
Trade and bills payables	13	210,479	182,092
Contract liabilities		27,243	16,758
Other payables and accruals		74,420	75,846
Lease liabilities		2,642	2,143
Interest-bearing bank borrowings		100,552	104,088
Tax payable		16,272	18,001
Total current liabilities		431,608	398,928
NET CURRENT ASSETS		1,224,329	1,260,590
TOTAL ASSETS LESS CURRENT LIABILITIES		1,962,896	1,978,213

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		100,000	100,000
Lease liabilities		9,812	10,719
Deferred income		64,402	65,288
Deferred tax liabilities		2,408	2,653
Total non-current liabilities		176,622	178,660
Net assets		1,786,274	1,799,553
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	140,272	140,377
Reserves		1,594,933	1,604,436
		1,735,205	1,744,813
Non-controlling interests		51,069	54,740
Total equity		1,786,274	1,799,553

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 2021	139,944	-	447,060	9,472	3,443	14,765	312,634	830,145	1,049	1,758,512	15,323	1,773,835
Loss for the period	-	-	-	-	-	-	-	(10,957)	-	(10,957)	(1,756)	(12,713)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(6)	(6)	(25)	(31)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(10,957)	(6)	(10,963)	(1,781)	(12,744)
Exercise of share options	339	-	5,053	(1,553)	-	-	-	-	-	3,839	-	3,839
Share-based payments	-	-	-	1,037	-	-	-	-	-	1,037	-	1,037
Final 2020 dividends	-	-	(40,838)	-	-	-	-	-	-	(40,838)	-	(40,838)
Transfer from retained profits	-	-	-	-	-	-	5,565	(5,565)	-	-	-	-
At 30 June 2021	140,283	-	411,275	8,956	3,443	14,765	318,199	813,623	1,043	1,711,587	13,542	1,725,129
At 1 January 2022	140,377	-	412,475*	2,911*	3,443*	14,765*	323,860*	846,093*	889*	1,744,813	54,740	1,799,553
Loss for the period	-	-	-	-	-	-	-	(7,149)	-	(7,149)	(3,768)	(10,917)
Fair value gains on investments at fair value through other comprehensive income	-	-	-	-	-	-	1,440	-	-	1,440	38	1,478
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	75	75	59	134
Total comprehensive loss for the period	-	-	-	-	-	-	1,440	(7,149)	75	(5,634)	(3,671)	(9,305)
Shares repurchased and cancelled	(342)	-	(6,743)	-	342	-	-	(342)	-	(7,085)	-	(7,085)
Exercise of share options	237	-	3,394	(977)	-	-	-	-	-	2,654	-	2,654
Share-based payments	-	-	-	457	-	-	-	-	-	457	-	457
Transfer from retained profits	-	-	-	-	-	-	9,550	(9,550)	-	-	-	-
At 30 June 2022	140,272	-	409,126*	2,391*	3,785*	14,765*	334,850*	829,052*	964*	1,735,205	51,069	1,786,274

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 Sun.King 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 RMB1,594,933,000 (31 December 2021: RMB1,604,436,000 (audited)) in the condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(4,152)	(8,207)
Adjustments for:			
Finance costs	7	3,896	7,987
Share of losses of a joint venture and an associate		3,431	439
Interest income		(5,432)	(5,566)
Fair value gains on financial investments at fair value through profit or loss	5	(325)	(1,371)
Gain on disposal of property, plant and equipment, net	5	(186)	(294)
Gain on disposal of assets classified as held for sale	5	–	(2,253)
Depreciation of property, plant and equipment	6	17,604	11,007
Depreciation of right-of-use assets	6	1,914	2,047
Amortisation of other intangible assets		3,445	2,881
Impairment/(reversal of impairment) of trade receivables and contract assets, net	6	1,919	(406)
Impairment of financial assets included in prepayments, other receivables and other assets, net	6	143	169
Fair value loss/(gain) on foreign currency forward contracts, net	6	(1,456)	11,031
Write-down/(reversal of write-down) of inventories to net realisable value, net	6	1,141	(987)
Amortisation of deferred income		(1,186)	(219)
Share-based payment expense		457	1,037
		21,213	17,295
Decrease in inventories		19,617	96,321
Decrease/(increase) in trade and bills receivables and contract assets		(78,726)	124,699
Decrease/(increase) in prepayments, other receivables and other assets		22,265	(8,538)
Decrease/(increase) in pledged deposits		991	(5,673)
Increase in trade and bills payables		28,387	42,238
Increase/(decrease) in other payables and accruals and contract liabilities		12,512	(8,637)
Change in derivative financial instruments		–	(7,512)
Effect of foreign exchange rate changes, net		(94)	2,722
Cash generated from operations		26,165	252,915
Interest paid		(3,896)	(8,373)
Income taxes paid		(8,315)	(5,497)
Net cash flows from operating activities		13,954	239,045

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash flows from operating activities	13,954	239,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,750	2,945
Purchases of property, plant and equipment	(8,848)	(100,968)
Additions to other intangible assets	(2,202)	(7,332)
Purchase of financial investments at fair value through other comprehensive income	-	(105,000)
Purchase of financial investments at fair value through profit or loss	(70,270)	(345,000)
Proceeds from disposal/maturity of financial investments at fair value through profit or loss	65,325	265,371
Proceeds from disposal of property, plant and equipment	386	744
Proceeds from disposal of assets classified as held for sale	-	6,500
Increase in deposits for purchase of property, plant and equipment	(33,059)	(1,778)
Loan advanced to a joint venture	(20)	-
Net cash flows used in investing activities	(44,938)	(284,518)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	2,654	3,839
Repurchase of shares	(7,085)	-
New bank loans	75,464	205,000
Repayment of bank loans	(79,000)	(276,775)
Principal portion of lease payments	(1,294)	(1,413)
Net cash flows used in financing activities	(9,261)	(69,349)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,245)	(114,822)
Cash and cash equivalents at beginning of period	587,176	678,367
Effect of foreign exchange rate changes, net	204	(1,867)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	547,135	561,678
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	547,135	561,678

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE INFORMATION

Sun.King Technology 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 2022 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 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2021, 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>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue		
Sale of power electronic components	420,042	490,784

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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% (six months ended 30 June 2021: 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income		
Government grants*	9,225	7,999
Bank interest income	3,750	2,945
Interest income arising from revenue contracts	1,294	2,233
Fair value gains on financial investments at fair value through profit or loss	325	1,371
Other interest income	388	388
Others	586	357
	15,568	15,293
Gains		
Foreign exchange gains, net	7,578	–
Fair value gains on foreign currency forward contracts, net	1,456	–
Gain on disposal of property, plant and equipment, net	186	294
Gain on disposal of assets classified as held for sale	–	2,253
	9,220	2,547
	24,788	17,840

* 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 and covid-19 subsidy. 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.

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6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold	303,207	365,010
Write-down/(reversal of write-down) of inventories to net realisable value, net	1,141	(987)
Cost of sales	304,348	364,023
Depreciation of property, plant and equipment	17,604	11,007
Depreciation of right-of-use assets	1,914	2,047
Amortisation of deferred development costs	1,775	1,149
Amortisation of other intangible assets (excluding deferred development costs)	1,670	1,732
Impairment/(reversal of impairment) of trade receivables and contract assets, net	1,919	(406)
Impairment of financial assets included in prepayments, other receivables and other assets, net	143	169
Fair value loss/(gain) on foreign currency forward contracts, net	(1,456)	11,031
Foreign exchange differences, net	(7,578)	1,025

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on bank loans	3,710	7,766
Interest on lease liabilities	186	221
	3,896	7,987

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8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2021: Nil (unaudited)).

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% (six months ended 30 June 2021: 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 a 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. The Group’s subsidiaries established in Switzerland and Germany are subject to local corporate taxes of approximately 18% (six months ended 30 June 2021: approximately 18%) and 32% (six months ended 30 June 2021: approximately 32%), respectively.

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	–	–
Current – Elsewhere		
Charge for the period	6,589	2,783
Overprovision in prior periods	(3)	(776)
Deferred	179	2,499
Total tax charge for the period	6,765	4,506

9. DIVIDENDS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Final declared – Nil cents (2021: HK3 cents) per ordinary share	–	40,838

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

The calculation of basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB7,149,000 (six months ended 30 June 2021: RMB10,957,000 (unaudited)), and the weighted average number of ordinary shares of 1,638,392,511 (six months ended 30 June 2021: 1,633,715,003 (unaudited)) in issue during the period.

The calculations of basic loss per share are based on:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(7,149)	(10,957)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation		
	1,638,392,511	1,633,715,003

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil) in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at an aggregate cost of RMB5,695,000 (30 June 2021: RMB133,853,000 (unaudited)).

During the six months ended 30 June 2022, the Group disposed of assets with an aggregate net book value of RMB200,000 (30 June 2021: RMB4,697,000 (unaudited)).

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12. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	668,525	491,809
Impairment	(8,882)	(6,874)
	659,643	484,935
Bills receivable	96,168	144,410
	755,811	629,345

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.

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	313,734	319,852
3 to 6 months	145,788	83,422
6 to 12 months	122,845	58,592
Over 1 year	77,276	23,069
	659,643	484,935

At 30 June 2022, the Group's bills receivable would mature within twelve (31 December 2021: twelve (audited)) months.

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within six months	175,741	153,853
Over six months	34,738	28,239
	210,479	182,092

14. ISSUED CAPITAL

During the period, the subscription rights attaching to 729,500 and 2,086,000 share options were exercised at the subscription prices of HK\$1.17 and HK\$1.10 per share, respectively, resulting in the issue of 2,815,500 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$3,148,000 (equivalent to approximately RMB2,654,000). An amount of RMB977,000 was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

During the period, the Company repurchased and cancelled a total of 4,000,000 of the Company's shares. The total consideration paid to repurchase these shares was RMB7,085,000, which has been deducted from equity attributable to owners of the parent.

15. COMMITMENTS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	19,530	21,623
Plant and equipment	75,242	25,778
	94,772	47,401

Commitments under foreign currency forward contracts:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Purchase of Swiss franc	63,280	-

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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16. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short term employee benefits	11,979	14,454
Post-employment benefits	1,136	1,099
Share-based payment expense	143	270
Total compensation paid to key management personnel	13,258	15,823

(b) Outstanding balances with related parties:

On 26 May 2020, 4 December 2020 and 3 December 2021, Jiashan Sunking and Beijing Yaoting Tengyi Investment Partnership (“**Yaoting**”), a joint venture of the Group, entered into loan agreements pursuant to which Jiashan Sunking agreed to advance loans of RMB4,500,000, RMB4,920,000 and RMB20,000 to Yaoting. The loans were unsecured, interest-bearing at a rate of 8.3% per annum and repayable within one year. On 25 May and 3 December 2021, Jiashan Sunking and Yaoting reached supplemental agreements to extend the aforementioned loans of RMB4,500,000 and RMB4,920,000 to 31 December and 3 December 2022, respectively. The aforementioned loan of RMB20,000 was advanced to Yaoting during the period. The interest income attributable to the loans to Yaoting during the period was RMB388,000 (six months ended 30 June 2021: RMB388,000 (unaudited)).

17. 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets				
Bills receivable	96,168	144,410	96,168	144,410
Financial investments at fair value through other comprehensive income	100,000	98,261	100,000	98,261
Financial investments at fair value through profit or loss	5,270	–	5,270	–
Derivative financial instruments	1,456	–	1,456	–
	202,894	242,671	202,894	242,671
Financial liabilities				
Interest-bearing bank borrowings	200,552	204,088	200,615	203,994

Management has assessed that the fair values of the Group's financial instruments, except for bills receivable, derivative financial instruments, financial investments and non-current portion of interest-bearing bank borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 Group also invests in financial investments, comprising wealth management products and certificates of deposits. The Group has estimated the fair value of these financial investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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

The fair value of the non-current portion of interest-bearing bank borrowings 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 changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2022 were assessed to be insignificant.

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17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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	
As at 30 June 2022 (unaudited)				
Bills receivable	-	96,168	-	96,168
Financial assets at fair value through other comprehensive income	-	100,000	-	100,000
Financial assets at fair value through profit or loss	-	5,270	-	5,270
Derivative financial instruments	1,456	-	-	1,456
	1,456	201,438	-	202,894
As at 31 December 2021 (audited)				
Bills receivable	-	144,410	-	144,410
Financial assets at fair value through other comprehensive income	-	98,261	-	98,261
	-	242,671	-	242,671

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	
As at 30 June 2022 (unaudited)				
Interest-bearing bank borrowings	-	200,615	-	200,615
As at 31 December 2021 (audited)				
Interest-bearing bank borrowings	-	203,994	-	203,994

During the period, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil (unaudited)).

18. 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 24 August 2022.