Sun.King Power Electronics Group Limited
賽晶電力電子集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 580)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

(a) Revenue decreased by approximately 38.5% to approximately RMB235.0 million.

(b) Gross profit decreased by approximately 47.3% to approximately RMB64.0 million.

(c) Gross profit margin decreased from approximately 31.8% to approximately 27.2%.

(d) Loss and total comprehensive loss for the period attributable to owners of the parent was approximately RMB21.8 million.

(e) Loss per share attributable to ordinary equity holders of the parent were approximately RMB1.60 cents.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the "**Board**") of directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2014, with the comparative figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent										
	Issued capital	Share premium account	Employee share-based compensation reserve	Capital redemption reserve	Deemed contribution reserve	Other reserve	Retained profits/ (accumulated losses)	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
					(note a)	*(note b)*					
At 1 January 2013	117,137	399,888	9,032	288	14,765	248,697	(4,451)	–	785,356	47,166	832,522
Profit and total comprehensive income for the period	–	–	–	–	–	–	30,031	–	30,031	1,660	31,691
Share-based payments	–	–	3,047	–	–	–	–	–	3,047	–	3,047
As at 30 June 2013	117,137	399,888	12,079	288	14,765	248,697	25,580	–	818,434	48,826	867,260
At 1 January 2014	117,156	400,119	13,084	288	14,765	248,697	26,750	11,716	832,575	46,152	878,727
Loss and total comprehensive loss for the period	–	–	–	–	–	–	(21,775)	–	(21,775)	(4,645)	(26,420)
Share-based payments	–	–	1,163	–	–	–	–	–	1,163	–	1,163
Final 2013 dividend paid	–	–	–	–	–	–	896	(11,716)	(10,820)	–	(10,820)
At 30 June 2014	117,156	400,119*	14,247*	288*	14,765*	248,697*	5,871*	–	801,143	41,507	842,650

Notes:

(a) Deemed contribution reserve represents share-based payment expense incurred and recognised by the Group as settled by issue of shares of Sun.King Group Limited (賽晶集團有限公司) ("**Sunking BVI**"), a former shareholder of the Company.

(b) Other reserve mainly represents a certain waiver of loans and/or advances by Sunking BVI to the Group in prior years and the reserve arose from acquisition of a non-controlling interest.

* These reserve accounts comprise the consolidated reserves of RMB683,987,000 (31 December 2013: RMB703,703,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2014

1. CORPORATE INFORMATION

Sun.King Power Electronics Group Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 19 March 2010. The ordinary shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 13 October 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

In the opinion of the directors of the Company, the Company's immediate holding company is Max Vision Holdings Limited, which is ultimately controlled by Mr. Xiang Jie, the founder and a director of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are trading and manufacturing of power electronic components.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of new and revised standards and interpretations as of 1 January 2014, noted below:

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

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts during the period.

An analysis of the Group's revenue, other income and gains, is as follows:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**235,037**	382,129
Other income		
Interest income	**1,217**	383
Government grants*	**3,289**	6,486
Commission income	**–**	831
Others	**944**	–
	5,450	7,700
Gains		
Gains on disposal of raw materials	**1,158**	–
Gains on disposal of items of property, plant and equipment, net	**1,325**	23
Foreign exchange differences, net	**–**	3,075
Realised and unrealised fair value gains on foreign currency forward contracts, net	**489**	-
Others	**57**	52
	3,029	3,150
	8,479	10,850

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

5. PROFIT/(LOSS) BEFORE TAX

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

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

6. FINANCE COSTS

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

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

7. INCOME TAX

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

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

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC income tax laws, enterprises are subject to corporate income tax ("**CIT**") at a rate of 25%.

無錫卓峰信息科技有限公司 (Wuxi Zhuofeng Information Technology Co., Ltd.*), a subsidiary of the Company, was recognised as a wholly-foreign-owned enterprise and was entitled to tax exemption from CIT for two years commencing from the first profit making year in 2012, followed by a 50% tax rate reduction for CIT for the subsequent three years.

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

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

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

* *For identification purpose only*

8. DIVIDEND

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

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

The calculation of basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,362,928,000 (six months ended 30 June 2013: 1,362,694,000) in issue during the period.

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

11. TRADE AND BILLS RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Concentration of credit risk is managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

For certain customers, the Group allows a percentage, ranging from 2% to 10%, of the contracted amount (the retention money) to be settled within six months to thirty-six months, as agreed between the Group and the respective customer on a case by case basis, subsequent to the fulfillment of certain conditions including delivery of goods or completion of installation as stipulated in the respective sales contracts.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

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

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

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

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

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

12. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

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

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

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

13. CONTINGENT LIABILITIES

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

14. OPERATING LEASE ARRANGEMENTS AS LESSEE

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

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

15. CAPITAL COMMITMENTS

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

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

16. RELATED PARTY TRANSACTIONS

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

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

Notes:

(i) The interest income arose from a loan to an associate bearing an interest rate of 15% per annum.

(ii) The service income arose from the consulting service provided to a joint venture. The consulting service was made according to the mutually agreed terms.

(b) Outstanding balances with related parties

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

Notes:

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

(ii) The balance is unsecured, interest-free and repayable on demand.

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

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

17. FAIR VALUE AND FAIR VALUE HIERARCHY

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

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

Assets measured at fair value:

Group

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

Liabilities measured at fair value:

Group

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

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

18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

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

Other income and gains

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

Selling and distribution costs

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

Administrative expenses

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

Other expenses

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

Finance costs

The Group's financial costs, which are made up of interest on bank loans wholly repayable within five years, remained stable as at approximately RMB8.1 million for the six months ended 30 June 2014 as compared to approximately RMB8.0 million for the corresponding period in 2013.

Share of loss of a joint venture

In March 2012, Jiashan Sunking Converter Technology Co., Ltd.* (嘉善華瑞賽晶變流技術有限公司) ("**Sunking Converter**") established a joint venture with other two independent third parties to carry on the business of producing, selling, installing, commissioning and maintaining electronic traction systems and train control and monitoring systems for trains in the PRC (excluding Hong Kong, Macau and Taiwan). Such joint venture is owned as to 70% by Sunking Converter. For the six months ended 30 June 2014, such joint venture recorded a loss of approximately RMB0.9 million, in which 70% was borne by the Group.

Profit/(loss) before tax

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

Income tax expense

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

* *for identification purpose only*

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

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

Interim dividend

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

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from sales of its products and bank borrowings. As at 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was approximately 1.4 (31 December 2013: approximately 1.6). As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB120.0 million (31 December 2013: approximately RMB153.9 million) and interest-bearing bank loans of approximately RMB280.0 million (31 December 2013: approximately RMB299.0 million).

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

As at 30 June 2014, all the Group's bank loans were denominated in RMB and had contractual maturity within one year from the end of the reporting period. The effective interest rates on the Group's fixed-rate bank borrowings were also equal to the weighted average contracted interest rates of approximately 5.8% per annum as at 30 June 2014 (31 December 2013: approximately 6.1% per annum). During the period under review, there was no material movement in the Group's funding and treasury policy.

The Group will continue to implement prudent financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets. The majority of the Group's fund has been deposited in banks in the PRC and Hong Kong. The Board believes that the Group possesses sufficient cash and cash equivalents to meet its commitments and working capital requirements in the second half of the fiscal year.

Foreign currency exposures

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

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

Contingent liabilities

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

Charges on Group assets

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

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HKD593.0 million were raised from the listing (the "**Listing**") of the Company's shares on the Stock Exchange in October 2010. As at 30 June 2014, RMB513.2 million of the net proceeds of the Listing had been utilised in repayment of bank borrowings, land acquisition and construction of buildings for expansion of production capacity, building construction for research and development, strategic acquisitions and investments, and working capital and general corporate expenses.

HUMAN RESOURCES

As at 30 June 2014, the Group had 603 employees (31 December 2013: 664 employees). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees.

PROSPECTS

Looking into the in the second half of the fiscal year, the Group will continue its vision to become a leading enabler of power efficiency and emission reduction in the PRC by providing a comprehensive range of power electronic components, integrated systems and technology solutions domestically and internationally. The Group plans to achieve its vision through strengthening its research and development capability, enhancing product diversification, improving operational efficiency and product quality, reinforcing personnel training and recruiting talents, implementing effective management and strict control policy on costs and expenses.

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

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

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

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

None of the Company nor its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2014.

MATERIAL ACQUISITIONS AND DISPOSALS

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

CORPORATE GOVERNANCE

In the corporate governance report published in the 2013 annual report of the Company, the Company reports that it places high value on its corporate governance practice and the Board firmly believes that good corporate governance practice could improve accountability and transparency for the benefit of the shareholders of Company. The Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the six months ended 30 June 2014. The Board reviews and monitors the practices of the Company from time to time with the aim of maintaining high standards of corporate governance practice.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Since January 2013, the compositions of the Board, the audit committee of the Board (the "**Audit Committee**"), the nomination committee of the Board, the remuneration committee of the Board and the investment committee of the Board remain the same as set out in the 2013 annual report of the Company.

There has been no substantial change in the information on the Directors since last disclosed in the 2013 annual report of the Company.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practice adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

The Audit Committee comprises Mr. Chen Shimin (chairman), Mr. Wang Yi and Mr. Ye Weigang Greg. At the Company's annual general meeting held on 27 May 2014, the shareholders of the Company approved the appointment of Ernst & Young as the Company's external auditor up to the conclusion of the annual general meeting to be held in 2015. The procedures in relation to the selection, appointment and determination of the audit fees of the Company's external auditor were reviewed by the Audit Committee and approved by the Board.

Internal Control

The Board considers that the Group's internal control system was effective and adequate for the six months ended 30 June 2014. The Board, through the Audit Committee, has conducted review on the internal control system and considers no significant areas of concern which may affect the shareholders of the Company have been identified.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Board having made specific enquiry of all Directors and the Directors confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 30 June 2014.

PUBLICATION OF 2014 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Company at www.speg.hk and the Stock Exchange's website at www.hkexnews.hk. The 2014 interim report of the Company will be available at the same websites and despatched to the shareholders of the Company in due course.

TELEPHONE CONFERENCE

The Company will host a telephone conference to discuss the unaudited interim results of the Group for the six months ended 30 June 2014 with its shareholders and potential investors on Friday, 22 August 2014 from 10:00 a.m. to 11:00 a.m. (Hong Kong time). Dial-in details are as follows:

Telephone number: 86-21-60845858
Conference code: 935621#

Participants should press *8# before asking questions during the telephone conference.

By Order of the Board
Sun.King Power Electronics Group Limited
Xiang Jie
Chairman

Hong Kong, 21 August 2014

As at the date of this announcement, the executive Directors are Mr. Xiang Jie, Mr. Gong Renyuan, Mr. Yue Zhoumin and Mr. Huang Xiangqian, the non-executive Directors are Mr. Ye Weigang Greg and Mr. Wong Kun Kau, and the independent non-executive Directors are Mr. Wang Yi, Mr. Li Fengling and Mr. Chen Shimin.

The English text of this announcement shall prevail over the Chinese text in case of any inconsistency