

# Interim Report 2023



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**

# CONTENTS

2	Corporate Information
3	Chairman's Statement
5	Management Discussion and Analysis
12	Other Information
18	Independent Review Report
19	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
20	Interim Condensed Consolidated Statement of Financial Position
22	Interim Condensed Consolidated Statement of Changes In Equity
23	Interim Condensed Consolidated Statement of Cash Flows
25	Notes to Interim Condensed Consolidated Financial Information

# 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

## 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

## Nomination Committee

Mr. Zhang Xuejun

(*chairman of the nomination committee*)

Mr. Gong Renyuan

Mr. Chen Shimin

## Strategy and Sustainability Committee

Mr. Xiang Jie

(*chairman of the strategy and sustainability committee*)

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

# CHAIRMAN'S STATEMENT

Dear shareholders,

In June 2023, the National Energy Administration issued the “New Power System Development Blue Paper” which pointed out that the current period to 2030 will be a period of accelerated transformation, combining the resource potential to continue to actively build non-fossil energy sources, such as onshore and offshore wind power, photovoltaic power, hydropower in key river basins and coastal nuclear power, to promote new energies to gradually become the main incremental power generation; to accelerate the promotion of desert, Gobi and other desert areas as the focus of large-scale wind power photovoltaic base construction, give full play to the role of the power grid resources optimisation and allocation platform, and further expand the scale of cross-provincial and cross-regional corridors as represented by the West-to-East Power Transmission project. New modes of power consumption are emerging, gradually enhancing the level of electrification of end-use energy areas and the ability to flexibly adjust and respond on the users' side; energy storage is undergoing scale-up development on a regular basis in multi-application scenarios and on a multi-technology basis, with a focus on meeting the demand for balanced adjustment of the system on a daily basis.

Sun.King Technology Group Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) closely follow the national strategic guidelines and the direction of power technology development and are deeply engaged in power semiconductor and supporting devices as well as cutting-edge power electronics technologies which are crucial to the construction of new power systems. The Group's products are widely used in the key development areas of the “New Power System Development Blue Paper”, such as power transmission and distribution, electrified transportation, new energy power generation and energy storage for industrial control.

In the first half of 2023, the Group's revenue amounted to approximately RMB459.5 million, representing an increase of approximately 9.4% as compared to the same period last year. However, due to the continuous investment in the insulated gate bipolar transistor (“**IGBT(s)**”) business, the Group's net loss amounted to approximately RMB13.4 million, representing an increase of approximately 22.9% as compared to the same period last year. For the business in the first half of the year, the sales volume of IGBTs achieved remarkable results. Despite still being constrained by the capacity of chip foundry, the sales volume of IGBT modules in the sub-sectors such as new energy power generation, energy storage, electric vehicles and electrical equipment reached 100,000 units, which far exceeded the full-year sales volume in 2022. Among which, the sales volume in the new energy power generation and the energy storage sub-sectors accounted for approximately 83.3%, the sales volume in the electric vehicles sub-sector accounted for approximately 9.3% and the sales volume in the electrical equipment sub-sector accounted for approximately 7.4%. Besides, the power transmission and distribution sector showed good development. The ultra-high voltage direct current (“**UHVDC**”) transmission project under planning accelerated, the number of projects under construction also increased significantly and a total of four UHVDC transmission projects, namely “Jinshang to Hubei”, “Longdong to Shandong”, “Ningxia to Hunan” and “Hami to Chongqing” had started. The Group commenced signing orders for anode saturation reactors with its customers, and won the tenders for power capacitors for a total of approximately RMB190 million in the “Jinshang to Hubei” project and the “Longdong to Shandong” project. Up to now, the Group's products have been used in over 40 ultra-high voltage and conventional direct current (“**DC**”) transmission projects, maintaining its leading position in the PRC for a long period of time. As the UHVDC transmission projects enter a new construction peak, the Group's business in this sub-sector will have a bright future.

In 2023, the Group has achieved outstanding results in research and development (“**R&D**”), especially in power semiconductors. A number of overseas technical experts have joined the Group one after the other, which has enhanced the Group's R&D strength and high-end process technology in IGBT and SiC chips and modules. The Group officially launched the i20 series 1700V IGBT chips, d20 diode chips and ED type IGBT modules, and became one of the very few domestic enterprises with self-developed 1700V chips. Among which, the 1700V ED type IGBT module was widely welcomed by customers in the fields such as wind power generation and industrial control upon its launch. The Group also launched the 1200V ST type IGBT module, which has many performance advantages such as the lowest thermal resistance, connection impedance and internal stray inductance among similar products, and is widely used in the fields such as photovoltaic power generation, low-voltage inverters and UPS power supplies. The Group's first passenger car-specific module for the electric vehicles sub-sector – the HEEV type SiC MOSFET module also completed sample production and entered the testing stage, and will strive to complete the R&D of 1200V EVD type SiC MOSFET modules and passenger car-specific IGBT modules in the second half of the year. With its leading R&D strength and profound process experience, the Group has become one of the first domestic enterprises to realise mass production of chips on its 12-inch IGBT chips production line, which also lays a good foundation for the development of the Group's chip products in terms of production capacity and cost advantage. In addition, Sunking Pacific Semiconductor Technology (Zhejiang) Co., Ltd. has passed the IATF16949:2016 certification for the automotive industry's quality management system, which helps further improve product quality. The Group believes that the successive launch of the above passenger car-specific modules will complete the Group's product portfolio in the electric vehicles sub-sector, thereby expanding its sales scale.

# CHAIRMAN'S STATEMENT

In 2023, the Group has continued to increase investment in key businesses and explore new markets externally. The Group has commenced to commission the equipment for the second IGBT module packaging test production line, and has also commenced to purchase related production equipment for the two new production lines (i.e. the third IGBT module and the first SiC MOSFET module packaging testing production lines) and to construct plant supporting facilities such as purification workshops. The Company's Swiss subsidiary, Astrol Electronic AG, acquired KWx.B.V. in the Netherlands, which not only gives Astrol Electronic AG the ability to provide system solutions, but also further strengthen its influence in the market and will facilitate the development of the Scandinavian and global markets, which are home to a number of key customers in the fields of marine, traction conversion and other industrial applications.

In 2023, one of the Company's subsidiaries was selected as a national-level specialised and new "Small Technology Giant" enterprise and a listing reserve "Gold Seed" enterprise in the Hubei Province, and three of its subsidiaries were selected as specialised and new enterprises at the provincial level. This will be conducive to promoting the Group to become stronger, better and larger, and to enhance the core competitiveness of the enterprise in a comprehensive manner, so as to play a leading and exemplary role.

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, 22 August 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### 1. Domestic and overseas market performance

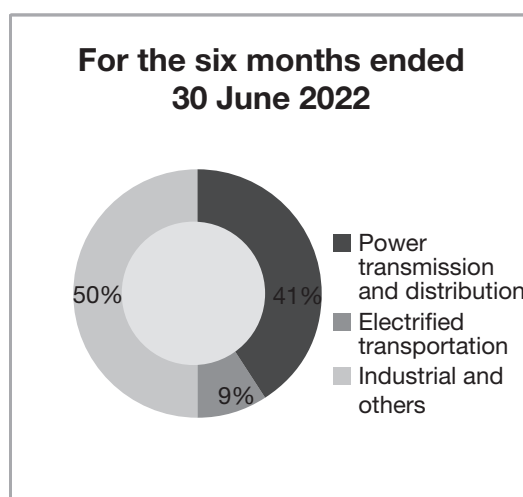
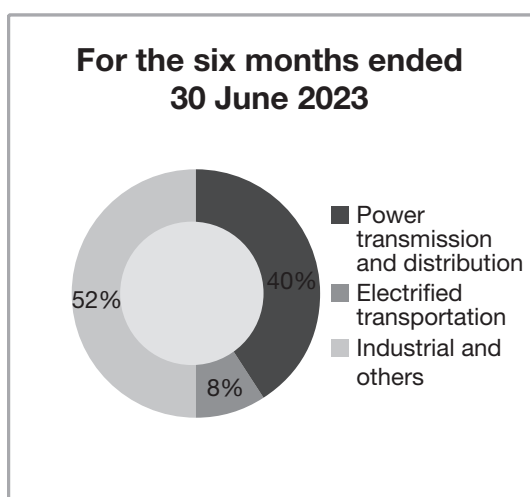
	For the six months ended 30 June			
	2023		2022	
	Revenue (RMB'000)	Gross profit margin	Revenue (RMB'000)	Gross profit margin
Domestic market	439,538	26.8%	407,524	26.8%
Overseas market	19,942	32.8%	12,518	52.3%
<b>Total</b>	<b>459,480</b>	<b>Average 27.0%</b>	<b>420,042</b>	<b>Average 27.5%</b>

### 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	For the six months ended 30 June			
	2023		2022	
	Revenue (RMB'000)	Gross profit margin	Revenue (RMB'000)	Gross profit margin
Power transmission and distribution	175,099	39.8%	166,499	35.7%
Electrified transportation	37,583	24.8%	36,908	12.9%
Industrial and others	226,856	17.0%	204,117	22.0%
<b>Total</b>	<b>439,538</b>	<b>Average 26.8%</b>	<b>407,524</b>	<b>Average 26.8%</b>

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

	For the six months ended 30 June		
	2023 Revenue (RMB'000)	2022 Revenue (RMB'000)	Change
<b>Power transmission and distribution sector</b>	<b>175,099</b>	166,499	5%
UHVDC transmission	<b>52,992</b>	72,457	-27%
Flexible DC transmission	<b>44,850</b>	20,912	114%
Other power transmission and distribution	<b>77,257</b>	73,130	6%

### *UHVDC transmission*

In the first half of 2023, the Group made delivery in bulk the products ordered for use in the individual UHVDC transmission project, and the Group's revenue from this sub-sector decreased by approximately 27% as compared to the corresponding period of 2022.

### *Flexible DC transmission*

In the first half of 2023, the Group mainly delivered the products ordered for use in the 220kV Zhongbu-Tingshan flexible low-frequency transmission demonstration project and the Yangjiang offshore wind farms with centralised transmission of sea cables, and the Group's revenue from this sub-sector increased by approximately 114% as compared to the corresponding period of 2022.

### *Other power transmission and distribution*

In the first half of 2023, the Group's revenue in this sub-sector increased by approximately 6% as compared to the same period of 2022.

## (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 and automatic cross-phase intelligent switches for electrified railways to the manufacturers of rail transportation power supply system; and products such as self-developed IGBTs and laminated busbars to the electric vehicles sub-sector. In addition, the Group provides products such as solid-state DC/alternating current ("AC") switches and impedance measuring devices to the other transportation sub-sector such as marine and aviation. The Group's performance in the electrified transportation sector is as follows:

	For the six months ended 30 June		
	2023 Revenue (RMB'000)	2022 Revenue (RMB'000)	Change
<b>Electrified transportation sector</b>	<b>37,583</b>	36,908	2%
Rail transportation	<b>31,293</b>	21,552	45%
Electric vehicles	<b>5,700</b>	13,885	-59%
Other transportation	<b>590</b>	1,471	-60%

# MANAGEMENT DISCUSSION AND ANALYSIS

## ***Rail transportation***

In the first half of 2023, the Group's revenue from this sub-sector increased by approximately 45% as compared to the same period of 2022 due to the increase in sales of the manufacturers of rail transit vehicle equipment.

## ***Electric vehicles***

In the first half of 2023, the Group's revenue from this sub-sector decreased by approximately 59% as compared to the corresponding period of 2022 due to the decrease in customer orders for ED type modules in this sub-sector as well as the fact that the Group's passenger car-specific IGBT and SiC modules are still in the R&D or testing stage.

## ***Other transportation***

As the business in this sub-sector was in the development stage, the projects and orders were not yet stable.

## **(c) Industrial and others sector**

The Group supplies products such as self-developed IGBTs, laminated busbars, energy quality control devices, power capacitors and power semiconductor devices distributed by the Group to the manufacturers of electrical control and energy-saving equipment, energy storage equipment and new energy power generation equipment in the industrial sector and to customers in the scientific research institutes and others sub-sector. The Group's performance in the industrial and others sector is as follows:

	For the six months ended 30 June		Change
	2023	2022	
	Revenue	Revenue	
	(RMB'000)	(RMB'000)	
<b>Industrial and others sector</b>	<b>226,856</b>	204,117	11%
Electrical equipment	170,566	148,665	15%
New energy power generation	55,029	47,383	16%
Scientific research institutes and others	1,261	8,069	-84%

## ***Electrical equipment***

In the first half of 2023, the Group's revenue in this sub-sector increased by approximately 15% as compared to the same period of 2022 due to the increase in sales of self-developed IGBTs in the energy storage sector.

## ***New energy power generation***

In the first half of 2023, the Group's revenue in this sub-sector increased by approximately 16% as compared to the same period of 2022 due to the increase in sales of self-developed IGBTs and laminated busbars.

## ***Scientific research institutes and others***

The Group provides a wide range of products to various organisations targeting at scientific research. Currently, the scale of such business is relatively small and the revenue is unstable.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. Overseas market performance

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

In the first half of 2023, the Group's products sold in overseas markets included laminated busbars, solid state AC/DC switches, pulsed power supplies and impedance measuring devices.

	For the six months ended 30 June		
	2023	2022	
	Revenue	Revenue	Change
	(RMB'000)	(RMB'000)	
<b>Overseas market</b>	<b>19,942</b>	12,518	59%
Products of domestic subsidiaries	<b>1,715</b>	1,299	32%
Products of overseas subsidiaries	<b>18,227</b>	11,219	62%

## 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 the 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 electronic semiconductor and supporting device technologies, as well as international cutting-edge power electronics technologies.

### (a) IGBTs

In the first half of 2023, the Group officially launched new products of i20 series of 1700V IGBT chips, d20 diode chips and ST type IGBT modules as well as completing the sample test of HEEV type SiC modules.

Besides, the Group initiated the R&D of a number of new products including 750V IGBT and FRD chips and 1200V SiC MOSFET chips. A number of overseas technical experts have joined the Group one after the other, which has once again enhanced the Group's R&D strength and high-end process technology in IGBT and SiC chips and modules.

### (b) Power electronic capacitors

The Group's DC support capacitors for SVG were used for the first time in relevant projects in Saudi Arabia, Chile and the Philippines, making a business breakthrough in the field of reactive power compensation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The revenue of the Group increased by approximately 9.4% from approximately RMB420.0 million for the six months ended 30 June 2022 to approximately RMB459.5 million for the six months ended 30 June 2023 primarily due to the increase in revenue from the flexible DC transmission sub-sector and the industrial and others sector.

### Cost of sales

The cost of sales of the Group increased by approximately 10.2% from approximately RMB304.3 million for the six months ended 30 June 2022 to approximately RMB335.3 million for the six months ended 30 June 2023 primarily due to the increase in revenue.

### Gross profit and gross profit margin

The gross profit of the Group increased by approximately 7.3% from approximately RMB115.7 million for the six months ended 30 June 2022 to approximately RMB124.2 million for the six months ended 30 June 2023 primarily due to the increase in revenue.

The gross profit margin of the Group slightly decreased from approximately 27.5% for the six months ended 30 June 2022 to approximately 27.0% for the six months ended 30 June 2023.

### Other income and gains

The other income and gains of the Group increased by approximately 32.3% from approximately RMB24.8 million for the six months ended 30 June 2022 to approximately RMB32.8 million for the six months ended 30 June 2023 primarily due to the gain generated from investment and the gain on foreign exchange during the period.

### Selling and distribution costs

The selling and distribution costs of the Group increased by approximately 6.9% from approximately RMB35.0 million for the six months ended 30 June 2022 to approximately RMB37.4 million for the six months ended 30 June 2023 primarily due to the increase in expenses for the full-scale launch of marketing activities for the self-produced IGBT business.

### Administrative expenses

The administrative expenses of the Group increased by approximately 12.4% from approximately RMB60.4 million for the six months ended 30 June 2022 to approximately RMB67.9 million for the six months ended 30 June 2023 primarily due to the increase in depreciation of assets and self-produced IGBT personnel.

### R&D costs

The R&D costs of the Group increased by approximately 30.5% from approximately RMB39.7 million for the six months ended 30 June 2022 to approximately RMB51.8 million for the six months ended 30 June 2023 primarily due to the increase in R&D costs for self-produced IGBTs and DC support capacitors.

### Other expenses and losses

The other expenses and losses of the Group significantly decreased by approximately 81% from approximately RMB2.1 million for the six months ended 30 June 2022 to approximately RMB0.4 million for the six months ended 30 June 2023 primarily due to the reversal of impairment of receivables accrued in the previous year.

### Finance costs

The finance costs of the Group slightly increased by approximately 2.6% from approximately RMB3.9 million for the six months ended 30 June 2022 to approximately RMB4.0 million for the six months ended 30 June 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Share of losses of a joint venture

The Group's share of losses of a joint venture decreased from approximately RMB3.4 million for the six months ended 30 June 2022 to approximately RMB0.4 million for the six months ended 30 June 2023 primarily due to the decrease in losses of Beijing Yaoting Tengyi Investment Partnership (Limited Partnership) (北京曜廷騰逸投資合夥企業(有限合夥)).

## Loss before tax

For the reasons mentioned above, the loss before tax of the Group increased from approximately RMB4.2 million for the six months ended 30 June 2022 to approximately RMB5.0 million in the same period of 2023.

## Income tax expense

The income tax expenses of the Group increased by approximately 23.5% from approximately RMB6.8 million for the six months ended 30 June 2022 to approximately RMB8.4 million for the six months ended 30 June 2023 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 -1.7% for the six months ended 30 June 2022 to approximately -1.3% for the six months ended 30 June 2023.

The loss attributable to owners of the parent decreased by approximately 14.1% from approximately RMB7.1 million for the six months ended 30 June 2022 to approximately RMB6.1 million for the six months ended 30 June 2023.

The total comprehensive loss attributable to owners of the parent slightly increased by approximately 1.8% from approximately RMB5.6 million for the six months ended 30 June 2022 to approximately RMB5.7 million for the six months ended 30 June 2023.

## Inventories

The inventories of the Group increased by approximately 22.0% from approximately RMB163.1 million as at 31 December 2022 to approximately RMB199.0 million as at 30 June 2023 primarily due to the increase in stock.

The average inventory turnover days of the Group decreased from approximately 112 days for the year ended 31 December 2022 to approximately 108 days for the six months ended 30 June 2023 primarily due to the increase in stock.

## Trade and bills receivables

The trade and bills receivables of the Group increased by approximately 7.5% from approximately RMB798.2 million as at 31 December 2022 to approximately RMB858.3 million as at 30 June 2023 primarily due to the increase in revenue.

The average trade and bills receivables turnover days of the Group increased from approximately 258 days for the year ended 31 December 2022 to approximately 282 days for the six months ended 30 June 2023 primarily due to the increase in revenue.

## Trade and bills payables

The trade and bills payables of the Group decreased by approximately 10.8% from approximately RMB250.8 million as at 31 December 2022 to approximately RMB223.7 million as at 30 June 2023 primarily due to the account period management.

The average trade and bills payables turnover days of the Group increased from approximately 118 days for the year ended 31 December 2022 to approximately 127 days for the six months ended 30 June 2023 primarily due to the account period management.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and financial resources

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

The current ratio of the Group, which is calculated as current assets divided by current liabilities, decreased from approximately 4.3 as at 31 December 2022 to approximately 4.1 as at 30 June 2023 primarily due to the increase in bank borrowings.

As at 30 June 2023, 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 14.2% from approximately RMB618.8 million as at 31 December 2022 to approximately RMB530.8 million as at 30 June 2023 primarily due to the increase in property, plant and equipment investment in the IGBT business.

As at 30 June 2023, the interest-bearing bank borrowings of the Group were denominated in Renminbi. The interest-bearing bank borrowings of the Group significantly increased by approximately 61.2% from approximately RMB146.0 million as at 31 December 2022 to RMB235.3 million as at 30 June 2023, of which bank borrowings of approximately RMB76.0 million were at fixed interest rates.

The gearing ratio of the Group, which is measured on the basis of total interest-bearing bank borrowings to total equity, increased from approximately 7.6% as at 31 December 2022 to approximately 12.4% as at 30 June 2023.

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

## Charges on Group assets

As at 30 June 2023, certain of the bills payable of the Group were secured by the bills receivable amounting to approximately RMB51.1 million (31 December 2022: approximately RMB48.7 million).

As at 30 June 2023, bank loans of the Group in the amount of RMB50.0 million were secured by certain of the land use rights and buildings, plant and machinery with net carrying amounts as at 30 June 2023 of approximately RMB11.3 million and RMB36.3 million (31 December 2022: approximately RMB11.5 million and RMB37.1 million), respectively.

As at 30 June 2023, bank loans of the Group in the amount of RMB109.3 million were secured by certain of the land use rights and building, plant and machinery with net carrying amounts as at 30 June 2023 of approximately RMB16.5 million and RMB161.1 million (31 December 2022: approximately RMB16.7 million and RMB163.5 million), respectively.

## Foreign currency exposure

As most of the principal subsidiaries of the Company operate in the PRC, 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 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

# OTHER INFORMATION

## HUMAN RESOURCES

As at 30 June 2023, the Group employed 793 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 focuses on the establishment of an in-house management training and development system to meet the different needs of employees at all levels and enhance their skills through diversified training modes. 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

In the second half of 2023, with the gradual implementation of the various plans in the "Blue Book for the Development of New Electric Power Systems", the Group's flexible DC transmission, electric vehicles, new energy power generation, industrial control and other sub-sectors will show good development. In particular, the UHVDC transmission project has entered a new round of construction peak, and there are a number of potential projects in the fields of flexible DC/AC transmission project and offshore wind power flexible DC grid-connection project. The above favorable market situation provides a good opportunity for the Group's business development.

In addition, the Group will continue to strengthen the self-R&D of IGBTs and SiC modules and introduce them to the market, accelerate the R&D of new products and the construction of production capacity, and strive to launch overseas sales within the year.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were 1,631,662,000 shares of the Company (the "Share(s)") in issue as at 30 June 2023.

During the six months ended 30 June 2023, the Company repurchased 590,000 Shares for an aggregate purchase price (including relevant expenses) of approximately HK\$1,001,800 on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchase of such Shares are as follows:

Month of repurchase in 2023	Number of Shares repurchased	Price per Share		Aggregate purchase price (approximately) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
April	160,000	1.75	1.68	275,370.11
May	430,000	1.73	1.65	726,429.45

The 590,000 Shares repurchased were cancelled in the first half of 2023.

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 2023.

## 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 2023.

## 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 2023.

## 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 2023.

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 2022.

## DIVIDENDS

As the Group recognised loss for the six months ended 30 June 2023, the Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

## CHANGES IN INFORMATION ON DIRECTORS AND CHIEF EXECUTIVES

There was no material discloseable 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 2023.

## OTHER INFORMATION

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

As at 30 June 2023, 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, 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 <sup>(Note 3)</sup>
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	383,458,347 <sup>(Note 1)</sup>	23.50%
Mr. Gong Renyuan	Beneficial owner and interest of spouse	19,360,000 <sup>(Note 2)</sup>	1.19%
Mr. Yue Zhoumin	Beneficial owner	2,000,000	0.12%

*Notes:*

- As at 30 June 2023, among the 383,458,347 Shares, 45,130,000 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 2023, Max Vision Holdings Limited was wholly-owned by Jiekun Limited, which was wholly-owned by Sapphire Skye Holdings Limited. As at 30 June 2023, 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 2023, 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 1,631,662,000 Shares in issue as at 30 June 2023.

#### (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 2023.

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

As at 30 June 2023, 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:

**(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>	20.74%
Jiekun Limited	Interest in controlled corporation	338,328,347 <i>(Note 1)</i>	20.74%
Sapphire Skye Holdings Limited	Nominee	338,328,347 <i>(Note 1)</i>	20.74%
Zedra Trust Company (Singapore) Limited	Trustee	338,328,347 <i>(Note 1)</i>	20.74%
Meng Fankun	Interest of spouse	383,458,347 <i>(Notes 1 and 2)</i>	23.50%

*Notes:*

- As at 30 June 2023, Max Vision Holdings Limited was wholly-owned by Jiekun Limited, which was wholly-owned by Sapphire Skye Holdings Limited. As at 30 June 2023, 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 383,458,347 Shares in which Mr. Xiang Jie was interested.
- There were 1,631,662,000 Shares in issue as at 30 June 2023.

**(b) Short positions in the Shares and underlying Shares**

Save as disclosed above, as at 30 June 2023, 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 8.37% of the total number of Shares in issue as at 30 June 2023.

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 2023 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 2023	Exercise price (HK\$ per Share)	Share price immediately before the date of grant (HK\$ per Share)	Weighted average share price before the date of exercise (HK\$ per Share)	Fair value of share options (HK\$ per Share)	Vesting period	Exercisable period
		As at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled/ Forfeited during the period							
Employees in aggregate	1 April 2020	8,218,000	-	(1,924,000)	(450,000)	-	5,844,000	1.10	1.07	1.72	0.39	One year from the date of grant	1 April 2021 to 31 March 2026
<b>Total</b>		<b>8,218,000</b>	<b>-</b>	<b>(1,924,000)</b>	<b>(450,000)</b>	<b>-</b>	<b>5,844,000</b>						

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.

Despite the above definition of Eligible Participants, the Company does not intend to grant share option to any Eligible Participant that does not come under the definition of “eligible participant” in Chapter 17 of the Listing Rules.

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 9.99% 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 during the six months ended 30 June 2023.

# INDEPENDENT REVIEW REPORT



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 19 to 36, which comprises the condensed consolidated statement of financial position of Sun.King Technology Group Limited (the “**Company**”) and its subsidiaries as at 30 June 2023 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

22 August 2023

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

For the six months ended 30 June 2023

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 RMB'000 (Unaudited)
<b>REVENUE</b>	5	<b>459,480</b>	420,042
Cost of sales		<b>(335,298)</b>	(304,348)
Gross profit		<b>124,182</b>	115,694
Other income and gains	5	<b>32,779</b>	24,788
Selling and distribution costs		<b>(37,354)</b>	(35,027)
Administrative expenses		<b>(67,939)</b>	(60,422)
Research and development costs		<b>(51,798)</b>	(39,746)
Other expenses and losses		<b>(375)</b>	(2,112)
Finance costs	7	<b>(4,045)</b>	(3,896)
Share of losses of:			
A joint venture		<b>(395)</b>	(3,427)
An associate		<b>(25)</b>	(4)
<b>LOSS BEFORE TAX</b>	6	<b>(4,970)</b>	(4,152)
Income tax expense	8	<b>(8,412)</b>	(6,765)
<b>LOSS FOR THE PERIOD</b>		<b>(13,382)</b>	(10,917)
<b>OTHER COMPREHENSIVE INCOME</b>			
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		<b>1,468</b>	1,478
Exchange differences on translation of foreign operations		<b>(1,234)</b>	134
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>234</b>	1,612
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(13,148)</b>	(9,305)
Loss attributable to:			
Owners of the parent		<b>(6,088)</b>	(7,149)
Non-controlling interests		<b>(7,294)</b>	(3,768)
		<b>(13,382)</b>	(10,917)
Total comprehensive loss attributable to:			
Owners of the parent		<b>(5,738)</b>	(5,634)
Non-controlling interests		<b>(7,410)</b>	(3,671)
		<b>(13,148)</b>	(9,305)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic		<b>RMB(0.37 cents)</b>	RMB(0.44 cents)
Diluted		<b>RMB(0.37 cents)</b>	RMB(0.44 cents)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	569,363	513,308
Right-of-use assets		58,239	59,361
Deposits for purchase of property, plant and equipment		46,768	42,601
Goodwill		6,878	6,878
Other intangible assets		73,745	71,560
Investment in a joint venture		9,451	9,846
Investment in an associate		1,114	1,139
Contract assets		31,264	45,729
Deferred tax assets		3,998	3,120
<b>Total non-current assets</b>		<b>800,820</b>	<b>753,542</b>
<b>CURRENT ASSETS</b>			
Inventories		199,037	163,114
Trade and bills receivables	12	858,256	798,243
Contract assets		11,496	6,938
Prepayments, deposits and other receivables		42,626	36,036
Derivative financial instruments		-	7,443
Financial investments at fair value through other comprehensive income		103,481	101,755
Pledged deposits		9,329	10,784
Cash and cash equivalents		530,795	618,768
<b>Total current assets</b>		<b>1,755,020</b>	<b>1,743,081</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	223,691	250,837
Contract liabilities		17,083	13,769
Other payables and accruals		89,024	79,863
Lease liabilities		2,984	2,795
Interest-bearing bank borrowings		75,990	45,990
Tax payable		14,893	15,615
<b>Total current liabilities</b>		<b>423,665</b>	<b>408,869</b>
<b>NET CURRENT ASSETS</b>		<b>1,331,355</b>	<b>1,334,212</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,132,175</b>	<b>2,087,754</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Note</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		159,300	100,000
Lease liabilities		7,549	8,249
Deferred income		60,873	63,218
Deferred tax liabilities		2,456	2,339
<b>Total non-current liabilities</b>		<b>230,178</b>	173,806
<b>Net assets</b>		<b>1,901,997</b>	1,913,948
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	14	139,885	139,768
Reserves		1,686,593	1,691,251
		<b>1,826,478</b>	1,831,019
<b>Non-controlling interests</b>		<b>75,519</b>	82,929
<b>Total equity</b>		<b>1,901,997</b>	1,913,948

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 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
At 1 January 2023	139,768	-	400,089*	2,576*	4,332*	14,765*	409,215*	860,947*	(673)*	1,831,019	82,929	1,913,948
Loss for the period	-	-	-	-	-	-	-	(6,088)	-	(6,088)	(7,294)	(13,382)
Fair value gains on investments at fair value through other comprehensive income	-	-	-	-	-	-	1,468	-	-	1,468	-	1,468
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(1,118)	(1,118)	(116)	(1,234)
Total comprehensive loss for the period	-	-	-	-	-	-	1,468	(6,088)	(1,118)	(5,738)	(7,410)	(13,148)
Shares repurchased and cancelled	(53)	-	(834)	-	53	-	-	(53)	-	(887)	-	(887)
Exercise of share options	170	-	2,301	(604)	-	-	-	-	-	1,867	-	1,867
Share-based payments	-	-	-	217	-	-	-	-	-	217	-	217
Transfer from retained profits	-	-	-	-	-	-	10,757	(10,757)	-	-	-	-
At 30 June 2023	139,885	-	401,556*	2,189*	4,385*	14,765*	421,440*	844,049*	(1,791)*	1,826,478	75,519	1,901,997

## 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 RMB1,686,593,000 (31 December 2022: RMB1,691,251,000 (audited)) in the condensed consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(4,970)</b>	(4,152)
Adjustments for:			
Finance costs	7	<b>4,045</b>	3,896
Share of losses of a joint venture and an associate		<b>420</b>	3,431
Interest income	5	<b>(6,432)</b>	(5,432)
Fair value gains on financial investments at fair value through profit or loss	5	<b>(601)</b>	(325)
Loss/(gain) on disposal of property, plant and equipment, net	5,6	<b>19</b>	(186)
Depreciation of property, plant and equipment	6	<b>19,756</b>	17,604
Depreciation of right-of-use assets	6	<b>2,116</b>	1,914
Amortisation of other intangible assets		<b>5,763</b>	3,445
Impairment/(reversal of impairment) of trade receivables and contract assets, net	6	<b>(660)</b>	1,919
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets, net	6	<b>(165)</b>	143
Fair value loss/(gain) on foreign currency forward contracts, net	6	<b>1,181</b>	(1,456)
Write-down of inventories to net realisable value, net	6	<b>2,960</b>	1,141
Amortisation of deferred income		<b>(1,444)</b>	(1,186)
Share-based payment expense		<b>217</b>	457
Gain on bargain purchase	5	<b>(3,470)</b>	-
		<b>18,735</b>	21,213
Decrease/(increase) in inventories		<b>(34,836)</b>	19,617
Increase in trade and bills receivables and contract assets		<b>(36,809)</b>	(78,726)
Increase in prepayments, other receivables and other assets		<b>656</b>	22,265
Decrease in pledged deposits		<b>1,455</b>	991
Increase/(decrease) in trade and bills payables		<b>(38,977)</b>	28,387
Increase in other payables and accruals and contract liabilities		<b>5,908</b>	12,512
Change in derivative financial instruments		<b>6,262</b>	-
Effect of foreign exchange rate changes, net		<b>(5,883)</b>	(94)
Cash generated from/(used in) operations		<b>(83,489)</b>	26,165
Interest paid		<b>(4,062)</b>	(3,896)
Income taxes paid		<b>(11,101)</b>	(8,315)
Net cash flows from/(used in) operating activities		<b>(98,652)</b>	13,954



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	<i>Note</i>	<b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 RMB'000 (Unaudited)
Net cash flows from/(used in) operating activities		<b>(98,652)</b>	13,954
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>4,906</b>	3,750
Purchases of property, plant and equipment		<b>(78,004)</b>	(8,848)
Additions to other intangible assets		<b>(5,943)</b>	(2,202)
Purchase of financial investments at fair value through profit or loss		<b>(66,400)</b>	(70,270)
Proceeds from disposal/maturity of financial investments at fair value through profit or loss		<b>67,001</b>	65,325
Proceeds from disposal of property, plant and equipment		<b>6,696</b>	386
Increase in deposits for purchase of property, plant and equipment		<b>(4,167)</b>	(33,059)
Loan advanced to a joint venture		<b>-</b>	(20)
Acquisition of a subsidiary	<i>15</i>	<b>(4,387)</b>	-
Net cash flows used in investing activities		<b>(80,298)</b>	(44,938)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from exercise of share options		<b>1,867</b>	2,654
Repurchase of shares		<b>(887)</b>	(7,085)
New bank loans		<b>124,300</b>	75,464
Repayment of bank loans		<b>(35,000)</b>	(79,000)
Principal portion of lease payments		<b>(1,505)</b>	(1,294)
Net cash flows from/(used in) financing activities		<b>88,775</b>	(9,261)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(90,175)</b>	(40,245)
Cash and cash equivalents at beginning of period		<b>618,768</b>	587,176
Effect of foreign exchange rate changes, net		<b>2,202</b>	204
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>530,795</b>	547,135
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>530,795</b>	547,135

## 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 2023 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 2022.

## 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 2022, 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 IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group’s policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

## 3. CHANGES IN ACCOUNTING POLICIES (continued)

- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities* arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue from contracts with customers</b>		
Sale of power electronic components	459,480	420,042

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

All of the Group's revenue are recognised at a point in time when goods are delivered. 96% (six months ended 30 June 2022: 97%) 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Other income</b>		
Government grants*	12,109	9,225
Bank interest income	4,906	3,750
Interest income arising from revenue contracts	1,137	1,294
Fair value gains on financial investments at fair value through profit or loss	601	325
Other interest income	389	388
Others	366	586
	<b>19,508</b>	15,568
<b>Gains</b>		
Foreign exchange gains, net	9,801	7,578
Fair value gains on foreign currency forward contracts, net	-	1,456
Gain on bargain purchase	3,470	-
Gain on disposal of property, plant and equipment, net	-	186
	<b>13,271</b>	9,220
	<b>32,779</b>	24,788

\* 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

## 6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold	332,338	303,207
Write-down of inventories to net realisable value, net	2,960	1,141
<b>Cost of sales</b>	<b>335,298</b>	<b>304,348</b>
Depreciation of property, plant and equipment	19,756	17,604
Depreciation of right-of-use assets	2,116	1,914
Amortisation of deferred development costs	3,686	1,775
Amortisation of other intangible assets (excluding deferred development costs)	2,077	1,670
Impairment of trade receivables and contract assets, net	(660)	1,919
Impairment of financial assets included in prepayments, other receivables and other assets, net	(165)	143
Fair value losses/(gains) on foreign currency forward contracts, net	1,181	(1,456)
Loss on disposal of property, plant and equipment, net	19	–

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank loans	3,887	3,710
Interest on lease liabilities	158	186
	<b>4,045</b>	<b>3,896</b>

## 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 2022: 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 2022: 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 2022: approximately 18%) and 32% (six months ended 30 June 2022: approximately 32%), respectively.

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	–	–
Current – Elsewhere		
Charge for the period	9,793	6,589
Overprovision in prior periods	(9)	(3)
Deferred	(1,372)	179
<b>Total tax charge for the period</b>	<b>8,412</b>	<b>6,765</b>

## 9. DIVIDENDS

There was no dividend declared by the group during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil (unaudited)).

## 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 RMB6,088,000 (six months ended 30 June 2022: RMB7,149,000 (unaudited)), and the weighted average number of ordinary shares of 1,630,849,602 (six months ended 30 June 2022: 1,632,392,511 (unaudited)) in issue during the period.

The calculations of basic loss per share are based on:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(6,088)	(7,149)

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

## 10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<b>1,630,849,602</b>	1,632,392,511

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023, the Group acquired assets at an aggregate cost of RMB81,876,000 (30 June 2022: RMB5,695,000 (unaudited)).

During the six months ended 30 June 2023, the Group disposed of assets with an aggregate net book value of RMB6,715,000 (30 June 2022: RMB200,000 (unaudited)).

## 12. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	<b>689,503</b>	654,024
Impairment	<b>(11,199)</b>	(11,822)
Bills receivable	<b>678,304</b> <b>179,952</b>	642,202 156,041
	<b>858,256</b>	798,243

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 and contract assets balances. Trade receivables are non-interest-bearing.

## 12. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the customers' acknowledge of receipt or invoice date, where applicable, and net of loss allowance, is as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 3 months	<b>398,148</b>	352,042
3 to 6 months	<b>92,601</b>	122,030
6 to 12 months	<b>113,486</b>	97,509
Over 1 year	<b>74,069</b>	70,621
	<b>678,304</b>	642,202

At 30 June 2023, the Group's bills receivable would mature within twelve (31 December 2022: twelve (audited)) months.

## 13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the good receipt or invoice date, where applicable, is as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within six months	<b>141,634</b>	203,910
Over six months	<b>82,057</b>	46,927
	<b>223,691</b>	250,837

## 14. ISSUED CAPITAL

During the period, the subscription rights attaching to 1,924,000 share options were exercised at the subscription prices of HK\$1.10 per share, resulting in the issue of 1,924,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$2,116,000 (equivalent to approximately RMB1,867,000). An amount of RMB604,000 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 590,000 of the Company's shares. The total consideration paid to repurchase these shares was RMB887,000, which has been deducted from equity attributable to owners of the parent.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

## 15. BUSINESS COMBINATION

On 30 April 2023, the Group acquired a 100% interest in KWx B.V. (“**Kwx**”). Kwx is principally engaged in trading of DC systems for maritime, transport, industrial applications and provision of relevant technical advice and solution services. The acquisition was made as part of the Group’s strategy to expand its business in the Nordic market. The purchase consideration for the acquisition was in the form of cash of EUR1,545,692 (equivalent to RMB12,096,000), all of which were paid in April 2023.

The fair values of the identifiable assets and liabilities of Kwx as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	99
Intangible assets	64
Cash and cash equivalents	7,709
Trade receivables	11,500
Prepayments and other receivables	6,692
Inventories	4,047
Trade payables	(11,831)
Tax payable	(595)
Other payables	(1,910)
Deferred tax liabilities	(209)
Total identifiable net assets at fair value	15,566
Gain on bargain purchase	(3,470)
Satisfied by cash	12,096

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration	(12,096)
Cash and bank balances acquired	7,709
Net outflow of cash and cash equivalents included in cash flows from investing activities	(4,387)

The gross contractual amounts and fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB11,500,000 and RMB261,000, respectively.

Since the acquisition, Kwx contributed RMB5,172,000 to the Group’s revenue and RMB69,000 to the consolidated loss for the six months ended 30 June 2023.

Had the combination taken place at the beginning of the period, the revenue of the Group and the loss of the Group for the period would have been RMB480,566,000 and RMB13,292,000, respectively.

## 16. COMMITMENTS

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	<b>14,732</b>	15,505
Plant and equipment	<b>44,305</b>	84,548
	<b>59,037</b>	100,053

Commitments under foreign currency forward contracts:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Purchase of Swiss franc	–	76,994

## 17. RELATED PARTY TRANSACTIONS

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

	<b>For the six months ended 30 June</b>	
	<b>2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)
Short term employee benefits	<b>13,785</b>	11,979
Post-employment benefits	<b>1,313</b>	1,136
Share-based payment expense	<b>68</b>	143
Total compensation paid to key management personnel	<b>15,166</b>	13,258

### (b) Outstanding balances with related parties:

On 26 May 2020, 4 December 2020, 3 December 2021 and 16 August 2022, Jiashan Sunking Power Equipment Technology Co., Ltd. (“**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, RMB20,000 and RMB10,000 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. On 3 December 2022, Jiashan Sunking and Yaoting reached another supplemental agreement to extend the aforementioned loans to 31 December 2023. The interest income attributable to the loans to Yaoting during the period was RMB389,000 (six months ended 30 June 2022: RMB388,000 (unaudited)).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

## 18. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Financial assets</b>				
Bills receivable	179,952	156,041	179,952	156,041
Financial investments at fair value through other comprehensive income	103,481	101,755	103,481	101,755
Derivative financial instruments	-	7,443	-	7,443
	<b>283,433</b>	265,239	<b>283,433</b>	265,239
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	235,290	145,990	234,385	145,990

Management has assessed that the fair values of the Group's financial instruments, except for bills receivable, financial investments at fair value through other comprehensive income, derivative financial instruments 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 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, financial investments at fair value through other comprehensive income and derivative financial instruments 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 2023 were assessed to be insignificant.

**18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**

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

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 30 June 2023 (unaudited)</b>				
Bills receivable	-	179,952	-	179,952
Financial assets at fair value through other comprehensive income	-	103,481	-	103,481
	-	283,433	-	283,433
<b>As at 31 December 2022 (audited)</b>				
Bills receivable	-	156,041	-	156,041
Financial assets at fair value through other comprehensive income	-	101,755	-	101,755
Derivative financial instruments	-	7,443	-	7,443
	-	265,239	-	265,239

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 2023 (unaudited)</b>				
Interest-bearing bank borrowings	-	234,385	-	234,385
<b>As at 31 December 2022 (audited)</b>				
Interest-bearing bank borrowings	-	145,990	-	145,990

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 2022: Nil (unaudited)).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

## 19. EVENTS AFTER THE REPORTING PERIOD

On 27 July 2023, Sunking Pacific Semiconductor Technology (Zhejiang) Co., Ltd. (“**Sunking Semiconductor**”), a subsidiary of the Group, and the existing shareholders of Sunking Semiconductor entered into a capital increase agreement with certain investors (the “**Investors**”), pursuant to which the Investors shall inject the amount of the capital injection in the total sum of RMB160,000,000 into Sunking Semiconductor. Upon the completion of the capital increase agreement, the registered capital of Sunking Semiconductor will increase from approximately US\$40,027,000 to US\$42,529,000, the aggregate equity interest in Sunking Semiconductor held by the Investors will be approximately 5.88% and the equity interest in Sunking Semiconductor indirectly held by the Group will be approximately 70.53%. The change in the shareholding structure of Sunking Semiconductor will not affect the Company’s control over it. Sunking Semiconductor will continue to be a subsidiary of the Company following the capital injection.

On the same date, Sunking Pacific Limited (“**Sunking Pacific**”) and the Investors entered into a repurchase agreement, pursuant to which an option has been granted to the Investors such that the Investors shall have the right to request Sunking Pacific to repurchase the equity interest in Sunking Semiconductor held by the Investors for the repurchase price upon occurrence of certain events.

## 20. 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 22 August 2023.