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Sun.King Power Electronics Group Limited
賽晶電力電子集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 580)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 107.1% to RMB269.8 million.
- Gross profit rose by approximately 24.2% to RMB41.8 million.
- Gross profit margin decreased from 25.8% to 15.5%.
- Loss attributable to owners of the Company amounted to RMB17.6 million.
- Loss per share amounted to RMB1.29 cents.

INTERIM RESULTS

The board (the "**Board**") of Directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2011, with the comparative figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*4*	**269,754**	130,270
Cost of sales	*5*	**(227,998)**	(96,651)
Gross profit		**41,756**	33,619
Investment income	*6*	**1,283**	156
Other gains and losses	*7*	**(6,903)**	4,903
Distribution and selling expenses		**(10,019)**	(5,314)
Administrative and general expenses		**(31,795)**	(13,561)
Other expenses		**(4,983)**	(5,632)
Interest expense in relation to bank loans wholly repayable within five years		**(1,487)**	(1,832)
Share of result of jointly controlled entity		**(380)**	–
(Loss) profit before tax	*8*	**(12,528)**	12,339
Income tax expense	*9*	**(4,499)**	(4,999)
(Loss) profit and total comprehensive (expense) income for the period		**(17,027)**	7,340
Attributable to:			
Owners of the company		**(17,636)**	7,340
Non-controlling interests		**609**	–
		(17,027)	7,340
		RMB cents	*RMB cents*
(Loss) earnings per share			
Basic	*10*	**(1.29)**	0.72
Diluted	*10*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**157,232**	136,190
Deposits for property, plant and equipment		**13,109**	17,757
Prepaid lease payments		**54,340**	36,585
Intangible assets		**28,500**	561
Interests in jointly controlled entities		**–**	3,655
Available-for-sale investments		**–**	3,540
Club memberships		**2,534**	1,734
Other asset		**2,402**	–
Goodwill		**45,727**	–
Deferred tax assets		**770**	–
TOTAL NON-CURRENT ASSETS		**304,614**	200,022
CURRENT ASSETS			
Inventories		**214,201**	67,740
Trade and other receivables	*11*	**500,746**	376,820
Amount due from a related party		**–**	22
Deposits and prepayments		**6,148**	2,028
Other financial assets		**7,880**	4,739
Prepaid lease payments		**991**	767
Pledged bank deposits		**20,513**	1,203
Bank balances and cash		**348,218**	446,016
TOTAL CURRENT ASSETS		**1,098,697**	899,335
TOTAL ASSETS		**1,403,311**	1,099,357
CURRENT LIABILITIES			
Trade and other payables	*12*	**255,844**	194,827
Tax liabilities		**12,136**	12,883
Short-term bank loans		**275,825**	48,324
TOTAL CURRENT LIABILITIES		**543,805**	256,034

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Net current assets		**554,892**	643,301
Total assets less current liabilities		**859,506**	843,323
NON-CURRENT LIABILITIES			
Deferred income		**3,334**	3,524
Deferred tax liabilities		**15,629**	5,167
TOTAL NON-CURRENT LIABILITIES		**18,963**	8,691
Total net assets		**840,543**	834,632
CAPITAL AND RESERVES			
Share capital	*13*	**117,425**	117,425
Reserves		**702,394**	715,707
Equity attributable to owners of the Company		**819,819**	833,132
Non-controlling interests		**20,724**	1,500
TOTAL EQUITY		**840,543**	834,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 an investment holding company.

The principal activities of the subsidiaries of the Company are import and sales of power electronic components, manufacture and sales of insulated gate bipolar transistor ("**IGBT**") power modules, deionised water cooling systems, reactors, capacitors, power rectifier, electric automation and control systems, and other power electronic components.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values as appropriate.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations issued by International Accounting Standards Board.

New and revised Standards and Interpretations applied in the current period

IFRS represents International Financial Reporting Standards.
IFRIC represents International Financial Reporting Interpretations Committee.

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised standards, amendments and interpretations in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements of the Group and disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new and revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date of the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance are not yet effective.

New and revised Standards and Interpretations issued but not yet effective

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 July 2012

The Group is in the process of determining the impact of adoption of these new and revised standards and amendments on the Group's financial results, financial position and cash flows.

4. 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 2011 and 2010.

Mr. Xiang Jie ("**Mr. Xiang**"), the chief executive officer of the Company and the chairman of the Board is the chief operating decision maker of the Group (the "**CODM**") and he regularly reviews revenue analysis for the period prepared in accordance with accounting policies conforming to IFRS to make decisions about resources allocation and performance assessment. Starting from 2011, the CODM reviews the revenue generated from sales of imported products and self-manufactured products separately instead of the revenue generated from imported products and major manufactured products by category which was reported in prior years. The comparative figures have been restated to conform to the same reporting basis. 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 of 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 operating entities comprising the Group.

Revenue analysed is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sale of:		
Imported power electronic components	**120,292**	51,288
Manufactured goods	**149,462**	78,982
Total	**269,754**	130,270

Information about major customers

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Customer A (for sales of manufactured goods and imported power electronic components)	**55,124**	40,151
Customer B (for sales of manufactured goods and imported power electronic components)	**84,340**	*
Customer C (for sales of imported power electronic components)	*	13,288

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

5. COST OF SALES AND PURCHASES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of inventories recognised as expense	**227,998**	96,651

Information about a major supplier

Details of products purchased from a major supplier which account for 74% and 75% of the Group's total purchase during each of the six months ended 30 June 2011 and 2010 are as follows.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Supplier A	**173,022**	88,252

6. INVESTMENT INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income	**1,283**	156

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net foreign exchange (loss) gain	**(12,425)**	2,384
Fair value gain on foreign exchange forward contracts	**4,898**	2,519
Net gain from remeasurement of previously held interest in the acquirees upon acquisition	**403**	–
Government grants	**190**	–
Gain from changes in fair value of derivatives	**31**	–
Total	**(6,903)**	4,903

8. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(Loss) profit before tax has been arrived at after charging the following items:		
Staff costs	**11,542**	7,547
Allowance for doubtful debts	**2,820**	1,535
Impairment loss recognized on inventory	**336**	–
Amortisation of intangible assets	**186**	55
Depreciation of property, plant and equipment	**4,934**	2,274
Operating lease rentals in respect of rented premises	**1,428**	1,005
Release of prepaid lease payment	**420**	180

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
Hong Kong	**1,403**	–
PRC enterprise income tax ("**EIT**")	**3,516**	5,400
Deferred tax charge:		
Current period	**(420)**	(401)
Total tax expense	**4,499**	4,999

Sunking Pacific Limited ("**Sunking Pacific**") was incorporated in Hong Kong, where the applicable income tax rate was 16.5% for both six months ended 30 June 2011 and 2010.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company was 25%.

In 2007, Jiashan Sunking Power Equipment Technology Co., Ltd. (嘉善華瑞賽晶電氣設備科技有限公司) ("**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 was 12.5% for the six months ended 30 June 2010 and 30 June 2011.

Wuhan Langde Electric Co., Ltd. (武漢朗德電氣有限公司) ("**Wuhan Langde**") which became a subsidiary of the Group since 25 April 2011, obtained New and High Technology status in 2010 and was entitled to income tax rate of 15% from 2011 to 2013.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 30 June 2011 and 2010 is based on the followings:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(Loss) Earnings		
Earnings for the purpose of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	**(17,636)**	7,340
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share for the six months ended 30 June	**1,366,040,000**	1,024,540,000

For the six months ended 30 June 2011, the calculation of diluted earnings per share has not considered the effect of outstanding share options because the Company has a loss during the period under review.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2011 *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Trade receivables	**370,633**	313,949
Less: Allowance for doubtful debts	**(3,213)**	(393)
	367,420	313,556
Note receivables	**89,410**	45,541
Other receivables	**30,451**	13,872
Deposit for project bidding	**13,465**	3,851
Total	**500,746**	376,820

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 the date of delivery of the Group's products or twelve months from the date of installation of the Group's products by the respective customers.

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

	As at 30 June 2011 *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Not yet due	**191,538**	142,550
Overdue 0-180 days	**158,616**	164,472
Overdue 181-360 days	**9,148**	6,206
Overdue >360 days	**8,118**	328
Total	**367,420**	313,556

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the management of the Group monitors the financial position of the customers periodically through meetings, independent investigation and publicly available information. Considering historical payment records and subsequent settlements, the directors of the Company believe that no further allowance is required.

Note receivables are aged within 180 days at the end of each reporting period. Certain note receivables with carrying amount of approximately RMB44,617,000 and RMB17,000,000 as of 30 June 2011 and 31 December 2010 respectively are pledged against short-term bank loans of the Group.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2011 *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Trade payables	**153,871**	156,902
Advance from customers	**72,757**	3,000
Other payables	**29,216**	34,925
	255,844	194,827

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

The following is an aged analysis of trade payables at the end of each period:

	As at 30 June 2011 *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
0-180 days	**149,979**	151,923
>181 days	**3,892**	4,979
Total	**153,871**	156,902

The trade payables comprise amounts outstanding for purchases of goods. The credit period with the suppliers 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.

13. SHARE CAPITAL

Ordinary shares of HK$1 each Issued and fully paid	**Number of shares**	**Share capital** *HK$'000*
As at 1 January 2010	–	–
Issued on 19 March 2010, date of incorporation of the Company	1	–
As at 30 June 2010	1	–
Issued in consideration for the acquisition of the issued share capital of Sunking Pacific	51,226,999	5,123
Issued by capitalisation of the share premium account	973,313,000	97,331
Issue of share pursuant to initial public offering	341,500,000	34,150
As at 31 December 2010 (audited), 30 June 2011 (unaudited)	1,366,040,000	136,604

	As at 30 June 2011 ***RMB'000*** **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Presented in RMB		
Share capital	**117,425**	117,425

14. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: nil).

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

The Group's revenue significantly increased by RMB139.5 million, or 107.1%, from RMB130.3 million for the six months ended 30 June 2010 to RMB269.8 million for the six months ended 30 June 2011. This doubled growth was mainly attributable to the increase in sales of imported power electronic components and manufactured goods with a substantial rise in the sale of IGBT chips and manufactured products including mainly IGBT power modules, high-voltage power capacitors and silicon rectifier valves and others.

The following table sets forth the breakdown of the Group's revenue by products and their contribution to the Group's total revenue for the six months ended 30 June 2011, with corresponding comparative figures in 2010:

	Six months ended 30 June			
	2011	**2011**	2010	2010
	RMB'000	***%***	*RMB'000*	*%*
Sales by products:				
Imported power electronic components	**120,292**	**44.6**	51,288	39.4
Manufactured goods	**149,462**	**55.4**	78,982	60.6
Total	**269,754**	**100.0**	130,270	100.0

The sales of imported power electronic components and manufactured goods increased by 134.5% and 89.2% respectively to RMB120.3 million and RMB149.5 million respectively during the first six months in 2011 from RMB51.3 million and RMB79.0 million respectively for the corresponding period in 2010.

Cost of sales

Cost of sales increased by 135.9% from approximately RMB96.7 million for the six months ended 30 June 2010 to approximately RMB228.0 million for the corresponding period in 2011. The increase primarily reflects the combined effects of the increase in sales, the increase in the cost of imported power electronic components and some raw materials of manufactured goods that are denominated in Swiss franc ("**CHF**") and the less favourable exchange rate of CHF:RMB during the first six months in 2011 compared to the corresponding period in 2010.

Gross profit and gross profit margin

The following table sets forth the Group's gross profit ("**GP**") and gross profit margins by products for the six months ended 30 June 2011, with corresponding comparative figures in 2010:

	Six months ended 30 June			
	2011		2010	
	GP	**GP margins**	GP	GP margins
	RMB'000	*%*	*RMB'000*	*%*
Imported power electronic components	**8,252**	**6.9**	13,181	25.7
Manufactured goods	**33,504**	**22.4**	20,438	25.9
Total	**41,756**	**15.5**	33,619	25.8

Gross profit increased by approximately RMB8.2 million, or 24.2%, from RMB33.6 million for the six months ended 30 June 2010 to RMB41.8 million for the corresponding period in 2011 primarily due to increase in gross profit of manufactured goods by 63.9% or RMB13.1 million to RMB33.5 million for the six months ended 30 June 2011 from RMB20.4 million for the corresponding period in 2010 although the gross profit of imported power electronic components decreased by 37.4% or RMB4.9 million to RMB8.3 million for the six months ended 30 June 2011 from RMB13.2 million for the corresponding period in 2010. The Group's gross profit margin decreased from 25.8% for the six months ended 30 June 2010 to 15.5% for the corresponding period in 2011, primarily as a result of the change in the product mix of the Group's products sold in the six months ended 30 June 2011 compared to the corresponding period in 2010, and the increase in the cost of imported power electronic components and some raw materials of manufactured goods that are denominated in CHF, which was at a much higher value on average relative to RMB during the six months ended 30 June 2011 compared to the corresponding period in 2010.

For the six months ended 30 June 2010 and 2011, approximately RMB88.3 million and RMB173.0 million, representing 74.7% and 74.0% of the Group's total purchases for the respective periods were denominated in CHF. The high average exchange rate of CHF:RMB in the first six months of 2011 contributed to the Group's lower gross profit margin recorded for that period compared to the corresponding period in 2010.

Investment income

Investment income increased from RMB0.2 million for the six months ended 30 June 2010 to RMB1.3 million for the corresponding period in 2011 primarily due to an increase in the Group's interest-bearing bank deposits in the first six months in 2011, as compared to the corresponding period in 2010.

Other gains and losses

Other gains and losses changed from a net gain of RMB4.9 million for the six months ended 30 June 2010 to a net loss of RMB6.9 million for the corresponding period in 2011, primarily due to a net foreign exchange loss of RMB12.4 million (2010: net foreign exchange gain: RMB2.4 million) which resulted from the translation of the Group's trade payables outstanding as at 30 June 2011 denominated in CHF to RMB and an appreciation of CHF against RMB as at 30 June 2011 compared to the rate prevailing as at 31 December 2010. As at 30 June 2011, the Group had foreign exchange forward contracts of RMB7.9 million outstanding. The CHF:RMB exchange rate prevailing at 31 December 2010 was 7.0562, as compared to 7.7655 at 30 June 2011.

Distribution and selling expenses

Distribution and selling expenses increased by RMB4.7 million, or 88.5%, from RMB5.3 million in the six months ended 30 June 2010 to RMB10.0 million in the corresponding period in 2011 primarily reflecting an increase in salaries and social welfare paid to the increased number of staff employed and an increase in advertising and promotion expenses and travelling expenses incurred for new product launch and branding. Distribution and selling expenses constituted 3.7% of the Group's revenue for the six months ended 30 June 2011, as compared to 4.1% for the corresponding period in 2010 which was attributable to the Group's stringent controls over operating costs.

Administrative and general expenses

Administrative and general expenses increased by RMB18.2 million, or 134.5%, from RMB13.6 million for the six months ended 30 June 2010 to RMB31.8 million for the corresponding period in 2011 primarily reflecting an increase in number of headcounts and other administrative expenses incurred due to the acquisitions of subsidiaries during the reporting period and the share-based payment expenses resulting from the share option granted during the period. As a result, administrative and general expenses constituted 11.8% of the Group's total revenue for the six months ended 30 June 2011, as compared to 10.4% for the corresponding period in 2010.

Other expenses

Other expenses amounted to RMB5.0 million for the six months ended 30 June 2011 (2010: RMB5.6 million) which mainly comprised provisions for doubtful debts and research and development expenses.

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

Interest expenses in relation to bank loans wholly repayable within five years decreased by RMB0.3 million, or 18.8%, from RMB1.8 million in the six months ended 30 June 2010 to RMB1.5 million in the corresponding period in 2011 as new bank loans amounted to RMB227.5 million were obtained close to the reporting date of the Company's interim results for the current period.

Loss before tax

The Group recorded a loss before tax of RMB12.5 million for the six months ended 30 June 2011, compared with profit before tax of RMB12.3 million in the six months ended 30 June 2010, primarily due to a net foreign exchange loss of RMB12.4 million, an increase in distribution and selling expenses of RMB4.7 million and an increase in administrative and general expenses of RMB18.2 million and partially offset by an increase of RMB8.2 million in the Group's gross profit. Loss before interest, tax, depreciation and amortisation amounted to RMB5.5 million for the six months ended 30 June 2011 when compared with earnings before interest, tax, depreciation and amortisation of RMB16.5 million for the six months ended 30 June 2010.

Income tax expenses

In spite of the Group's net loss in the six months ended 30 June 2011, certain subsidiaries in Hong Kong and PRC incurred net profit and were subject to Hong Kong profits tax and PRC enterprise income tax. As a result, income tax expenses amounted to RMB4.5 million was provided in the six months ended 30 June 2011 as compared to the RMB5.0 million for the corresponding period in 2010.

Loss for the period and total comprehensive expense for the period attributable to owners of the Company

The Group's loss for the period and total comprehensive expense for the period attributable to owners of the Company amounted to RMB17.6 million for the six months ended 30 June 2011 when compared to the profit and total comprehensive income for the period of RMB7.3 million for the six months ended 30 June 2010. The Group's net loss margin, which is calculated as loss attributable to owners of the Company for the period divided by total revenue, changed from a net profit margin of 5.6% in the six months ended 30 June 2010 to 6.5% for the corresponding period in 2011.

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 2011, the Group's current ratio (current assets divided by current liabilities) was 2.02 (as at 31 December 2010: 3.51). As at 30 June 2011, the Group had cash and cash equivalents of RMB348.2 million (as at 31 December 2010: RMB446.0 million) and short-term bank loans of RMB275.8 million (as at 31 December 2010: RMB48.3 million). The increase in short-term bank loans was mainly for working capital purposes. As at 30 June 2011, the Group's gearing ratio measured on the basis of total short-term bank loans to total equity was 32.8%, as compared to 5.8% as at 31 December 2010.

As at 30 June 2011 and 31 December 2010, all the Group's bank loans were at variable 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 5.19% per annum as at 30 June 2011 (as at 31 December 2010: 4.61% 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 31 December 2010 and 30 June 2011.

As most of the principal subsidiaries of the Company are operating in the PRC, their functional currency is RMB. However, certain purchases of the Group are either denominated in CHF, United States dollar, Euro and Hong Kong dollar ("**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 2011 was RMB7.9 million (as at 31 December 2010: RMB4.2 million).

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liability.

Charges on Group Assets

As at 30 June 2011, the Group pledged its bank deposits of RMB20.5 million (as at 31 December 2010: RMB1.2 million) to secure short-term foreign currency forward contracts and letters of credit of the Group. As at 30 June 2011, the Group did not pledge any buildings and land use rights while as at 31 December 2010, buildings and land use rights amounted to RMB49.2 million and RMB15.3 million respectively were pledged to secure bank loans of the Group. Certain note receivables of the Group with carrying amount of RMB44.6 million (as at 31 December 2010: RMB17.0 million) are pledged against short-term bank loans of the Group.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HK$593.0 million were raised from the listing (the "**Listing**") of the Company's shares on the Stock Exchange in October 2010. The Company currently does not have any intention to change its plan for use of proceeds as stated in its prospectus dated 30 September 2010. From the date of the Listing up to 30 June 2011, out of the total net proceeds from the Listing, RMB55.1 million was utilised for repayment of bank borrowings, RMB46.9 million for land acquisition and construction of buildings for expansion of production capacity, RMB21.8 million for building construction for research and development, RMB54.0 million for strategic acquisitions and investments and RMB39.8 million for working capital and general corporate expenses.

HUMAN RESOURCES

As at 30 June 2011, the Group employed approximately 620 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 of the performance of its 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 relationship with its employees.

PROSPECTS

The Group's vision is to become a leading enabler of power efficiency and emission reduction in the PRC by providing a comprehensive range of power electronic components, integrated systems and technology solutions in the PRC and abroad. The Group will focus on the PRC rail transportation and power distribution and transmission sectors, which are expected to benefit from the continuous public investments encouraged by the PRC government's policies.

The Group recognises the importance of product diversification and technological innovation through strengthening its research and development capability. The Group will strive to enlarge its market share and diversify its product offerings, as well as enhance its capability in developing high end products through proprietary know-how and strategic business alliance with prominent internal market leaders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

MATERIAL ACQUISITIONS AND DISPOSALS

On 15 April 2011, Jiashan Sunking, an indirectly wholly owned subsidiary of the Company entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Rui Hua Ying Investment Holdings Co., Ltd. (瑞華贏投資控股有限公司) ("**Rui Hua Ying**"), pursuant to which Jiashan Sunking agreed to acquire from Rui Hua Ying 56% equity interest in Jiujiang Jiuzheng Rectifier Co., Ltd. (九江九整整流器有限公司) ("**Jiujiang Rectifier**") for a cash consideration of RMB63,700,000. Prior to the aforesaid acquisition, the Company through Jiashan Sunking held 5% equity interest in Jiujiang Rectifier. Upon completion of the Equity Transfer Agreement, Jiujiang Rectifier became a subsidiary of the Company.

On 25 April 2011, Jiashan Sunking entered into an equity transfer agreement (the "**Equity Transfer Agreement II**") with Mr. Zhu Xiaodong (朱曉東先生), pursuant to which Jiashan Sunking agreed to acquire from Mr. Zhu 41% equity interest in Shanghai Lang Zhi De Resources Technology Co., Ltd. (上海朗之德能源科技有限公司) ("**Shanghai Lang Zhi De**"), which in turn owns 100% equity interest in Wuhan Langde for a cash consideration of RMB2,600,000 together with an embedded derivative with a fair value of RMB542,000 at the date of acquisition. Upon completion of the Equity Transfer Agreement II, Shanghai Lang Zhi De became a subsidiary of the Company. Afterwards, Jiashan Sunking transferred the equity interest in Shanghai Lang Zhi De to Sudian Power Electronics (Wuxi) Co., Ltd. (蘇電電力電子技術(無錫)有限公司), an indirectly wholly owned subsidiary of the Group.

Save as disclosed in the above, the Group did not engage in any material acquisitions or disposals during the six months ended 30 June 2011.

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 the aim of maintaining high standards of corporate governance practices. The Company has applied and complied with most of the code provisions (the "**Code Provisions**") of the Corporate Governance Code throughout the six months ended 30 June 2011. 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 chief executive officer of the Company and the chairman of the Board 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 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 and its shareholders as a whole 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, the Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2011.

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 Audit Committee is responsible for making recommendation to the Board on the appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditor, monitoring integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems. The current members of the Audit Committee are Mr. Chen Shimin (chairman), Mr. Wang Yi and 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 condensed consolidated financial statements of the Group for the six months ended 30 June 2011. The condensed consolidated financial statements for the six months ended 30 June 2011 have not been audited, but have been reviewed by the external auditors of the Company, Deloitte Touche Tohmatsu.

PUBLICATION OF 2011 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 2011 interim report will be available at the same websites and will be despatched to the Company's shareholders in due course.

TELEPHONE CONFERENCE

The Company will host a telephone conference to discuss the unaudited interim results of the Group for the six months ended 30 June 2011 with its shareholders and potential investors on 31 August 2011 from 10:00 a.m. to 11:30 a.m. (Hong Kong time). The dial-in details are as follows:

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

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

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

Hong Kong, 30 August 2011

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

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