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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 9.4% to approximately RMB459.5 million.
- Gross profit increased by approximately 7.3% to approximately RMB124.2 million.
- Gross profit margin slightly decreased from approximately 27.5% to approximately 27.0%.
- Loss and total comprehensive loss attributable to owners of the parent amounted to approximately RMB6.1 million and approximately RMB5.7 million, respectively.
- Loss per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.37 cents (basic) and approximately RMB0.37 cents (diluted).

INTERIM RESULTS

The board (the “**Board**”) of Directors (the “**Director(s)**”) of Sun.King Technology Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023, with the comparative figures in the corresponding period of 2022, as follows:

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

Six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	459,480	420,042
Cost of sales		<u>(335,298)</u>	<u>(304,348)</u>
Gross profit		124,182	115,694
Other income and gains	4	32,779	24,788
Selling and distribution costs		(37,354)	(35,027)
Administrative expenses		(67,939)	(60,422)
Research and development costs		(51,798)	(39,746)
Other expenses and losses		(375)	(2,112)
Finance costs	6	(4,045)	(3,896)
Share of losses of:			
A joint venture		(395)	(3,427)
An associate		<u>(25)</u>	<u>(4)</u>
LOSS BEFORE TAX	5	(4,970)	(4,152)
Income tax expense	7	<u>(8,412)</u>	<u>(6,765)</u>
LOSS FOR THE PERIOD		<u>(13,382)</u>	<u>(10,917)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Fair value gains on financial investments at air value through other comprehensive income		1,468	1,478
Exchange differences on translation of foreign operations		<u>(1,234)</u>	<u>134</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>234</u>	<u>1,612</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(13,148)</u>	<u>(9,305)</u>

	<i>Note</i>	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Loss attributable to:			
Owners of the parent		(6,088)	(7,149)
Non-controlling interests		(7,294)	(3,768)
		<u>(13,382)</u>	<u>(10,917)</u>
Total comprehensive loss attributable to:			
Owners of the parent		(5,738)	(5,634)
Non-controlling interests		(7,410)	(3,671)
		<u>(13,148)</u>	<u>(9,305)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	<u>RMB(0.37 cents)</u>	<u>RMB(0.44 cents)</u>
Diluted		<u>RMB(0.37 cents)</u>	<u>RMB(0.44 cents)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		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
Total non-current assets		800,820	753,542
CURRENT ASSETS			
Inventories		199,037	163,114
Trade and bills receivables	10	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
Total current assets		1,755,020	1,743,081
CURRENT LIABILITIES			
Trade and bills payables	11	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
Total current liabilities		423,665	408,869
NET CURRENT ASSETS		1,331,355	1,334,212
TOTAL ASSETS LESS CURRENT LIABILITIES		2,132,175	2,087,754

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
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
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Total non-current liabilities	230,178	173,806
	<hr/>	<hr/>
Net assets	1,901,997	1,913,948
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	139,885	139,768
Reserves	1,686,593	1,691,251
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	1,826,478	1,831,019
Non-controlling interests	75,519	82,929
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Total equity	1,901,997	1,913,948
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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. 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.

- (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.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of power electronic components	459,480	420,042

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	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
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
	19,508	15,568
Gains		
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
	13,271	9,220
	32,779	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.

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	332,338	303,207
Write-down of inventories to net realisable value, net	2,960	1,141
	<u>335,298</u>	<u>304,348</u>
Cost of sales		
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	–
	<u>19</u>	<u>–</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. 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	2022
	RMB'000	RMB'000
	(Unaudited)	(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
	<hr/>	<hr/>
Total tax charge for the period	8,412	6,765
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8. There was no dividend declared by the group during the six months ended 30 June 2023 (Six months ended 30 June 2022: Nil (unaudited)).

9. 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	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(6,088)	(7,149)
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	Number of shares	
	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,630,849,602	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.

10. TRADE AND BILLS RECEIVABLES

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

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:

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

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

11. 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:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Domestic and overseas market performance

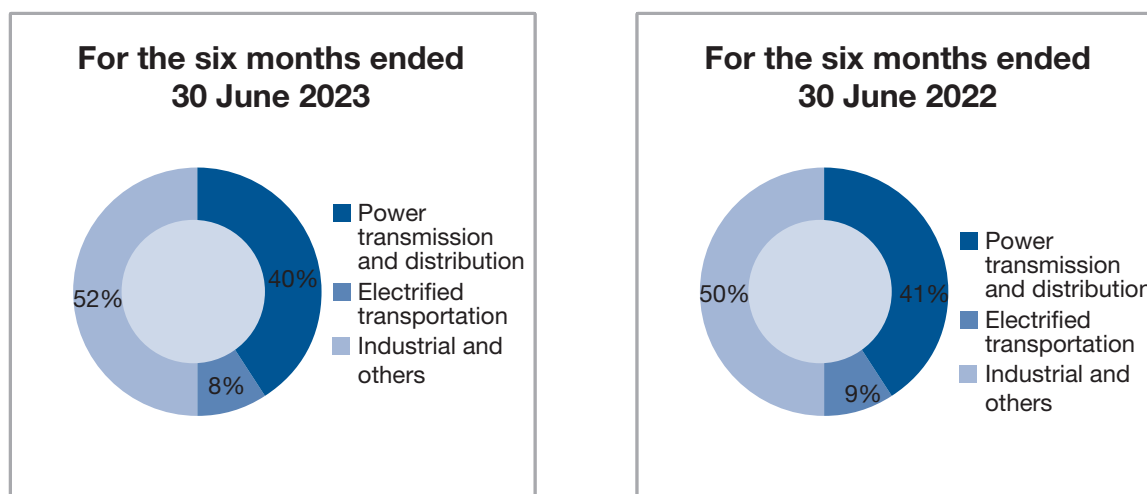
	For the six months ended 30 June			
	2023		2022	
	Revenue	Gross profit	Revenue	Gross profit
	(RMB'000)	margin	(RMB'000)	margin
Domestic market	439,538	26.8%	407,524	26.8%
Overseas market	19,942	32.8%	12,518	52.3%
Total	459,480	27.0%	420,042	Average 27.5%

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:

	For the six months ended 30 June			
	2023		2022	
Applied sectors	Revenue	Gross profit	Revenue	Gross profit
	(RMB'000)	margin	(RMB'000)	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%
Total	439,538	26.8%	407,524	Average 26.8%

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



(a) **Power transmission and distribution sector**

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

	For the six months ended 30 June		Change
	2023 Revenue (RMB'000)	2022 Revenue (RMB'000)	
Power transmission and distribution sector	175,099	166,499	5%
Ultra-high-voltage direct current (“UHVDC”) transmission	52,992	72,457	-27%
Flexible DC transmission	44,850	20,912	114%
Other power transmission and distribution	77,257	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, 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 insulated gate bipolar transistors ("IGBT(s)") and laminated busbars to the sub-sector of electric vehicles. In addition, the Group provides products such as solid-state DC/alternating current ("AC") switches and impedance measuring devices to other transportation sectors such as marine and aviation. The Group's performance in the electrified transportation sector is as follows:

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

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 IGBT professional car and SiC products are still in the research and development (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

The Group supplies products including 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 field of scientific R&D. The Group's performance in the industrial and others sector is as follows:

	For the six months ended 30 June		
	2023	2022	Change
	Revenue (RMB'000)	Revenue (RMB'000)	
Industrial and others	226,856	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.

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	Change
	Revenue (RMB'000)	Revenue (RMB'000)	
Overseas market	19,942	12,518	59%
Products of domestic subsidiaries	1,715	1,299	32%
Products of overseas subsidiaries	18,227	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 joined the Group, which once again enhanced the Group's R&D strength in IGBT and SiC chips and modules as well as its high-end technology.

(b) Power Electronic Capacitors

The Group made a business breakthrough in the field of reactive power compensation with the first delivery of DC support capacitors for SVG for projects in Saudi Arabia, Chile and the Philippines.

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 sector and the industrial 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 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.

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.

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.

The gearing ratio of the Group, 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.

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

Contingent liabilities

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

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 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 DC transmission, electric vehicles, new energy power generation, industrial control and other 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 its self-developed 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 its shareholders (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).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.sunking-tech.com. The Company's interim report for the year 2023 will be available at the same websites and despatched to the Shareholders in due course.

ONLINE MEETING

The Company will host an online meeting to discuss the interim results of the Group for the six months ended 30 June 2023 with the Shareholders and the potential investors of the Company on Wednesday, 23 August 2023 from 10:00 a.m. to 11:00 a.m. (Hong Kong time).

The meeting is held on the Tencent Meeting platform. Details of the meeting participation are as follows:

Tencent Meeting number: 316 218 234

Meeting link: <https://meeting.tencent.com/dm/uLZAzs6xL3oo>

Meeting QR code:



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

Hong Kong, 22 August 2023

As at the date of this announcement, the executive Directors are Mr. Xiang Jie, Mr. Gong Renyuan and Mr. Yue Zhounin; the non-executive Director is Ms. Zhang Ling; and the independent non-executive Directors are Mr. Chen Shimin, Mr. Zhang Xuejun and Mr. Leung Ming Shu.