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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 2012

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 1.9 % to RMB274.9 million.
- Gross profit rose by approximately 62.2% to RMB67.7 million.
- Gross profit margin increased from 15.5 % to 24.6%.
- Loss attributable to owners of the parent amounted to RMB3.0 million.
- Loss per share attributable to ordinary equity holders of the parent amounted to RMB0.22 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 referred to as the “**Group**”) for the six months ended 30 June 2012, with the comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		For the six months ended 30 June	
	<i>Notes</i>	2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	3	274,854	269,754
Cost of sales		(207,146)	(227,998)
Gross profit		67,708	41,756
Other income and gains, net	4	4,740	6,805
Selling and distribution costs		(18,526)	(10,019)
Administrative expenses		(34,131)	(31,795)
Other expenses		(7,220)	(17,408)
Finance costs	6	(9,220)	(1,487)
Share of loss of a jointly-controlled entity		—	(380)
PROFIT/(LOSS) BEFORE TAX	5	3,351	(12,528)
Income tax expense	7	(8,054)	(4,499)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(4,703)</u>	<u>(17,027)</u>
Attributable to:			
Owners of the parent		(2,971)	(17,636)
Non-controlling interests		(1,732)	609
		<u>(4,703)</u>	<u>(17,027)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>RMB(0.22) cents</u>	<u>RMB(1.29) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012	31 December 2011
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	246,651	211,897
Prepaid land lease payments		62,863	56,387
Deposits for purchase of items of property, plant and equipment		1,715	8,908
Deposits paid for prepaid land lease payments		–	7,117
Goodwill		40,357	40,357
Other intangible assets		26,122	26,373
Club memberships		2,534	2,534
Trade receivables	10	33,609	25,206
Deferred tax assets		6,661	4,341
Total non-current assets		420,512	383,120
CURRENT ASSETS			
Inventories		153,713	175,479
Trade and bills receivables	10	469,398	468,538
Prepayments, deposits and other receivables		46,030	43,087
Due from Directors	16(a)	383	–
Prepaid land lease payments		1,401	1,041
Pledged deposits		14,238	25,110
Cash and cash equivalents		207,300	184,452
Total current assets		892,463	897,707
CURRENT LIABILITIES			
Trade and bills payables	11	117,985	142,020
Other payables and accruals		46,834	56,725
Derivative financial instruments		1,615	886
Interest-bearing bank borrowings		283,220	227,130
Tax payable		16,657	12,193
Total current liabilities		466,311	438,954

	30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
<i>Notes</i>		
NET CURRENT ASSETS	<u>426,152</u>	<u>458,753</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>846,664</u>	<u>841,873</u>
NON-CURRENT LIABILITIES		
Deferred income	2,572	3,143
Deferred tax liabilities	<u>13,737</u>	<u>11,649</u>
Total non-current liabilities	<u>16,309</u>	<u>14,792</u>
Net assets	<u><u>830,355</u></u>	<u><u>827,081</u></u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	117,305	117,385
Reserves	<u>663,234</u>	<u>663,899</u>
	780,539	781,284
Non-controlling interests	<u>49,816</u>	<u>45,797</u>
Total equity	<u><u>830,355</u></u>	<u><u>827,081</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Issued capital	Share premium account	Employee	Capital	Deemed	Other	Retained			
			share-based	redemption	contribution		profits/			
			compensation reserve	reserve	reserve		(Accumulated losses)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(note b)	(note a)	(note c)				
At 1 January 2011	117,425	400,692	-	-	11,375	248,886	54,754	833,132	1,500	834,632
Total comprehensive loss for the period	-	-	-	-	-	-	(17,636)	(17,636)	609	(17,027)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(1,500)	(1,500)
Partial disposal of a subsidiary	-	-	-	-	-	-	-	-	2,000	2,000
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	18,115	18,115
Equity-settled share option arrangements	-	-	3,087	-	1,236	-	-	4,323	-	4,323
At 30 June 2011	<u>117,425</u>	<u>400,692</u>	<u>3,087</u>	<u>-</u>	<u>12,611</u>	<u>248,886</u>	<u>37,118</u>	<u>819,819</u>	<u>20,724</u>	<u>840,543</u>
At 1 January 2012	117,385	400,511	5,253	40	13,855	248,886	(4,646)	781,284	45,797	827,081
Total comprehensive loss for the period	-	-	-	-	-	-	(2,971)	(2,971)	(1,732)	(4,703)
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	1,751	1,751
Equity-settled share option arrangements	-	-	2,000	-	530	-	-	2,530	-	2,530
Share award (note 12)	-	-	-	-	-	-	-	-	4,000	4,000
Repurchase of own shares	(80)	(224)	-	80	-	-	(80)	(304)	-	(304)
At 30 June 2012	<u>117,305</u>	<u>400,287*</u>	<u>7,253*</u>	<u>120*</u>	<u>14,385*</u>	<u>248,886*</u>	<u>(7,697)*</u>	<u>780,539</u>	<u>49,816</u>	<u>830,355</u>

Notes:

- (a) Deemed contribution reserve represents share-based payment expense incurred and recognised by the Group as settled by issue of shares of Sun.King Group Ltd. (賽晶集團有限公司) (“**Sunking BVI**”), a former shareholder of the Company.
- (b) The Company repurchased an aggregate of 930,000 shares of HK\$0.10 each in May 2012 and these repurchased shares were cancelled prior to 30 June 2012. The issued share capital of the Company was reduced by the nominal value of these repurchased shares in the amount of HK\$93,000 (equivalent to approximately RMB80,000) and the equivalent amount was transferred from retained profits to the capital redemption reserve pursuant to 37(4) of the Companies Law (2007 Revision) of the Cayman Islands. The premium paid on the repurchase of these shares in the amount of RMB224,000 was charged to share premium. The aggregate consideration to repurchase these shares in the amount of RMB304,000 was deducted from shareholders’ equity.
- (c) Other reserve mainly represents certain waiver of loans and/or advances by Sunking BVI to the Group in prior years.

* These reserve accounts comprise the consolidated reserves of RMB663,234,000 (31 December 2011: RMB663,899,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET CASH FLOWS USED IN OPERATION ACTIVITIES	(8,959)	(242,030)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(23,291)	(82,890)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>55,541</u>	<u>227,501</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,291	(97,419)
Cash and cash equivalents at beginning of period	184,452	446,016
Effect of foreign exchange rate changes, net	<u>(443)</u>	<u>(379)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>207,300</u></u>	<u><u>348,218</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	202,300	348,218
Non-pledged time deposits with original maturity of less than three months when acquired	<u>5,000</u>	<u>—</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	<u><u>207,300</u></u>	<u><u>348,218</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law 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**”) with effect from 13 October 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

In the opinion of the Directors, the Company’s immediate and ultimate holding company is Max Vision Holdings Limited, which in turn is controlled by Mr. Xiang Jie, the founder and a Director of the Company.

The Company is an investment holding company. The principal activities of the Group are trading and manufacturing of power electronic components.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

- **IAS 12 – Deferred Tax: Recovery of Underlying Assets (Amendment)**

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

- **International Financial Reporting Standard (“IFRS”) 7 – Disclosures – Transfers of Financial Assets (Amendment)**

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

- **IFRS 1 – Severe Hyperinflation and, Removal of Fixed Dates for First-time Adopters (Amendment)**

When an entity’s date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

The above amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group’s turnover, represents the invoiced value of goods sold and services rendered to customers, net of business tax, and after allowances for goods returned and trade discounts.

Management monitors the results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Business unit performance is evaluated based on revenue.

An analysis of the Group’s revenue is as follows:

	For the six months ended 30 June	
	2012	2011
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Trading of power electronic components	31,008	120,292
Manufacturing of power electronic components	243,846	149,462
Total	<u>274,854</u>	<u>269,754</u>

Geographical information

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

4. OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Interest income	951	1,283
Government grants*	4,464	190
Fair value gains/(losses) on foreign currency forward contracts, net	(1,264)	4,898
Changes in fair value of equity interests in investees	–	403
Gain on fair value change of embedded derivatives	–	31
Gain on disposal of items of property, plant and equipment	135	–
Others	454	–
	<u>4,740</u>	<u>6,805</u>

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

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Cost of inventories sold	207,146	228,334
Reversal of provision against inventories	—	(336)
Cost of sales	<u>207,146</u>	<u>227,998</u>
Depreciation	6,925	4,934
Amortisation of other intangible assets	251	186
Amortisation of land lease payments	663	420
Minimum lease payments under operating leases for lands and buildings	733	1,428
Impairment of trade receivables	4,285	2,820
Foreign exchange differences, net	1,643	12,425
Research and development costs	<u>1,292</u>	<u>2,163</u>

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Interest on bank loans	<u>9,220</u>	<u>1,487</u>

7. INCOME TAX

Hong Kong profit tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2012.

During the six months ended 30 June 2011, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

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

Jiashan Sunking Power Equipment Technology Co., Ltd. (“Jiashan Sunking”), a subsidiary of the Company, was recognised as a wholly-foreign owned enterprise and was entitled to tax exemption from CIT for two years commencing from its first profit making year in 2007, followed by a 50% tax rate reduction for CIT for the subsequent three years. Therefore, the applicable income tax rate for Jiashan Sunking is 25.0% for the six months ended 30 June 2012 (six months ended 30 June 2011: 12.5%).

Jiujiang Jiuzheng Rectifier Co., Ltd. and Wuhan Langde Electrics Co., Ltd., subsidiaries of the Company, were registered as new and high technology enterprises, and are subject to CIT at a rate of 15% for the three years ending 31 December 2011, 2012 and 2013.

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current charge for the period		
Hong Kong	–	1,403
Mainland China	8,286	3,516
Deferred	<u>(232)</u>	<u>(420)</u>
Total tax charge for the period	<u>8,054</u>	<u>4,499</u>

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of RMB2,971,000 (six months ended 30 June 2011: RMB17,636,000), and the weighted average number of 1,365,355,000 (six months ended 30 June 2011: 1,366,040,000) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2012 and six months ended 30 June 2011 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment at a total cost of RMB16,545,000 (six months ended 30 June 2011: RMB8,149,000) and disposed of items of property, plant and equipment with a total net carrying amount of RMB317,000 (six months ended 30 June 2011: Nil).

As at 30 June 2012, certificate of ownership in respect of a building of the Group in Mainland China, which was acquired from an independent third party (the “**Seller**”), with a carrying amount of RMB21,451,000 (31 December 2011: RMB21,832,000) had not been obtained by the Group. Such building was pledged to a bank for facilities granted to the Seller as at 30 June 2012.

10. TRADE AND BILLS RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	369,990	301,542
Impairment	(18,936)	(14,651)
	351,054	286,891
Add: Bills receivables	151,953	206,853
Less: Amount shown as non-current	(33,609)	(25,206)
	469,398	468,538

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

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

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 3 months	118,085	146,231
3 to 6 months	74,690	85,489
6 to 12 months	133,950	37,933
Over 1 year	24,329	17,238
	351,054	286,891

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 6 months	84,562	206,853
6 to 12 months	67,391	—
	<u>151,953</u>	<u>206,853</u>

As at 30 June 2012, certain trade receivables of the Group with an aggregate carrying amount of RMB64,451,000 (31 December 2011: RMB96,060,000) were pledged to banks to secure the bank loans granted to the Group.

11. TRADE AND BILLS PAYABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 6 months	96,402	136,327
Over 6 months	21,583	5,693
	<u>117,985</u>	<u>142,020</u>

12. SHARE AWARD

Jiashan Sunking Converter Technology Co., Ltd. ("**Sunking Converter**"), a subsidiary of the Company, was established in March 2010. As at 31 December 2011, the paid-in capital of Sunking Converter was RMB10,000,000, of which 65% was held by the Group and 35% in aggregate was held by unrelated parties to the Group (the "**Sunking Converter NCIs**"). During the six months ended 30 June 2012, a capital contribution in the form of an unregistered technical know-how was made by one of the Sunking Converter NCIs.

In the opinion of the Directors, the contribution of unregistered technical know-how was regarded as a share-based payment by the Group for the expertise of the Sunking Converter NCIs. The fair value of the share-based payment of RMB4,000,000, which was determined referencing to the fair value of Sunking Converter's equity at the date of capital contribution, was charged to the condensed consolidated statement of comprehensive income for the six months ended 30 June 2012.

13. OPERATING LEASE ARRANGEMENTS

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

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	467	533
In the second to fifth years, inclusive	<u>—</u>	<u>49</u>
	<u>467</u>	<u>582</u>

14. CAPITAL COMMITMENTS

In addition to the operating lease arrangements detailed in note 13 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Property, plant and equipment: Contracted, but not provided for	<u>18,050</u>	<u>22,117</u>

15. CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

16. RELATED PARTY TRANSACTIONS

(a) Amounts due from Directors

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Mr. Xiang Jie	202	—
Mr. Huang Xiangqian	181	—
	383	—

The balances are unsecured, interest-free and are repayable on demand. The maximum outstanding balance due from Mr. Xiang Jie and Mr. Huang Xiangqian during the period was RMB235,000 and RMB200,000, respectively.

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Short term employee benefits	3,060	1,188
Post-employment benefits	358	227
Equity-settled share option expense	1,794	1,118
Total compensation paid to key management personnel	5,212	2,533

17. FAIR VALUE AND FAIR VALUE HIERARCHY

As at 30 June 2012 and 31 December 2011, the carrying amounts of the Group's financial instruments approximate to their fair values.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Liabilities measured at fair value:

Group

As at 30 June 2012

	Level 1 <i>RMB'000</i> (Unaudited)	Level 2 <i>RMB'000</i> (Unaudited)	Level 3 <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Derivative financial instruments	<u>1,615</u>	<u>–</u>	<u>–</u>	<u>1,615</u>

As at 31 December 2011

	Level 1 <i>RMB'000</i> (Audited)	Level 2 <i>RMB'000</i> (Audited)	Level 3 <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Derivative financial instruments	<u>886</u>	<u>–</u>	<u>–</u>	<u>886</u>

18. COMPARATIVE AMOUNTS

During the six months ended 30 June 2012, the Directors have reviewed the components of the gains and expenses and reclassified certain gains and expenses in the condensed consolidated statement of comprehensive income. Accordingly, the corresponding comparative amounts have been revised to conform with the current period's presentation. In the opinion of the Directors, the reclassification results is a more appropriate presentation of the Group's operating results.

19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved and authorised for issue by the Board on 23 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

To maintain a stable supply of semiconductors, on 11 April 2012 we successfully renewed a distribution agreement with its largest supplier, ABB Switzerland Ltd Semiconductors (“**ABB Switzerland**”), effective retroactively from 1 December 2011 and in force for 12 months, subject to an annual automatic renewal until the end of year 2016. Under the distribution agreement, ABB Switzerland shall constantly supply a range of products for its resale in the PRC.

The Group makes continuous efforts to maintain and expand its leadership position in power electronic components related businesses through strategic alliance and joint venture arrangements. On 26 March 2012, we formed a new joint venture company with an international leading company in equipment and components for railway systems. The scope of business of the new joint venture company shall include producing, selling and maintaining electronic traction systems and train control and monitoring systems in the PRC. The construction of the required sites and facilities is expected to be completed in or before the year 2013. The Company believes that the new joint venture company would provide synergies to its development in IGBT power modules for urban metro projects.

In order to expand the Group’s market shares, it has been launching new products from time to time and the sales in first half of 2012 of its new products launched was satisfactory. The Group became one of the five largest local manufacturers in manufacturing DC ice melting and static reactive power compensation in the PRC. During the period under review, we launched various types of high-power laminated busbars for uses in power conversion and targeted to increase its market share. Such samples have been distributed to its customers for trials and test and their qualities have been proven to be of very high quality standard in the PRC.

As disclosed in the Company’s 2011 Annual Report (“**2011 Annual Report**”), the Group’s construction of the “High Power Experimental System” laboratory under the “HVDC Converter Valve Industrialisation” programme promoted by Xi’an Electric Power System Co., Ltd. has been in progress. The installment of relevant equipment on site for construction is expected to be completed by the end of 2012.

In the second half of 2012, the global environment is still foreseen to be challenging. The Group’s management will pay close attention to the economic development while implementing further costs control policies, improving its production efficiency and utilisation rate of the manufacturing facilities. We are cautiously optimistic about the Company’s outlook in the second half in light of the PRC government’s continuous support in investment in infrastructures.

Revenue

The Group's revenue increased by approximately RMB5.1 million, or 1.9%, from approximately RMB269.8 million for the six months ended 30 June 2011 to approximately RMB274.9 million for the six months ended 30 June 2012. The growth was mainly attributable to rapid increase in business of manufacturing of power electronic components.

The following table sets forth the breakdown of the Group's revenue by business units and their contribution to the Group's total revenue for the six months ended 30 June 2012, with corresponding comparative figures in 2011:

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Trading of power electronic components	31,008	120,292
Manufacturing of power electronic components	243,846	149,462
Total	<u>274,854</u>	<u>269,754</u>

Notwithstanding that the revenue generated from the trading of power electronic components decreased by approximately RMB89.3 million, or 74.2%, from approximately RMB120.3 million during the first six months in 2011 to approximately RMB31.0 for the corresponding period in 2012; the revenue generated from manufacturing of power electronic components significantly increased by approximately RMB94.3 million, or 63.1%, from approximately RMB149.5 million during the first six months in 2011 to approximately RMB243.8 for the corresponding period in 2012.

Cost of sales

Cost of sales decreased by 9.2% from approximately RMB228.0 million for the six months ended 30 June 2011 to approximately RMB207.1 million for the corresponding period in 2012.

The reduction of cost of sales was resulted from the less adverse impact by currency fluctuation on its raw material costs.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB25.9 million, or 62.0%, from approximately RMB41.8 million for the six months ended 30 June 2011 to approximately RMB67.7 million for the corresponding period in 2012 its gross profit margin increased from approximately 15.5% for the six months ended 30 June 2011 to approximately 24.6% for the corresponding period in 2012. The increases in both gross profit and gross profit margin were primarily resulting from the effective measures taken by the Group against foreign currency transaction exposures. The Group therefore managed to control the costs of trading power electronic components and some other raw materials which were denominated in Swiss Franc ("CHF").

Other income and gains, net

Other net income and gains of the Group decreased by approximately RMB2.1 million, or 30.9%, from approximately RMB6.8 million for the six months ended 30 June 2011 to approximately RMB4.7 million for the corresponding period in 2012. The decreased was primarily due to a net fair value loss on foreign currency forward contracts of RMB1.3 million (six months ended 30 June 2011: net fair value gain on foreign currency forward contracts: RMB4.9 million) which resulted from the conversion of currency of the Group's trade payables as at 30 June 2012 from CHF to RMB and an appreciation of CHF against RMB as at 30 June 2012 compared to the rate prevailing as at 31 December 2011. The government grants received by the Group significantly increased from approximately RMB0.2 million for the six months ended 30 June 2011 to approximately RMB4.5 million for the corresponding period in 2012, which partially offset the loss on foreign currency forward contracts.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB8.5 million or 85.0%, from approximately RMB10.0 million in the six months ended 30 June 2011 to approximately RMB18.5 million in the corresponding period in 2012, primarily attributable to an increase in salaries and social welfare paid to the increased number of staff employed and advertising and promotion expenses and traveling expenses incurred for new product launch and branding. Distribution and selling expenses constituted 6.7% of the Group's revenue for the six months ended 30 June 2012, as compared to 3.7% for the corresponding period in 2011.

Administrative expenses

Administrative expenses increased by approximately RMB2.3 million or 7.2%, from approximately RMB31.8 million for the six months ended 30 June 2011 to approximately RMB34.1 million for the corresponding period in 2012, primarily reflecting an increase in number of headcounts and other administrative expenses incurred due to the acquisitions of subsidiaries. As a result, administrative expenses constituted 12.4% of the Group's total revenue for the six months ended 30 June 2012, as compared to 11.8% for the corresponding period in 2011.

Other expenses

Other expenses of the Group significantly decreased by approximately RMB10.2 million, or 58.6%, from approximately RMB17.4 million for the six months ended 30 June 2011 to approximately RMB7.2 million for the corresponding period in 2012. The decrease was mainly due to the decrease of foreign exchange differences from approximately RMB12.4 million to approximately RMB1.6 million for the corresponding period in 2012. Other expenses mainly comprised provisions for doubtful debts, research and development expenses, and foreign exchange differences, net.

Financial costs

The Group's financial costs increased from approximately RMB1.5 million for the six months ended 30 June 2011 to approximately RMB9.2 million for the corresponding period in 2012. The increase was due to the increase in the interest in relation to bank loans from RMB1.5 million for the six months ended 30 June 2011 to RMB9.2 million for the corresponding period in 2012.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by approximately RMB15.9 million, or 127.2%, from a loss before tax amounted to approximately RMB12.5 million for the six months ended 30 June 2011 to a profit before tax amounted to approximately RMB3.4 million for the corresponding period in 2012.

Income tax expenses

The Group's income tax expense increased by approximately RMB3.6 million, or 80.0%, from approximately RMB4.5 million for the six months ended 30 June 2011 to approximately RMB8.1 million for the corresponding period in 2012. The increase was primarily due to the rebound from the Group's loss before tax in 2011 to profit before tax for the corresponding period in 2012 and thus the Group was subject to PRC CIT.

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

The Group's loss and total comprehensive loss for the period attributable to owners of the parent amounted to approximately RMB3.0 million for the six months ended 30 June 2012 when compared to the loss and total comprehensive loss for the period of approximately RMB17.6 million for the six months ended 30 June 2011. The Group's net loss margin is approximately 1.1% in the six months ended 30 June 2012, which is calculated as loss attributable to owners of the Company for the period divided by total revenue, while the net loss margin was approximately 6.5% for the corresponding period in 2011.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (corresponding period in 2011: Nil).

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 2012, the Group's current ratio (current assets divided by current liabilities) was 1.9 (as at 31 December 2011: 2.0). As at 30 June 2012, the Group had cash and cash equivalents of RMB207.3 million (mainly denominated in RMB, United States dollars ("USD"), and Hong Kong dollars ("HKD")); as at 31 December 2011: RMB184.5 million) and interest-bearing bank loans of RMB283.2 million (as at 31 December 2011: RMB227.1 million). The increase in short-term bank loans was mainly for working capital purposes.

As at 30 June 2012, the Group's gearing ratio measured on the basis of total interest-bearing bank loans to total equity was 34.1%, as compared to 27.5% as at 31 December 2011.

As at 30 June 2012 and 31 December 2011, all the Group's bank loans were at variable interest rates, mainly denominated in RMB and had contractual maturity within one year from the end of the reporting period. The effective interest rates on the Group's fixed-rate bank borrowings were also equal to the weighted average contracted interest rates of 5.93% per annum as at 30 June 2012 (as at 31 December 2011: 5.48% per annum). During the period under review, there was no material movement in the Group's funding and treasury policy.

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

Interest rate and foreign currency exposure

The Group's fair value interest rate risk primarily relates 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 primarily relates 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 Board, the Group did not have significant exposure to cash flow interest rate risk as at 31 December 2011 and 30 June 2012.

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 denominated in CHF, USD, Euro and HKD, which are currencies other than the functional currency of the relevant group entities and thus expose the Group to foreign currency risk.

Since 2007, the Group has been reducing 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 2012 was RMB1.6 million (as at 31 December 2011: RMB0.9 million).

Contingent liabilities

As at 30 June 2012, the Group had no material contingent liability.

Charges on Group Assets

As at 30 June 2012, the Group pledged (i) deposits of approximately RMB14.2 million (31 December 2011: approximately RMB25.1 million) to secure short-term foreign currency forward contracts and letters of credit of the Group.; and (ii) certain trade receivables with an aggregate carrying amount of approximately RMB64.5 million (31 December 2011: RMB96.1 million) to secure bank loans granted to the Group.

USAGE OF PROCEEDS FROM LISTING

Net proceeds of approximately HKD593.0 million were raised from the listing (the “**Listing**”) of the Company’s shares on the Stock Exchange in October 2010. Up to 30 June 2012, out of the total net proceeds from the Listing, RMB284.3 million was utilised for repayment of bank borrowings, land acquisition and construction of buildings for expansion of production capacity, building construction for research and development, strategic acquisitions and investments and working capital and general corporate expenses.

HUMAN RESOURCES

As at 30 June 2012, the Group employed 628 employees (2011: 620 employees). Key components of the Group’s remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labor disputes, nor has it experienced any difficulties in the recruitment and retention of experienced 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 domestically and internationally. Looking ahead, the PRC government increased the public finance expenditure and introduced monetary policies to promote domestic demand, especially to facilitate investment in social and infrastructure. 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 places a strong emphasis on improving its research and development capability, in order to diversify its product range and to stay at the technological forefront in the industry. The Group will endeavor to expand its market share and diversify product portfolio, as well as enhance its capability in developing high-end products through its proprietary know-how and strategic business collaborations with suitable partners.

In addition, the Group will also continue to improve production and operational efficiency, utilisation rate of its manufacturing facilities in order to achieve a sustainable growth. The Board and management of the Company commit that they will dedicate their efforts in leading its staff to drive the development of the Group, thus to maximise benefits for the shareholders of the Group.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, the Company repurchased the following number of its own shares on the Stock Exchange. The particulars of repurchases are as follows:

Month of repurchases	Number of shares	Highest price per share paid HK\$	Lowest price per share paid HK\$	Aggregate price paid HK\$
May 2012	930,000	0.42	0.39	371,260

The repurchase of shares was pursuant to a general mandate granted to the Board at the annual general meeting of the Company held on 21 June 2011.

Save as disclosed above, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the six months ended 30 June 2012.

CORPORATE GOVERNANCE

Corporate Governance Practices

In the Corporate Governance Report published in the 2011 Annual Report, we reported that the Company places high value on its corporate governance practice and the Board firmly believes that good corporate governance practices could improve accountability and transparency for the benefit of its shareholders. The Company has complied with the code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 to the Listing Rules of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the six months ended 30 June 2012, except the deviation from the practice under the code

provision A2.1 of the Code on Corporate Governance Practices and corporate Governance Code for the period from 1 January 2012 to 9 April 2012. The code provision A2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. In order to comply with code provision A2.1, with effect from 10 April 2012, Mr. Xiang Jie has relinquished his role as the Chief Executive Officer of the Company and remains an executive Director and the Chairman of the Board and Mr. Gong Renyuan is appointed as the Chief Executive Officer. 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.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Since January 2012, the compositions of the Board, the audit committee (“**Audit Committee**”), the nomination committee, the remuneration committee (“**Remuneration Committee**”) and the investment committee of the Board (together, the “**Board Committees**”) remain the same as set out in the 2011 Annual Report, save that (i) Mr. Wong Kun Kau resigned as the chairman of the Remuneration Committee and was re-appointed as a member of the Remuneration Committee; and (ii) Mr. Wang Yi was appointed as the chairman of the Remuneration Committee on 27 March 2012 and became effective on 10 April 2012.

The positions of the Chairman of the Board and the Chief Executive Officer of the Group are held by separate individuals. There are no substantial changes in the information of Directors as disclosed in the 2011 Annual Report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed 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 2012.

The Audit Committee comprises Mr. Chen Shimin (chairman), Mr. Wang Yi and Mr. Ye Weigang Greg. At the Company’s annual general meeting held on 1 June 2012, shareholders approved the appointment of Ernst & Young as the Company’s external auditor up to the conclusion of the annual general meeting to be held in 2013. The procedures in relation to the selection, appointment and determination of the audit fee of the Company’s external auditor were reviewed by the Audit Committee and approved by the Board.

INTERNAL CONTROL

In respect of the year ended 31 December 2012, the Board considered the Company’s internal control system effective and adequate. During the six months ended 30 June 2012, the Board, through the Audit Committee, conducted review on the internal control system and considered no significant areas of concern that might affect shareholders were identified.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group’s own code of conduct regarding directors’ securities transactions. The Board having made specific enquiry of all Directors and the Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2012.

PUBLICATION OF 2012 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 2012 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 2012 with its shareholders and potential investors on 27 August 2012 from 10:00 a.m. to 11:00 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, 23 August 2012

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.