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 AUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 59.1% to RMB130.3 million.
- Gross profit rose by approximately 4.0% to RMB33.6 million.
- Gross profit margin decreased from 39.4% to 25.8%.
- Profit attributable to owners of the Company decreased by approximately 48.2% to RMB7.3 million.
- Earnings per share decreased by approximately 47.8% from RMB1.38 cents to RMB0.72 cents.

INTERIM RESULTS

The board of directors (the "Board") of Sun.King Power Electronics Group Limited (the "Company") is pleased to announce the audited interim results of the Company and its subsidiaries (together as the "Group") for the six months ended 30 June 2010, with the comparative figures for the corresponding period in 2009, as follows:

COMBINED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
			(Unaudited)
Revenue	*3*	**130,270**	81,920
Cost of sales	*4*	**(96,651)**	(49,579)
Gross profit		**33,619**	32,341
Investment income	*5*	**156**	49
Other gains and losses	*6*	**4,903**	(2,467)
Distribution and selling expenses		**(5,314)**	(2,460)
Administrative and general expenses		**(13,561)**	(8,945)
Other expenses		**(5,632)**	(235)
Interest expense in relation to bank loans wholly repayable within five years		**(1,832)**	(468)
Profit before tax	*7*	**12,339**	17,815
Income tax expense	*9*	**(4,999)**	(3,723)
Profit for the period and total comprehensive income for the period		**7,340**	14,092
Attributable to:			
Owners of the Company		**7,340**	14,092
Non-controlling interests		**–**	–
Profit for the period and total comprehensive income for the period		**7,340**	14,092
		RMB cents	*RMB cents*
Earnings per share – basic	*10*	**0.72**	1.38

COMBINED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2010** *RMB'000*	At 31 December 2009 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**107,142**	91,570
Prepaid lease payments – non-current		**16,836**	17,016
Intangible asset		**407**	440
Club membership		**980**	–
TOTAL NON-CURRENT ASSETS		**125,365**	109,026
CURRENT ASSETS			
Inventories	*12*	**45,016**	20,137
Trade and other receivables	*13*	**223,230**	161,035
Amount due from a related party		**1,738**	40
Deposits and prepayments		**9,853**	2,946
Other financial assets		**2,568**	1,295
Prepaid lease payments – current		**360**	360
Pledged bank deposits		**11,805**	4,237
Bank balances and cash		**40,330**	38,946
TOTAL CURRENT ASSETS		**334,900**	228,996
TOTAL ASSETS		**460,265**	338,022
CURRENT LIABILITIES			
Trade and other payables	*14*	**63,950**	61,240
Tax liabilities		**7,722**	10,403
Short-term bank loans		**127,389**	20,000
Amount due to a shareholder		**12,335**	7,481
Deferred income		**3,715**	3,810
TOTAL CURRENT LIABILITIES		**215,111**	102,934
Net current assets		**119,789**	126,062
Total assets less current liabilities		**245,154**	235,088
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,687**	3,088
Total net assets		**242,467**	232,000
CAPITAL AND RESERVES			
Share capital		**–**	–
Share premium and reserves		**216,465**	214,838
Retained earnings		**24,502**	17,162
Equity attributable to owners of the Company		**240,967**	232,000
Non-controlling interests		**1,500**	–
TOTAL EQUITY		**242,467**	232,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 19 March 2010. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 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. The Company is a holding company. The principal activities of the Group are the import and sales of power electronic components, and the manufacture and sale of IGBT power modules, deionised water cooling systems, reactors, capacitors and other power electronic components.

Under a group reorganisation (the "Group Reorganisation") in preparation for the listing of the Company's shares (the "Listing") on the Stock Exchange, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Development" of the prospectus dated 30 September 2010 issued by the Company (the "Prospectus"), the Company became the holding company of Sunking Pacific Limited ("Sunking Pacific") and its subsidiaries on 23 September 2010 upon completion of the Group Reorganisation.

Although the Group resulting from the above mentioned Group Reorganisation did not exist until 23 September 2010, the directors of the Company consider that meaningful information about the historical performance of the Group, which includes entities under common control, is provided by treating the Group resulting from the Group Reorganisation as a continuing entity, as if the group structure as at 23 September 2010 had been in existence from the beginning of the year ended 31 December 2009. Accordingly, the combined financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Group Reorganisation had been in existence throughout the year ended 31 December 2009 and the six months ended 30 June 2010 or since their respective dates of incorporation or establishment, whichever is the shorter period.

The combined statement of comprehensive income which is prepared in accordance with the principles of merger accounting, for each of the six months ended 30 June 2010 and 2009 include the financial statements of the companies now comprising the group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the year ended 31 December 2009 and six months ended 30 June 2010 or since their respective dates of incorporation or establishment whichever is the shorter period. The combined statements of financial position of the Group as at 30 June 2010 and 31 December 2009 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence as at those dates.

The combined financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value and in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The comparative amounts for the combined statement of comprehensive income in respect of the six months ended 30 June 2009 and related notes disclosed in the combined financial statements have not been audited.

These combined financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

For the purpose of preparing and presenting the combined financial statements, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on 1 January 2010 throughout the reporting period, except for IFRS 3 (Revised) and IAS 27 (Revised), which are only applied since 1 January 2010 (the Group had no material transactions under IFRS 3 (Revised) and IAS 27 (Revised) during the six months ended 30 June 2010).

At the date of this announcement, the following new and revised standards, amendments or interpretations have been issued which are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs May 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Right Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[5]
IFRS 9	Financial Instruments[6]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group has not early adopted these new and revised standards, amendments or interpretations in the preparation of the combined financial statements.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold to outside customers for each of the six months ended 30 June 2010 and 2009.

Mr. Xiang Jie ("Mr. Xiang"), the Chief Executive Officer and Chairman of the Company is the chief operating decision maker of the Group and he regularly reviews revenue analysis by major products and the Group's profit for the period under IFRS to make decisions about resources allocation and performance assessment. No segment information is presented other than entity-wide disclosures as no other discrete financial information is available for the assessment of performance and resources allocation of different business activities.

Substantially all the Group's revenue from external customers is derived from the People's Republic of China (the "PRC") and the Group's non-current assets (non-current assets refer to long-term assets other than financial instruments and deferred tax assets) are also substantially located in the PRC, the place of domicile of the Group's operating entities.

Revenue analysed by major products is as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Sale of:		
Imported power electronic components	**51,288**	50,696
IGBT power modules	**39,932**	–
Anode saturable reactors	**1,975**	11,050
HV power capacitors	**3,772**	–
Silicon rectifier valves and others	**30,421**	19,230
Deionised water cooling systems	**2,882**	944
Sub-total of manufactured goods	**78,982**	31,224
Total revenue	**130,270**	81,920

Information about major customers

Revenue from major customers which individually accounts for 10% or more of the Group's revenue for each period is as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Customer A (for sales of IGBT power modules and imported power electronic components)	**40,151**	**
Customer B (for sales of imported power electronic components)	**13,288**	**
Customer C (for sales of anode saturable reactors)	**	11,050
Customer D (for sales of imported power electronic components)	**	9,032

** Less than 10% of the Group's total revenue

4. COST OF SALES AND PURCHASES

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Cost of inventories recognised as expense	**96,651**	49,579

Products purchased from a major supplier accounted for 75% and 71% of the Group's total purchase during the six months ended 30 June 2010 and 2009, respectively. The following table shows the total purchase amount from that supplier during each of the six months ended 30 June 2010 and 2009.

Information about a major supplier

Purchase from the sole major supplier which accounts for 10% or more of the Group's purchase is as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Supplier A	**88,252**	44,355

5. INVESTMENT INCOME

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Interest income	**156**	49

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Net foreign exchange gain (loss)	**2,384**	(183)
Fair value gain (loss) on foreign exchange forward contracts	**2,519**	(2,284)
Total	**4,903**	(2,467)

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Profit before tax has been arrived at after charging:		
Directors' remuneration, including share-based payment expense and retirement benefit schemes contributions *(note 8)*	**986**	477
Other staff costs	**4,711**	2,810
Other staff's retirement benefit schemes contributions	**810**	374
Other share-based payment expense	**1,040**	673
Total staff costs	**7,547**	4,334
Allowance for doubtful debts *(Note)*	**1,535**	–
Amortisation of intangible assets	**55**	40
Auditor's remuneration	**523**	9
Depreciation of property, plant and equipment	**2,274**	1,016
Operating lease rentals in respect of rented premises	**1,005**	1,062
Release of prepaid lease payment	**180**	180
Research and development expenses *(Note)*	**984**	235
Legal and professional fees *(Note)*	**3,113**	–

Note: During each of the six months ended 30 June 2010 and 2009, allowance for doubtful debts, legal and professional fees and research and development expenses were included in other expenses in the combined statement of comprehensive income.

8. DIRECTORS' EMOLUMENTS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Directors' emoluments		
– salaries and other benefits	**301**	193
– share-based payment expense	**587**	219
– retirement benefit schemes contributions	**98**	65
	986	477

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Current tax:		
PRC enterprise income tax	**5,400**	3,233
Deferred tax charge (credit):		
Current period	**(401)**	490
Total	**4,999**	3,723

Sunking Pacific was incorporated in Hong Kong, where the applicable income tax rate is 16.5% for each of the six months ended 30 June 2010 and 2009.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the statutory Enterprise Income Tax ("EIT") rate from 33% for 2007 to 25% from 1 January 2008 onwards.

In 2007, Jiashan Sunking Power Equipment Technology Co. Ltd ("Jiashan Sunking") was recognised as Foreign Invested Manufacturing Enterprise and was entitled to exemption from EIT for two years commencing from its first profit making year in 2007, followed by a 50% tax rate reduction for EIT for the subsequent three years. Therefore, the applicable income tax rate for Jiashan Sunking is nil for each of the years ended 31 December 2007 and 2008 and is 12.5% for each of the six months ended 30 June 2010 and 2009.

The tax charge for each of the six months ended 30 June 2010 and 2009 can be reconciled to profit before tax as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Profit before tax	**12,339**	17,815
Income tax expense at PRC income tax rate: 25%	**3,085**	4,454
Tax effect of expenses not deductible for tax purpose	**2,008**	259
Effect of different tax rate of subsidiaries	**(134)**	(3)
Effect of tax holidays granted to subsidiaries	**(2,038)**	(2,371)
Tax effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	**795**	574
Tax effect of utilisation of unused tax losses and other deductible temporary differences not previously recognised as deferred tax assets	**(24)**	(4)
Deferred tax liabilities recognised in respect of withholding tax	**822**	799
Others	**485**	15
Taxation for the period	**4,999**	3,723

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2010 and 2009 is based on the followings:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Profits		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**7,340**	14,092
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,024,540,000**	1,024,540,000

The number of shares for the purpose of basic earnings per share has been determined assuming the Capitalisation Issue (as defined in the Prospectus) occurred on the first day of the year ended 31 December 2009.

The Group has no potential ordinary shares during each of the six months ended 30 June 2010 and 2009.

11. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: nil).

12. INVENTORIES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Raw materials	**10,582**	6,177
Work-in-process	**5,657**	1,874
Finished goods	**28,777**	12,086
Total	**45,016**	20,137

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Trade receivables	**171,206**	124,852
Note receivables	**38,559**	28,830
Other receivables	**13,465**	7,353
Total	**223,230**	161,035

Other receivables are unsecured, interest-free and repayable on demand.

Generally, the Group allows credit period ranging from 0 to 180 days to its trade customers. For certain major and well established customers, 10% of the amounts invoiced to these customers are due after the expiry of the relevant warranty period, which is eighteen months from delivery date of the Group's products or twelve months from installation of the Group's products by the respective customers. As at 30 June 2010 and 31 December 2009, trade receivables expected to be recovered or settled more than the next twelve months from the respective dates amounted to RMB10,068,000 and RMB5,371,000, respectively.

The aging of the Group's trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0-90 days	**95,388**	99,734
91-180 days	**69,281**	20,463
181-360 days	**4,968**	2,600
>360 days	**1,569**	2,055
Total	**171,206**	124,852

14. TRADE AND OTHER PAYABLES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Trade payables	**42,497**	43,862
Advance from customers	**4,222**	4,083
Other payables	**17,231**	13,295
Total	**63,950**	61,240

Other payables are unsecured, interest-free and repayable on demand.

The following is an aged analysis of the Group's trade payables at the end of each reporting period:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0-180 days	**41,708**	43,373
>181 days	**789**	489
Total	**42,497**	43,862

The trade payable comprises amounts outstanding for the trade purchases. The credit period with each supplier varies and ranges from 30 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

The Group's revenue increased by RMB48.4 million, or 59.1%, from RMB81.9 million for the six months ended 30 June 2009 to RMB130.3 million for the corresponding period in 2010 primarily reflecting an increase in sales of manufactured products, in particular, sales of IGBT power modules and silicon rectifier valves and others.

The following table sets forth a breakdown of the Group's revenue by business segments and products and as a percentage of the Group's total revenue for the six months ended 30 June 2010, with corresponding comparative figures in 2009:

	Six months ended 30 June			
	2010	**2010**	2009	2009
	RMB'000	*%*	*RMB'000* (Unaudited)	*%*
Sale of:				
Imported power electronic components	**51,288**	**39.4**	50,696	61.9
Sale of manufactured products:				
IGBT power modules	**39,932**	**30.6**	–	–
Anode saturable reactors	**1,975**	**1.5**	11,050	13.5
HV power capacitors	**3,772**	**2.9**	–	–
Silicon rectifier valves and others	**30,421**	**23.4**	19,230	23.5
Deionised water cooling systems	**2,882**	**2.2**	944	1.1
Sub-total	**78,982**	**60.6**	31,224	38.1
Total	**130,270**	**100.0**	81,920	100.0

The Group's revenue from sales of manufactured products increased by RMB47.8 million, or 153.2%, from RMB31.2 million for the six months ended 30 June 2009 to RMB79.0 million for the corresponding period in 2010 primarily due to sales of IGBT power modules to China CNR Corporation Limited ("CNR") Group and increased sales of silicon rectifier valves, in each case during the first six months in 2010. As a percentage of the Group's total revenue, sales of the manufactured products increased from 38.1% in the six months ended 30 June 2009 to 60.6% for the corresponding period in 2010. The Group's revenue from sales of IGBT power modules increased from nil in the six months ended 30 June 2009 to RMB39.9 million for the corresponding period in 2010. All such sales were made to the CNR Group. The Group started to sell IGBT power modules in November 2009 and did not record any sales of IGBT power modules in the six months ended 30 June 2009. In the six months ended 30 June 2010, the Group's revenue from sales of IGBT power modules represented 30.6% of the Group's total revenue for that period.

For the six months ended 30 June 2010, the Group recorded revenue of RMB2.0 million from sales of anode saturable reactors and RMB3.8 million from sales of HV power capacitors. Revenue from sales of silicon rectifier valves and other products increased by RMB11.2 million, or 58.3%, from RMB19.2 million in the six months ended 30 June 2009 to RMB30.4 million for the corresponding period in 2010. As a percentage of the Group's total revenue, revenue from sales of anode saturable reactors, HV power capacitors and silicon rectifier valves and others decreased from 37.0% in the six months ended 30 June 2009 to 27.8% for the corresponding period in 2010 as the proportion of sales of IGBT power modules increased. The Group's revenue from sales of deionised water cooling systems increased by RMB2.0 million, or 222.2%, from RMB0.9 million for the six months ended 30 June 2009 to RMB2.9 million for the corresponding period in 2010. As a percentage of the Group's total revenue, revenue from sales of deionised water cooling systems remained steady and increased marginally from 1.1% in the six months ended 30 June 2009 to 2.2% for the corresponding period in 2010.

Revenue from sales of imported power electronic components increased slightly by RMB0.6 million, or 1.2%, from RMB50.7 million for the six months ended 30 June 2009 to RMB51.3 million for the corresponding period in 2010 primarily as a result of a relatively lower level of trading activities experienced in the first six months in 2009 due to the residual effects from the global economic downturn started in late 2008. As a percentage of the Group's total revenue, revenue from sales of imported power electronic components decreased from 61.9% in the six months ended 30 June 2009 to 39.4% for the corresponding period in 2010 reflecting the proportional increase in revenue generated from the Group's manufacturing business relative to sales from the Group's distribution business.

Cost of sales

Cost of sales increased by 95.0% from RMB49.6 million for the six months ended 30 June 2009 to RMB96.7 million for the corresponding period in 2010. The increase primarily reflects the combined effect of increases in sales, the higher cost of imported power electronic components that are denominated in Swiss Franc ("CHF") and the higher exchange rate of CHF:RMB during the first six months in 2010 compared to the corresponding period in 2009.

Gross profit and gross profit margin

Gross profit increased by RMB1.3 million, or 4.0%, from RMB32.3 million for the six months ended 30 June 2009 to RMB33.6 million for the corresponding period in 2010. The Group's gross profit margin decreased from 39.4% for the six months ended 30 June 2009 to 25.8% for the corresponding period in 2010, primarily as a result of a change in the product mix of the Group's manufactured products sold in the six months ended 30 June 2010 compared to the corresponding period in 2009, and the higher cost of imported power electronic components that are denominated in CHF, which was at a higher value on average relative to RMB during the six months ended 30 June 2010 compared to the corresponding period in 2009.

For the six months ended 30 June 2009 and 2010, RMB44.4 million and RMB88.3 million, representing 70.7% and 74.7% of the Group's total purchases for the respective periods were denominated in CHF. The lower average exchange rate of CHF:RMB in the first six months of 2009 contributed to the Group's higher gross profit margin recorded for that period compared to the corresponding period in 2010.

The following table sets forth the Group's gross profit margins by business segments and products for the six months ended 30 June 2010, with corresponding comparative figures in 2009:

	Six months ended 30 June	
	2010	2009
	%	%
		(Unaudited)
Distribution business:		
Imported power electronic components	**25.7**	32.9
Manufacturing business	**25.8**	50.1
IGBT power modules	**27.0**	–
Anode saturable reactors	**46.6**	62.9
HV power capacitors	**43.5**	–
Silicon rectifier valves and others	**22.2**	44.2
Deionised water cooling systems	**11.9**	21.5
The Group	**25.8**	39.4

Gross profit margin for the Group's distribution business decreased from 32.9% for the six months ended 30 June 2009 to 25.7% for the corresponding period in 2010 primarily due to the higher cost of imported power electronic components that are denominated in CHF, which was at a higher value on average relative to RMB during the six months ended 30 June 2010 compared to the corresponding period in 2009. Gross profit margin of the Group's manufacturing business decreased from 50.1% for the six months ended 30 June 2009 to 25.8% for the corresponding period in 2010 reflecting a change of the product mix of the Group's manufactured products sold during the respective periods. The Group sold more IGBT power modules in the first six months of 2010 relative to the other more profitable manufactured products.

Gross profit margin of IGBT power modules was 27.0% for the six months ended 30 June 2010; the Group only began to sell IGBT power modules in November 2009 and therefore recorded no sales of IGBT power modules in the corresponding period in 2009. For the six months ended 30 June 2010, gross profit margin of anode saturable reactors and HV power capacitors was 46.6% and 43.5%, respectively. The gross profit margin of silicon rectifier valves and others decreased from 44.2% for the six months ended 30 June 2009 to 22.2% for the corresponding period in 2010 primarily due to the sales of a new type of silicon rectifier valve which was sold to customers on special terms for promotion.

Gross profit margin for deionised water cooling systems decreased from 21.5% for the six months ended 30 June 2009 to 11.9% for the corresponding period in 2010. During the reporting period, the gross profit margin of deionised water cooling systems fluctuated considerably. The terms for constructing each deionised water cooling system are agreed upon with the customers on a case by case basis and hence the gross profit margin for each deionised water cooling system may vary. As sales of deionised water cooling systems only accounted for 1.1% and 2.2% of the Group's total revenue for the six months ended 30 June 2009 and 2010, respectively, the Group's overall gross profit margin during the periods was not affected by the performance of the deionised water cooling systems to any material extent.

Investment income

Investment income increased from RMB0.05 million for the six months ended 30 June 2009 to RMB0.2 million for the corresponding period in 2010 primarily due to an increase in the Group's interest-bearing bank deposits in the first six months in 2010, as compared to the corresponding period in 2009.

Other gains and losses

Other gains and losses changed from a net loss of RMB2.5 million for the six months ended 30 June 2009 to a net gain of RMB4.9 million for the corresponding period in 2010, primarily due to (i) a net foreign exchange gain of RMB2.4 million which resulted from the translation of the Group's trade payables outstanding as at 30 June 2010 denominated in CHF to RMB and a depreciation of CHF against RMB as at 30 June 2010 compared to the rate prevailing as at 31 December 2009 and (ii) a fair value gain on foreign exchange forward contracts of RMB2.5 million recorded in the six months ended 30 June 2010 versus a fair value loss on foreign exchange forward contracts of RMB2.3 million recorded in the six months ended 30 June 2009, arising from the re-translation to fair value of the Group's unexpired foreign exchange forward contracts to purchase CHF outstanding at the end of each reporting period. As at 30 June 2010, the Group had foreign exchange forward contracts of RMB2.6 million outstanding. The CHF:RMB exchange rate prevailing at 31 December 2009 was 6.5968, as compared to 6.2736 at 30 June 2010.

Distribution and selling expenses

Distribution and selling expenses increased by RMB2.8 million, or 112.0%, from RMB2.5 million in the six months ended 30 June 2009 to RMB5.3 million in the corresponding period in 2010 primarily reflecting an increase in salaries and social welfare paid to the increased number of staff employed and an increase in travelling expenses, freight costs and entertainment expenses.

Administrative and general expenses

Administrative and general expenses increased by RMB4.7 million, or 52.8%, from RMB8.9 million for the six months ended 30 June 2009 to RMB13.6 million for the corresponding period in 2010 primarily reflecting an increase in salaries, social welfare and share-based payments paid to the administrative staff. Administrative and general expenses constituted 10.4% of the Group's total revenue for the six months ended 30 June 2010, as compared to 10.9% for the corresponding period in 2009. The higher administrative and general expenses margin in the first six months in 2009 was primarily due to the higher rate of increase in revenue compared to the rate of increase of administrative and general expenses.

Other expenses

Other expenses increased by RMB5.4 million, from RMB0.2 million for the six months ended 30 June 2009 to RMB5.6 million for the corresponding period in 2010 primarily due to the following expenses incurred during the first six months in 2010: (i) the recognition of RMB1.5 million impairment loss on the Group's trade receivables, (ii) RMB3.1 million legal and professional fees paid in relation to the preparation of the Listing and (iii) RMB1.0 million research and development fees paid in relation to a power electronic component to be applied in the Group's own manufactured products.

Interest expenses in relation to bank loans wholly repayable within five years

Interest expenses in relation to bank loans wholly repayable within five years increased by RMB1.3 million, or 260.0%, from RMB0.5 million in the six months ended 30 June 2009 to RMB1.8 million in the corresponding period in 2010 primarily due to the increased amount of bank loans outstanding during the first six months in 2010. The increased amount of loans was mainly used for working capital purposes.

Profit before tax

The Group's profit before tax decreased by RMB5.5 million, or 30.9%, from RMB17.8 million in the six months ended 30 June 2009 to RMB12.3 million in the corresponding period in 2010 primarily due to an increase in the staff costs of RMB3.2 million, an increase in depreciation and amortisation expenses of RMB1.3 million as a result of the transfer of construction in progress relating to office space to fixed depreciable assets, an increase of RMB5.4 million in other expenses, an increase in distribution and selling expenses of RMB2.8 million and an increase in interest expenses of RMB1.3 million, and partially offset by an increase of RMB1.3 million in the Group's gross profit, a net foreign exchange gain of RMB2.4 million and a fair value gain on foreign exchange forward contracts of RMB2.5 million recognised in the six months ended 30 June 2010 versus a fair value loss on such contracts of RMB2.3 million recorded in the six months ended 30 June 2009. EBITDA decreased by RMB2.8 million, or 14.4%, from RMB19.5 million for the six months ended 30 June 2009 to RMB16.7 million for the corresponding period in 2010 and EBITDA margin for the six months ended 30 June 2010 was 12.8%, as compared to 23.8% for the corresponding period in 2009.

Income tax expenses

Income tax expenses increased by RMB1.3 million from RMB3.7 million in the six months ended 30 June 2009 to RMB5.0 million for the corresponding period in 2010. The Group's effective tax rate for the six months ended 30 June 2010 was 40.7%, as compared to 20.8% for the corresponding period in 2009, primarily reflecting the non-tax deductible nature of certain expenses for PRC EIT purposes that were incurred in the first six months of 2010 and operating losses incurred but not provided for deferred tax benefit for certain subsidiaries. The non-tax deductible expenses included certain part of the impairment loss recognised on the Group's trade receivables, the legal and professional fees in relation to the preparation of the Listing which were incurred outside the PRC and share-based payments.

Profit for the period and total comprehensive income for the period attributable to owners of the Company

The Group's profit for the period and total comprehensive income for the period attributable to owners of the Company decreased by RMB6.8 million, or 48.2% from RMB14.1 million for the six months ended 30 June 2009 to RMB7.3 million for the corresponding period in 2010. The Group's net profit margin, which is calculated as profit attributable to owners of the Company for the period divided by total revenue, decreased from 17.2% in the six months ended 30 June 2009 to 5.6% for the corresponding period in 2010.

FINANCIAL REVIEW

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 2010, the Group's current ratio (current assets divided by current liabilities) was 1.6 (as at 31 December 2009: 2.2). As at 30 June 2010, the Group had cash and cash equivalents of RMB40.3 million (as at 31 December 2009: RMB38.9 million), short-term bank loans of RMB127.4 million (as at 31 December 2009: RMB20.0 million) and an unsecured loan due to a shareholder of RMB12.3 million (as at 31 December 2009: RMB7.5 million). The increase in short-term bank loans was mainly for working capital purposes. As at 30 June 2010, the Group's gearing ratio measured on the basis of total short-term bank loans and the loan due to a shareholder to total equity was 57.6%, as compared to 11.8% as at 31 December 2009.

As at 30 June 2010 and 31 December 2009, all the Group's bank loans were at fixed interest rates 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 4.65% per annum as at 30 June 2010 (as at 31 December 2009: 5.31% per annum).

Interest rate and foreign currency exposure

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group currently has not entered into interest rate swaps to hedge against its exposure to changes in fair values of its borrowings. The Group's cash flow interest rate risk relates primarily to its variable-rate bank deposits. Currently, the Group does not have a specific policy to manage its interest rate risk, but will closely monitor the interest rate risk exposure in the future. In the opinion of the management, the Group did not have significant exposure to cash flow interest rate risk as at 30 June 2010 and 31 December 2009.

As most of the principal subsidiaries of the Company are operating in the PRC, their functional currency is RMB. However, amount due to a shareholder and certain purchases of the Group are either denominated in CHF, United States Dollars, Euros and Hong Kong Dollars ("HK$"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

Since 2007, the Group has reduced its CHF exposure against RMB by using foreign exchange forward contracts in order to increase its foreign exchange visibility and limit losses. The carrying amount of foreign currency forward contracts outstanding as at 30 June 2010 was RMB2.6 million (as at 31 December 2009: RMB1.3 million).

Contingent liabilities

As at 30 June 2010, the Group had no material contingent liability.

Charges on Group Assets

As at 30 June 2010, the Group pledged its bank deposits of RMB11.8 million (as at 31 December 2009: RMB4.2 million) to secure short-term foreign currency forward contracts and letters of credit of the Group. As at 30 June 2010, the Group's bank loans are secured by certain Group's buildings and land use rights had carrying amounts of RMB18.1 million and RMB17.2 million, respectively (as at 31 December 2009: RMB16.4 million and RMB1.7 million, respectively). Certain trade receivables and note receivables of the Group with carrying amount of RMB60.8 million and RMB23.6 million, respectively (as at 31 December 2009: nil and nil, respectively) are pledged against short-term bank loans of the Group.

SUBSEQUENT EVENTS

(1) On 18 June 2010, Jiashan Sunking entered into an agreement with Shanghai Lang Zhi De Resources Technology Company Limited ("Shanghai Lang Zhi De"), Mr. Zhu Xiaodong and Mr. Chen Yong, all independent third parties, pursuant to which Jiashan Sunking obtained 20% of the equity interest in Shanghai Lang Zhi De by contributing cash of RMB5,000,000 in the registered capital of Shanghai Lang Zhi De. On 6 July 2010, the abovesaid equity investment of RMB5,000,000 by the Group was completed. The Group accounted its equity investment in Shanghai Lang Zhi De as an investment in an associate.

(2) Pursuant to the articles of association of the Group's subsidiary Jiashan Sunking Converter Technology Co. Ltd ("Jiashan Converter Technology"), which was established on 29 March 2010, its non-controlling shareholder Rui Hua Ying Investment Holdings Co. Ltd. ("Rui Hua Ying") should contribute RMB2,000,000 to Jiashan Converter Technology as a capital contribution for its 20% equity interest in Jiashan Converter Technology. On 5 July 2010, Jiashan Sunking (the Group's subsidiary holding 65% equity interest in Jiashan Converter Technology) entered into a share transfer agreement with Rui Hua Ying. Pursuant to the terms of this agreement, the Group agreed to take up Rui Hua Ying's 20% equity interest in Jiashan Converter Technology by contributing capital of RMB2,000,000 to Jiashan Converter Technology, increasing the Group's equity interest in Jiashan Converter Technology from 65% to 85%. Such deemed acquisition of partial interest in Jiashan Converter Technology is accounted for as an equity transaction, which has no significant accounting impact to the Group.

(3) In August 2010, Jiashan Sunking entered into an equity transfer agreement with the state-owned Assets Supervision and Administration Commission of Jiujiang to acquire 34% equity interest in Jiujiang Rectifier Factory (九江整流器廠) for a cash consideration of RMB24,070,000. In September 2010, Jiashan Sunking transferred 29% equity interest in Jiujiang Rectifier Factory to Rui Hua Ying for a cash consideration of RMB20,530,000. These transactions have no significant financial impact to the Group and the Group's remaining 5% equity investment in Jiujiang Rectifier Factory is accounted as an available-for-sale investment.

(4) Pursuant to a resolution in writing passed by the sole shareholder of the Company on 19 August 2010, the authorised share capital of the Company was increased from HK$380,000 to HK$200,000,000 by the creation of additional 1,996,200,000 shares of HK$0.1 each. On 23 September 2010, the Company acquired the entire issued share capital of Sunking Pacific, from Sun.King Group Ltd ("Sunking BVI"), in consideration of which the Company allotted and issued, credited as fully paid at par, an aggregate of 51,226,999 new shares to Sunking BVI pursuant to the Reorganisation Deed (as defined in the Prospectus).

(5) Pursuant to resolutions in writing passed by the sole shareholder of the Company on 23 September 2010, conditional upon the share premium account of the Company being credited as a result of the issue of the Offer Shares (as defined in the Prospectus) pursuant to the Global Offering (as defined in the Prospectus), the directors of the Company (the "Directors") were authorised to capitalise HK$97,331,300 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 973,313,000 shares of HK$0.10 each for allotment and issue to the shareholders whose names appear on the register of members of the Company at 4:00 p.m. on 24 September 2010 in the same proportion their then existing shareholdings in the Company. On 13 October 2010, 973,313,000 shares were allotted and issued.

(6) On 23 September 2010, a share option scheme was approved and adopted and the Directors were authorised at their absolute discretion to grant options to subscribe for the shares under the share option scheme and to allot and issue the shares pursuant thereto.

(7) On 13 October 2010, 341,500,000 shares of HK$0.10 each of the Company were issued at HK$1.93 by way of the Global Offering. On the same date, the Company's shares were listed on the Stock Exchange. The net proceeds received by the Company from the Global Offering were approximately HK$608,900,000.

(8) On 26 October 2010, Jiashan Sunking entered into an agreement with Zhejiang Jiashan Economic Development Zone Administrative Committee (浙江省嘉善經濟開發區管理委員會) setting out the logistics and basic terms relating to the proposed acquisition of certain land premises (the "Premises") located in Zhejiang Jiashan Economic Development Zone (浙江省嘉善經濟開發區) through the process of bidding invitation, auction or listing as required under the laws and regulations of the PRC. The Group intends to use the Premises for upgrading and expanding its production facility. The total estimated area of the Premises to be offered under the process of bidding invitation, auction or listing is 600 mu (畝) (subject to the final approval and confirmation by Jiashan Bureau of Land and Resources (嘉善縣國土資源局)) and with a reference price of RMB250,000/mu. The total area (if any) and the final price of the Premises to be sold to Jiashan Sunking shall be based on the outcome of the process of bidding invitation, auction or listing and subject to the signing of the State-owned Land Use Right Granting Contract (國有土地使用權出讓合同).

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 October 2010. The net proceeds from the Listing after deducting the relevant expenses were approximately HK$608.9 million. As at 30 June 2010, the Company had not accomplished the Listing. The Company currently does not have any intention to change its plan for use of proceeds as stated in the Prospectus.

HUMAN RESOURCES

As at the date of this announcement, the Group employed approximately 297 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews for the employees and their salaries and bonuses are performance related. 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. The Group maintains a good working relationship with its employees.

PROSPECTS

The Group's vision is to become a leading enabler of power efficiency and emission reduction in China by providing a comprehensive range of power electronic components, integrated systems and technology solutions in China and abroad.

The Group will focus on the PRC rail transportation and power distribution and transmission sectors, which is expected to benefit from the continued public investments encouraged by the PRC government's policies. The continued investments by the PRC government in these sectors and the government's commitment to reduce carbon emissions present significant opportunities for power electronic component suppliers. The Group will continue to work closely with the customers to develop innovative solutions that are tailor made to suit their needs.

As the power electronic component industries further develop in China, the Group will ensure that the product offerings evolve to meet or exceed the technological and design requirements sought by customers. To better service its customers, the Group will endeavour to offer additional products and solutions by expanding its product portfolio. The Group recognises that in order to remain competitive and to stay at the technological forefront of the industry, it is vital that the Group continues to develop its proprietary technology. Hence, the Group will focus on the development of proprietary technology and new product offerings by increasing its research and development capabilities.

In addition to organic growth, the Group will explore opportunities to collaborate with suitable partners in related fields through strategic alliances, joint ventures or acquisitions that provide operational synergies, enhance its technological capabilities and know-how or otherwise strengthen its current market-leading position. The Group is also seeking to establish a joint venture with Trainelec, a subsidiary of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A., a leading international supplier of equipment and components for railway systems whose shares are listed on the Madrid Stock Exchange, for the production of IGBT power modules. From time to time, the Group has discussions with a number of acquisition or alliance targets to explore possible ways of cooperation or alliances. Save as disclosed above, these discussions were still at a preliminary stage and no concrete agreement with any such potential acquisition or alliance targets was close to materialisation as at the date of this interim results announcement.

While the Group has established its market-leading position in the PRC power electronic component industry by supplying to China's leading rolling stock and power grid companies, the Group plans to broaden its geographical coverage to increase its sources of revenue by forming strategic cooperation with international engineering companies and customers. Further, the Group may work with its existing customers to seek cooperation opportunities to jointly develop possible overseas markets or sales channels for their products that incorporate its products as components or parts of their systems. In particular, the Group seeks to collaborate with its customers in the PRC power sector to jointly develop potential overseas markets. In this regard, the Group is exploring opportunities to participate in overseas high-voltage direct current projects. However, these discussions are still at a preliminary stage.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Listing has not occurred as at 30 June 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the six months ended 30 June 2010.

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 for the benefit of its shareholders. The Company has adopted the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. Since the Company's listing on 13 October 2010 up to the date of this announcement, the Company continued to apply most of the code provisions (the "Code Provisions") of the Corporate Governance Code. A summary of the deviation from the Code Provisions is set out as below:

Code Provision A2.1

The Code Provision A2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

At present, the positions of the chairman of the Board and the chief executive officer of the Company are held by Mr. Xiang. Although this deviates from the practice under the Code Provision A2.1, where the two positions should be held by two different individuals, Mr. Xiang has considerable and extensive knowledge and experience in the industry and in enterprise operation and management in general. The Board believes that it is in the best interest of the Company to continue to have an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in discussing the strategy and long term development of the industry. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman of the Board should not be able to monopolise the voting result. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action is taken should suitable circumstances arise.

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 of the Company, the Directors have complied with the required standards as set out in the Model Code since the Company's listing on 13 October 2010 up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") was established on 19 August 2010 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the Company's financial reporting process and internal control systems.

The Audit Committee of the Board currently comprises two independent non-executive directors, being Mr. Chen Shimin and Mr. Wang Yi and a non-executive director, being Mr. Ye Weigang Greg. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the audited combined interim financial statements of the Group for the six months ended 30 June 2010. The combined interim financial statements for the six months ended 30 June 2010 have been audited by the Company's auditors, Deloitte Touche Tohmatsu.

PUBLICATION OF 2010 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 Company's 2010 Interim Report will be available at the same websites and will be despatched to the Company's shareholders in due course.

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

Hong Kong, 26 October 2010

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; 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.

* *For identification purposes only*