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

Interim Report 2010

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

Executive Directors
Mr. Xiang Jie
Mr. Gong Renyuan
Mr. Yue Zhoumin
Mr. Huang Xiangqian

Non-executive Directors
Mr. Ye Weigang Greg
Mr. Wong Kun Kau

Independent non-executive Directors
Mr. Wang Yi
Mr. Li Fengling
Mr. Chen Shimin

Authorised representatives
Mr. Yue Zhoumin
Mr. Ngai Wai Fung

Audit committee members
Mr. Chen Shimin *(chairman)*
Mr. Wang Yi
Mr. Ye Weigang Greg

Remuneration committee members
Mr. Wong Kun Kau *(chairman)*
Mr. Wang Yi
Mr. Li Fengling

Nomination committee members
Mr. Li Fengling *(chairman)*
Mr. Gong Renyuan
Mr. Chen Shimin

Joint company secretaries
Mr. Ngai Wai Fung *FCIS, FCS(PE), CPA, ACCA*
Ms. Huang Li

Principal bankers
Bank of China Limited, Jiashan branch
China Construction Bank Corporation, Jiashan branch
China Construction Bank Corporation, Wuxi Xishan sub-branch

Compliance adviser
Haitong International Capital Limited

Listing exchange information
Place of listing: Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 0580

Registered Office
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Grand Cayman, KY1-1111
Cayman Islands

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Hong Kong

Principal share registrar and transfer office
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Butterfield House, 68 Fort Street
P.O. Box 609, Grand Cayman KY1-1107
Cayman Islands

Hong Kong share registrar and transfer office
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

Legal adviser
Pang & Co. in association with Salans LLP

Auditors
Deloitte Touche Tohmatsu

Company's website
www.speg.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board of Directors (the "Board") the first interim report of Sun.King Power Electronics Group Limited (the "Company") and its subsidiaries (collectively the "Group") after its listing. During the six months ended 30 June 2010, the Group achieved favourable results by further enhancing its technology standard and internal management as well as expanding the business network in meeting customers' needs.

Benefited from the stable growth of market demand and business scale, the Group's manufacturing business segment recorded positive sales growth. The Group's results were encouraging. The distribution business also delivered stable results in monetary terms. During the reporting period, turnover reached RMB130.3 million, rising substantially by 59.1% compared with the same period of 2009.

Since the commencement of operations in 2007, the Group has been recognised for technology innovation, quality products and operation efficiency, which earned it a broad customer base and has become a leader in producing high-end, specialised power electronic components and systems for use in the rail transportation, power transmission and distribution, and other general industrial sectors in China. The strong customer base forms a great demand for the Group's high quality and customised products.

The Company's shares have been listed successfully on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 October 2010 (the "Listing"). The Listing strengthened the Group's financial capability and enhanced its standard in corporate governance, which marked a new milestone for the Group's development. I am very confident that the leading position of the Group will be sustainable.

Looking ahead, apart from enlarging the local market share in China, the Group will also strive to develop overseas markets by cooperating closely with leading international peers as well as promoting and selling its products in those markets. The Group will also continue to strengthen its competitiveness to achieve outstanding results and maximise returns for shareholders.

Last but not least, on behalf of the Board, I would like to take this opportunity to thank our colleagues of the Board, our dedicated staff for their hard work and contributions as well as our business partners for their support during the period.

Xiang Jie
Chairman

Hong Kong, 26 October 2010

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the People's Republic of China (the "PRC") Enterprise Income Tax 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.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: 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 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 Power Equipment Technology Co. Ltd ("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 for 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 Limited 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 dated 30 September 2010 (the "Prospectus") issued by the Company.

(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 issued by the Company.

HUMAN RESOURCES

As at the date of this report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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.

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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange 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 report, 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 Jie ("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, 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 report.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The shares of the Company (the "Shares") were listed on the Stock Exchange on 13 October 2010. As at 30 June 2010, being the reporting date of the interim period, and prior to the Listing, Section 352 of the Securities and Futures Ordinance (Cap.571, laws of Hong Kong) ("SFO") and the Model Code as contained in Appendix 10 to the Listing Rules were not applicable to the directors and chief executives of the Company.

As at 26 October 2010, being the date of this interim report, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Nature of interest	Total number of Shares held *(Note 1)*	Approximate percentage of interest in the Company
Mr. Xiang Jie	Interest in controlled corporation	415,274,180 *(L) (Note 2)*	30.4%
Mr. Gong Renyuan	Beneficial owner	18,000,000 *(L)*	1.3%
Mr. Yue Zhoumin	Beneficial owner	4,000,000 *(L)*	0.3%
Mr. Huang Xiangqian	Beneficial owner	6,000,000 *(L)*	0.4%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

2. These 415,274,180 Shares are held by Max Vision Holdings Limited ("Max Vision"), which in turn is wholly and beneficially owned by Mr. Xiang. Mr. Xiang is deemed under the SFO to be interested in 415,274,180 Shares held by Max Vision.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2010 and up to the date of this interim report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, being the reporting date of the interim period, and prior to the Listing, Section 336 of the SFO was not applicable to the substantial shareholders.

As at 26 October 2010, being the date of this interim report, to the best knowledge of the Directors, the records of interest (being 5% or more of the issued share capital of the Company, other than the Directors or the chief executives of the Company) as registered in the register kept by the Company under section 336 of the SFO were as follows:

Long positions in the Shares and underlying shares of the Company

Name of entity	Nature of interest	Total number of securities held(Note 1)	Approximate percentage of interest in the company concerned
Max Vision Holdings Limited	Beneficial owner	415,274,180(L)	30.4%
Meng Fankun	Interest of spouse	415,274,180(L)(Note 2)	30.4%
NewMargin Growth Fund L.P.	Beneficial owner	200,000,000(L)	14.6%
Common Goal Holdings Limited ("Common Goal")	Beneficial owner	89,570,000(L)	6.6%
Peregrine Greater China Capital Appreciation Fund, L.P. ("Peregrine Greater China")	Interest in controlled corporation	89,570,000(L)(Note 3)	6.6%
Bull Capital Partners GP Limited ("Bull Capital")	Interest in controlled corporation	89,570,000(L)(Note 4)	6.6%

Notes:

1. The letter "L" denotes the entity's long position in the securities.

2. Madam Meng Fankun, the spouse of Mr. Xiang Jie, is deemed under the SFO to be interested in 415,274,180 Shares in which Mr. Xiang Jie is deemed to be interested.

3. Peregrine Greater China holds 100% equity interest in Common Goal. As such, it is deemed to be interested in 89,570,000 Shares held by Common Goal.

4. Bull Capital is the General Partner of Peregrine Greater China and holds 6.49% of its equity interest. As such, Bull Capital is deemed to be interested in 89,570,000 Shares held indirectly by Peregrine Greater China in Common Goal.

OTHER INFORMATION

SHARE OPTION SCHEME

The terms of the Share Option Scheme were disclosed in the section headed "Share Option Scheme" in Appendix VI to the Prospectus of the Company dated 30 September 2010.

The Company adopted the Share Option Scheme on 23 September 2010 and it became effective on 13 October 2010. The purpose of the Share Option Scheme is to enable the Group to grant options to the Eligible Participants (as defined in the section headed "Share Option Scheme" in the Prospectus) as rewards or incentives for their contribution to the Group.

The Board may, at its absolute discretion, offer an option to Eligible Participants to subscribe for the shares at an exercise price and subject to the other terms of the Share Option Scheme. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 136,604,000 Shares of the Company, being 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each Eligible Participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 23 September 2010. Under the Share Option Scheme, each option has a 10-year exercise period. As at the date of this interim report, no option has been granted under the Share Option Scheme.

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.

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 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.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 19 August 2010, whose primary duties are to evaluate and make recommendations to the Board regarding the compensation of the Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of senior management of the Group. The current members of the remuneration committee are Mr. Wong Kun Kau (chairman), Mr. Wang Yi and Mr. Li Fengling.

NOMINATION COMMITTEE

The Company established a nomination committee on 19 August 2010 to make recommendations to the Board regarding candidates to fill vacancies on the board of directors. The current members of the nomination committee are Mr. Li Fengling (chairman), Mr. Gong Renyuan and Mr. Chen Shimin.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In the six months ended 30 June 2010 and up to the date of this report, there were no changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

Deloitte.
德勤

TO THE DIRECTORS OF SUN.KING POWER ELECTRONICS GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the combined financial statements of Sun.King Power Electronics Group Limited (the "Company") and Sunking Pacific Limited and its subsidiaries which became the subsidiaries of the Company on 23 September 2010 set out on pages 20 to 75, which comprise the combined statement of financial position as at 30 June 2010, and the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2010, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the combined financial information

The directors of the Company are responsible for the preparation of these combined financial statements in accordance with the basis of presentation set out in note 1 to the combined financial statements and significant accounting policies set out in note 3 to the combined financial statements which conform with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the combined financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements for six months ended 30 June 2010 have been properly prepared in accordance with the basis of presentation set out in note 1 to the combined financial statements and significant accounting policies set out in note 3 to the combined financial statements which conform with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to the fact that the corresponding figures set out in the combined statement of comprehensive income, combined statement of changes in equity, combined statement of cash flows and the related notes for the six months ended 30 June 2009 have not been audited.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 October 2010

COMBINED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2010	2009
	Notes	**RMB'000**	RMB'000
			(Unaudited)
Revenue	*6*	**130,270**	81,920
Cost of sales	*7*	**(96,651)**	(49,579)
Gross profit		**33,619**	32,341
Investment income	*8*	**156**	49
Other gains and losses	*9*	**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	*10*	**12,339**	17,815
Income tax expense	*12*	**(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	*13*	**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	*14*	**107,142**	91,570
Prepaid lease payments – non-current	*15*	**16,836**	17,016
Intangible asset	*16*	**407**	440
Club membership	*17*	**980**	–
TOTAL NON-CURRENT ASSETS		**125,365**	109,026
CURRENT ASSETS			
Inventories	*18*	**45,016**	20,137
Trade and other receivables	*19*	**223,230**	161,035
Amount due from a related party	*20*	**1,738**	40
Deposits and prepayments		**9,853**	2,946
Other financial assets	*21*	**2,568**	1,295
Prepaid lease payments – current	*15*	**360**	360
Pledged bank deposits	*22*	**11,805**	4,237
Bank balances and cash	*22*	**40,330**	38,946
TOTAL CURRENT ASSETS		**334,900**	228,996
TOTAL ASSETS		**460,265**	338,022

(Continued)

COMBINED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
CURRENT LIABILITIES			
Trade and other payables	*23*	**63,950**	61,240
Tax liabilities		**7,722**	10,403
Short-term bank loans	*24*	**127,389**	20,000
Amount due to a shareholder	*25*	**12,335**	7,481
Deferred income	*26*	**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	*27*	**2,687**	3,088
Total net assets		**242,467**	232,000
CAPITAL AND RESERVES			
Share capital	*28*	**–**	–
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

The combined financial statements on pages 20 to 75 were approved and authorised for issue by the Board of Directors on 26 October 2010 and are signed on its behalf by:

Xiang Jie	**Yue Zhoumin**
Director	*Director*

COMBINED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company						
	Share capital RMB'000	**Deemed contribution** RMB'000	**Other reserve** RMB'000	**(Accumulated losses) retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
Balance at 1 January 2009	–	5,779	131,221	(21,688)	115,312	–	115,312
Profit and total comprehensive income for the year	–	–	–	38,850	38,850	–	38,850
Contribution from owners *(Note a)*	–	–	75,146	–	75,146	–	75,146
Recognition of equity-settled share-based payment *(Note b)*	–	2,692	–	–	2,692	–	2,692
Balance at 31 December 2009	–	8,471	206,367	17,162	232,000	–	232,000
Profit and total comprehensive income for the period	–	–	–	7,340	7,340	–	7,340
Capital contribution from non-controlling shareholders *(Note c)*	–	–	–	–	–	1,500	1,500
Recognition of equity-settled share-based payment *(Note b)*	–	1,627	–	–	1,627	–	1,627
Balance at 30 June 2010	**–**	**10,098**	**206,367**	**24,502**	**240,967**	**1,500**	**242,467**
UNAUDITED							
Balance at 1 January 2009	–	5,779	131,221	(21,688)	115,312	–	115,312
Profit and total comprehensive income for the period	–	–	–	14,092	14,092	–	14,092
Contribution from owners *(Note a)*	–	–	54,660	–	54,660	–	54,660
Recognition of equity-settled share-based payment *(Note b)*	–	892	–	–	892	–	892
Balance at 30 June 2009	–	6,671	185,881	(7,596)	184,956	–	184,956

Notes:

(a) On 15 June 2009 and 28 September 2009, Sun.King Group Ltd. (賽晶集團有限公司), formerly known as Sunking Group Ltd. ("Sunking BVI") waived loans of RMB54,660,000 and RMB20,486,000 advanced to Sunking Pacific Limited, respectively.

(b) During the six months ended 30 June 2010 and the year ended 31 December 2009, share-based payment expense incurred and recognized by the Group was settled by the issuance of equity by Sunking BVI without charging the Group. As a result, the amounts involved are treated as deemed contribution from shareholder of the Company.

(c) On 29 March 2010, Jiashan Sunking Converter Technology Co., Ltd. ("Jiashan Converter Technology") was established as a limited liability company under the laws of the PRC with the registered capital of RMB10,000,000. Jiashan Sunking Power Equipment Technology Co., Ltd. ("Jiashan Sunking") owns 65% of the equity interest in Jiashan Converter Technology and two non-controlling shareholders own the 20% and 15% of the equity interest in Jiashan Converter Technology, respectively. As at 31 May 2010, Jiashan Sunking has contributed the registered capital of RMB6,500,000 and one of the non-controlling shareholders has contributed the registered capital of RMB1,500,000 to Jiashan Converter Technology.

COMBINED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(Unaudited)
Operating activities:		
Profit before tax	**12,339**	17,815
Adjustments for:		
Finance costs	**1,832**	468
Investment income	**(156)**	(49)
Depreciation and amortisation of non-current assets	**2,329**	1,056
Allowance for doubtful debts	**1,535**	–
Release of prepaid lease payment	**180**	180
Amortisation of deferred income	**(95)**	–
Net unrealised foreign exchange gain	**(1,241)**	(104)
Fair value (gain) loss on financial assets at fair value through profit or loss	**(2,519)**	2,284
Share-based compensation expenses	**1,627**	892
Operating cash flow before movements in working capital	**15,831**	22,542
Increase in inventories	**(24,879)**	(14,682)
Increase in trade and other receivables	**(63,730)**	(9,023)
Decrease in deposits and prepayments	**1,691**	1,074
(Decrease) increase in trade and other payables	**(1,715)**	5,720
Decrease (increase) in other financial assets	**1,246**	(224)
Increase in amount due to a shareholder	**2,298**	–
Cash (used in) generated by operations	**(69,258)**	5,407
Income taxes paid	**(8,081)**	(78)
Interest paid	**(1,832)**	(468)
Net cash (used in) generated by operating activities	**(79,171)**	4,861

(Continued)

COMBINED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(Unaudited)
Investing activities:		
Increase in pledged bank deposits	**(7,568)**	(564)
Interest received	**156**	49
Payments for acquisition of property, plant and equipment	**(17,206)**	(34,800)
Payments for acquisition of intangible assets	**(22)**	(147)
Payments for acquisition of club membership	**(980)**	–
Advance to a related party	**(1,698)**	(205)
Repayment from a related party	**–**	1,303
Net cash used in investing activities	**(27,318)**	(34,364)
Financing activities:		
Proceeds from short-term bank loans	**121,889**	33,000
Repayment of short-term bank loans	**(14,500)**	(9,500)
Advance from a shareholder	**–**	330
Repayment to a shareholder	**(1,460)**	(375)
Proceeds from capital contribution	**–**	54,660
Capital contributed from non-controlling shareholders	**1,500**	–
Net cash generated by financing activities	**107,429**	78,115
Net increase in cash and cash equivalents	**940**	48,612
Cash and cash equivalents at the beginning of the financial period	**38,946**	20,649
Effects of exchange rate changes on the balance of cash held in foreign currencies	**444**	8
Cash and cash equivalents at the end of the financial period	**40,330**	69,269

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 an investment 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 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 and its subsidiaries on 23 September 2010 (collectively referred to as the "Group") 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, the combined statement of cash flows and combined statement of changes in equity which are 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 comparative amounts for the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows in respect of the six months ended 30 June 2009 and related notes disclosed in the combined financial statements have not been audited.

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS *(continued)*

The direct and indirect interests in the following subsidiaries held by the Company upon the completion of the Group Reorganisation are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group As at 31 December 2009	Attributable equity interest of the Group As at 30 June 2010	Principal activities
Sunking Pacific Limited 賽晶亞太有限公司 ("Sunking Pacific")	Hong Kong 30 January 2008	HK$1	100%	**100%**	Investment holding
Beijing Sunking Electronic Technology Co., Ltd. 北京華瑞賽晶電子科技有限公司 ("Beijing Sunking")[1]	The People's Republic of China (the "PRC") 5 June 2002 as a domestic limited liability company	RMB1,000,000	100%	**100%**	Trading agent for various products and technologies
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")	PRC 13 September 2004 as a wholly-foreign owned enterprise	US$12,500,000	100%	**100%**	Sale, research and development, after sales service and production of electrical/ electronic component and installation, including Insulated Gate Bipolar Transistor ("IGBT")
Tianjin Sunking Xinglu Water Technology Co., Ltd. 天津市華瑞賽晶興路水科技有限公司 ("Tianjin Sunking")	PRC 12 January 2000 as a domestic limited liability company	RMB5,000,000	100%	**100%**	Environmental machinery, electronic facilities, new type of purification and water facilities, technology advisory, technology transfer, technology service, sale and distribution production of environmental machinery
Wuxi Sunking Power Capacitor Co., Ltd. 無錫賽晶電力電容器有限公司 ("Wuxi Sunking")	PRC 4 May 2008 as a wholly-foreign owned enterprise	US$15,000,000	100%	**100%**	Production of electrical capacitors and its complete device, amorphous alloy transformer, DC current anode saturable dry-type reactors, FM voltage AC traction device; trading agent of various products and technologies
Jiangsu Sunking Power Equipment Co., Ltd. 江蘇賽晶電氣設備有限公司 ("Jiangsu Sunking")	PRC 5 November 2008 Limited liability company	RMB20,000,000	100%	**100%**	Manufacture and sale of capacitor
Jiashan Sunking Converter Technology Co., Ltd. 嘉善華瑞賽晶變流技術有限公司 ("Jiashan Converter Technology")	PRC 29 March 2010 Limited liability company	RMB8,000,000	–	**65%**	Manufacture and sale of transformers, capacitors and their ancillary equipments, electricity switch control equipments, power electronic components, and other power transmission and distribution and control equipments, and research and development of the aforesaid products

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS *(continued)*

Notes:

(1) The Group has the control and the beneficial economic interests in Beijing Sunking through a series of arrangements as detailed below.

From the date of the establishment of Beijing Sunking, Mr. Xiang owns 90% equity interest in Beijing Sunking. An independent third party, Mr. Xu Nanping, owns the remaining 10% equity interest in Beijing Sunking.

On 10 April 2008, Jiashan Sunking, a wholly-owned subsidiary of the Company, entered into a series of agreements with Beijing Sunking, Mr. Xiang and Mr. Xu Nanping (the "Agreements"). The key provisions of the Agreements are as follows:

Exclusive Equity Transfer Call Agreements. Jiashan Sunking, Mr. Xiang and Mr. Xu Nanping irrevocably agreed that, at Jiashan Sunking's sole discretion, Jiashan Sunking will be entitled to acquire all or part of the equity interests in Beijing Sunking to the extent as permitted by the then-effective PRC laws and regulations. The consideration for such acquisition will be the minimum amount as permitted by PRC law. Mr. Xiang and Mr. Xu Nanping have also agreed that they will not enter into any transaction, or fail to take any action, that would substantially affect the assets, liabilities, equity or operations of Beijing Sunking without Jiashan Sunking's prior written consent.

Exclusive Technical Service and Consultancy Agreement. Jiashan Sunking agreed to provide Beijing Sunking with technical consulting and related services. Jiashan Sunking is the exclusive provider of these services. In consideration for those services, Beijing Sunking agrees to pay service fees to Jiashan Sunking, which represents substantially all of the economic benefit from Beijing Sunking's operation.

Equity Pledge Agreements. To secure the full performance of their respective obligations under the Exclusive Technical Service and Consultancy Agreement and the Exclusive Equity Transfer Call Agreement, Mr. Xiang and Mr. Xu Nanping agreed to pledge all of their equity interests in Beijing Sunking to Jiashan Sunking. In the event of a breach of any term in the above agreements by either Mr. Xiang and Mr. Xu Nanping, Jiashan Sunking will be entitled to enforce its pledge rights over such pledged equity interests to compensate for any and all losses suffered from such breach.

The directors of the Company, after consulting legal opinion, are of the view that the terms of the Agreements have in substance enable Jiashan Sunking to obtain control over, and the entire beneficial economic interests in, Beijing Sunking without getting formal legal equity interest in Beijing Sunking (the "Arrangements").

Accordingly, Beijing Sunking is accounted for as a subsidiary of the Company throughout the reporting period as it and other companies comprising the Group were under the common control of Mr. Xiang. The assets, liabilities and results of Beijing Sunking are included in the combined financial statements of the Group as if the Company has always been the parent of Beijing Sunking. The 10% equity interest in Beijing Sunking attributable to Mr. Xu Nanping prior to the Arrangements is treated as non-controlling interests.

On 10 April 2010, the entire equity interest in Beijing Sunking was transferred from Mr. Xiang and Mr. Xu Nanping to Jiashan Sunking for a total consideration of RMB1,905,000. Among the total consideration, RMB190,000 was returned from Mr. Xu Nanping on 27 May 2010 and the remaining RMB1,715,000 was recorded as receivables from Mr. Xiang as at 30 June 2010.

The combined financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its principal subsidiaries operate (the functional currency of the Company and its principal subsidiaries).

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

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 report, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared on the historical cost convention except for certain financial instruments which are measured at fair value and in accordance with the accounting policies set out below which are in conformity with IFRSs. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The combined financial statements incorporated the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the combined statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated on combination.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. From 1 January 2010, total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of combination *(continued)*

Changes in the Group's ownership interests in existing subsidiaries *(continued)*

Changes in the Group's ownership interests in existing subsidiaries after 1 January 2010

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Merger accounting for business combinations under common control

The business combinations under common control are accounted for in accordance with merger accounting. In applying merger accounting, the combined financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling parties' interest.

The statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations other than common control combinations

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combinations on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Revised) are recognised at their fair values, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations other than common control combinations *(continued)*

Business combinations on or after 1 January 2010 *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations other than common control combinations *(continued)*

Business combinations on or after 1 January 2010 *(continued)*

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the combined statements of comprehensive income in the period in which the item is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments

Upfront prepayments made for the land use rights and leasehold land under operating lease are initially recognised on the statements of financial position as lease prepayments and are amortised to the statements of comprehensive income on a straight-line basis over the periods of the respective lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the combined statements of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group without future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement.

Retirement benefit costs

Payments to state-managed retirement benefit scheme is charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the combined statements of compressive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below), if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Impairment losses on tangible and intangible assets

At the end of the period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group include financial assets held for trading.

At the end of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related party, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method *(continued)*

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a shareholder and short-term bank loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Ordinary shares of Sunking BVI granted to employees of the Group

The fair value of services received determined by reference to the fair value of ordinary shares of Sunking BVI granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the ordinary shares granted vest immediately, with a corresponding increase in equity (deemed contribution).

At the end of reporting period, the Group revises its estimates of the number of ordinary shares of Sunking BVI granted that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to deemed contribution.

At the time when the ordinary shares of Sunking BVI granted are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

Ordinary shares of Sunking BVI granted to consultants of the Group

Ordinary shares of Sunking BVI issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the ordinary shares of Sunking BVI granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (deemed contribution), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables

When there is objective evidence of impairment of trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2010 and 31 December 2009, the carrying amounts of trade receivables were approximately RMB171,206,000 and RMB124,852,000, respectively.

Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down of inventories in that period. As at 30 June 2010 and 31 December 2009, the carrying amount of inventories was approximately RMB45,016,000 and RMB20,137,000 respectively.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the reporting period.

The capital structure of the Group consists of debt (which includes the short-term bank loans) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits/(loss), as disclosed in the combined financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as raising of borrowings.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Financial assets		
Foreign exchange forward contracts at FVTPL	**2,568**	1,295
Loan and receivables (including cash and cash equivalents)	**269,721**	200,516
Financial liabilities		
Amortised cost	**195,468**	77,971

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, other financial assets, amount due from a related party, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a shareholder and short-term bank loans. Details of these financial instruments are disclosed in respective notes.

The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

The primary economic environment which most of the principal subsidiaries of the Company operate is the PRC and their functional currency is RMB. However, amount due to a shareholder and certain purchases of the Group are denominated in Swiss Franc ("CHF"), United States Dollars ("US$"), Euro ("EUR") and Hong Kong Dollars ("HK$"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk management *(continued)*

The carrying amount of the foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Assets		
US$	**17,811**	247
CHF	**9,767**	4,202
EUR	**48**	–
Liabilities		
US$	**(919)**	(778)
EUR	**(1,444)**	(1,097)
CHF	**(48,053)**	(36,764)
HK$	**(5,390)**	–

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% change in RMB against US$, EUR, CHF and HK$. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items excluding foreign currency forward contracts and adjusts their value at the end of each reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit for the period/year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the period/year.

	Six months ended 30 June 2010 RMB'000	Year ended 31 December 2009 RMB'000
US$ impact	**845**	(27)
EUR impact	**(70)**	(55)
CHF impact	**(1,914)**	(1,628)
HK$ impact	**(270)**	–

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk management *(continued)*

Foreign currency sensitivity analysis *(continued)*

In addition, the Group also reduced its CHF exposure against RMB by using exchange forward contracts in order to increase its foreign exchange visibility and limit losses. The carrying amounts of outstanding foreign currency forward contracts are as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Foreign currency forward contracts to purchase CHF using RMB *(see note 21)*	**2,568**	1,295

The following table details the Group's sensitivity to a 5% change in RMB against CHF due to the foreign currency forward contracts. The sensitivity analysis includes only outstanding foreign currency forward contracts and adjusts their fair value at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the period/year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the period/year.

	Six months ended 30 June 2010 RMB'000	Year ended 31 December 2009 RMB'000
Foreign currency forward contracts impact	**2,069**	702

Interest rate risk management

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 their exposure to changes in fair values of the 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. Therefore, no sensitivity analysis has been presented.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of the period.

In order to minimise the credit risk, the management of the Group have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in respect of bank balances. Approximately 92% and 89% of the bank balances as at 30 June 2010 and 31 December 2009, respectively, were deposited at three major banks; the credit risk on these liquid funds is limited because the counterparties are state-owned banks located in the PRC.

The Group has concentration of credit risk in respect of note receivables. Approximately 53% and 35% of the note receivables balances were issued by three major banks as at 30 June 2010 and 31 December 2009, respectively. The credit risk on note receivables is limited because the counterparties are state-owned banks located in the PRC.

Certain trade accounts receivable ("TAR") individually accounted for more than 10% of the Group's total trade accounts receivable as at the end of each reporting period. Their amounts and percentage to total trade accounts receivable as at the end of period/year are as follows:

	At 30 June 2010		At 31 December 2009	
	TAR		TAR	
Customer	**RMB'000**	**%**	RMB'000	%
A	**88,231**	**52**	54,322	44
B	**26,017**	**15**	13,536	11

The Group has concentration of credit risk as 67% and 55% as at 30 June 2010 and 31 December 2009 of the total trade receivables was due from two customers. In order to minimise the credit risk of these major customers, the management of the Group determines the credit limits and credit approvals, and monitors follow-up action to recover over-due balances. As for the customer A and customer B, both of them are reputable state-owned enterprises. In addition to the normal credit review and follow-up procedures on over-due balances, the management of the Group monitors their financial positions periodically to ensure the recoverability is not impaired.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows.

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 30 June 2010 RMB'000
30 June 2010						
Non-derivative financial liabilities						
Trade and other payables	N/A	34,961	20,783	–	55,744	55,744
Amount due to a shareholder	N/A	12,335	–	–	12,335	12,335
Short-term bank loans	4.65	90,867	2,974	39,477	133,318	127,389
		138,163	23,757	39,477	201,397	195,468

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2009 RMB'000
31 December 2009						
Non-derivative financial liabilities						
Trade and other payables	N/A	22,441	28,049	–	50,490	50,490
Amount due to a shareholder	N/A	7,481	–	–	7,481	7,481
Short-term bank loans	5.31	89	177	20,441	20,707	20,000
		30,011	28,226	20,441	78,678	77,971

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Fair value

The fair value of the Group's financial assets and financial liabilities at amortised costs are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Foreign currency forward contracts as detailed in note 21 are measured using inputs of quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

	Level 2 RMB'000
At 30 June 2010	
Financial assets at FVTPL	
Derivative financial assets	**2,568**
At 31 December 2009	
Financial assets at FVTPL	
Derivative financial assets	1,295

There were no transfers between Level 1 and 2 during the six months ended 30 June 2010 and the year ended 31 December 2009.

6. 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, 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 of the Group's revenue from external customers is derived from 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 turnover	**130,270**	81,920

6. REVENUE AND SEGMENT INFORMATION *(continued)*

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	
	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

7. 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 each of 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.

7. COST OF SALES AND PURCHASES *(continued)*

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

8. INVESTMENT INCOME

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

9. 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)

10. 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 11)*	**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.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors of the Company for the six months ended 30 June 2010 and 2009 were as follows:

	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

	Basic salaries	**Share-based and other benefits**	**Retirement benefit scheme contribution**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Directors				
For the six months ended 30 June 2010				
Mr. Xiang	**78**	**369**	**29**	**476**
Mr. Gong Ren Yuan	**72**	**–**	**27**	**99**
Mr. Yue Zhou Min	**51**	**104**	**22**	**177**
Mr. Huang Xiang Qian	**100**	**114**	**20**	**234**
	301	**587**	**98**	**986**
For the six months ended 30 June 2009 (Unaudited)				
Mr. Xiang	59	–	21	80
Mr. Gong Ren Yuan	55	–	20	75
Mr. Yue Zhou Min	34	104	3	141
Mr. Huang Xiang Qian	45	115	21	181
	193	219	65	477

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

The five highest paid individuals included three and two directors of the Company, for each of the six months ended 30 June 2010 and 2009, respectively, details of whose emoluments are set out above. The emoluments of the remaining individuals during the six months ended 30 June 2010 and 2009 were as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(Unaudited)
Employees		
– salaries and other benefits	**109**	130
– share-based payment expense	**229**	289
– retirement benefits scheme contributions	**21**	32
	359	451

During the six months ended 30 June 2010 and 2009, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the six months ended 30 June 2010 and 2009.

The annual emoluments of each of the five highest paid individuals during the reporting period were below HK$1,000,000.

12. INCOME TAX EXPENSE

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

12. INCOME TAX EXPENSE *(continued)*

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 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.

Wuxi Sunking, Jiangsu Sunking, Jiashan Converter Technology and Tianjin Sunking were established in the PRC and have had no assessable profits subject to the PRC EIT since their establishment.

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% *(Note 1)*	**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 *(Note 2)*	**822**	799
Others	**485**	15
Taxation for the period	**4,999**	3,723

12. INCOME TAX EXPENSE *(continued)*

Note 1: The PRC income tax rate for each of the six months ended 30 June 2010 and 2009 was 25%, which represented the applicable income tax rate of Beijing Sunking and Jiashan Sunking which the Group's operations were substantially conducted.

Note 2: Upon the New Tax Law and Implementation Regulations, PRC withholding income tax at the rate of 10% is applicable to dividends to be payable by the Company's PRC operating subsidiaries based on their profits generated from 2008 onwards to investors that are "non-PRC tax resident enterprises", which do not have an establishment or a place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Pursuant to the Double Taxation Arrangement between the PRC and Hong Kong, a company being the Hong Kong tax resident shall be eligible for a reduced withholding tax rate of 5% on dividends where the Hong Kong company directly owns at least 25% of the capital of the PRC company which pays the dividends. Deferred tax liabilities have been provided in the combined financial statements in respect of undistributed retained profits of the PRC entities amounting to RMB16,440,000 and RMB15,980,000 for each of the six months ended 30 June 2010 and 2009, respectively.

13. 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 detailed in Note 34 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2009	6,423	3,730	1,867	2,605	1,177	19,396	35,198
Additions	751	1,286	1,183	771	540	56,401	60,932
Transfer	12,836	1,827	56	–	–	(14,719)	–
Disposals	–	–	(6)	–	(636)	–	(642)
At 31 December 2009	20,010	6,843	3,100	3,376	1,081	61,078	95,488
Additions	–	193	480	519	–	16,654	17,846
Transfer	10,000	25,527	471	–	–	(35,998)	–
At 30 June 2010	**30,010**	**32,563**	**4,051**	**3,895**	**1,081**	**41,734**	**113,334**
DEPRECIATION							
At 1 January 2009	(105)	(276)	(624)	(489)	(771)	–	(2,265)
Provided for the year	(182)	(516)	(467)	(685)	(442)	–	(2,292)
Eliminated on disposals	–	–	3	–	636	–	639
At 31 December 2009	(287)	(792)	(1,088)	(1,174)	(577)	–	(3,918)
Provided for the period	(314)	(947)	(435)	(398)	(180)	–	(2,274)
At 30 June 2010	**(601)**	**(1,739)**	**(1,523)**	**(1,572)**	**(757)**	**–**	**(6,192)**
NET BOOK VALUES							
At 31 December 2009	19,723	6,051	2,012	2,202	504	61,078	91,570
At 30 June 2010	**29,409**	**30,824**	**2,528**	**2,323**	**324**	**41,734**	**107,142**

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation is charged so as to write off the cost of property, plant and equipments, other than construction in progress, over their estimated useful lives using the straight-line method, on the following rates per annum:

Buildings	2.5%
Plant and machinery	10%
Furniture, fixtures and equipments	20-33%
Motor vehicles	25-33%
Leasehold improvement	Over the shorter of the lease term and 5 years

Certain buildings with carrying amount of RMB18,090,000 and RMB16,390,000 as at 30 June 2010 and 31 December 2009 are pledged against short-term bank loans of the Group.

15. PREPAID LEASE PAYMENTS

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
At beginning of period/year	**17,376**	17,781
Adjustment of original costs	**–**	(45)
Charged to combined statement of comprehensive income for the period/year	**(180)**	(360)
At end of period/year	**17,196**	17,376
Less: amount to be amortised within one year	**(360)**	(360)
Non-current portion	**16,836**	17,016

The land use rights are under medium-term lease for a period of 50 years and will expire in 2054 and 2058, which are located in Jiashan and Wuxi, the PRC, respectively. Certain land use rights with carrying amount of RMB17,196,000 and RMB1,730,000 as at 30 June 2010 and 31 December 2009 are pledged against short-term bank loans of the Group.

16. INTANGIBLE ASSET

	Computer software RMB'000
COST	
At 1 January 2009	303
Additions	247
At 31 December 2009	550
Additions	22
At 30 June 2010	**572**
AMORTISATION	
At 1 January 2009	(22)
Amortisation	(88)
At 31 December 2009	(110)
Amortisation	(55)
At 30 June 2010	**(165)**
CARRYING VALUES	
At 31 December 2009	440
At 30 June 2010	**407**

Computer software has definite useful life and is amortised over its estimated useful life of five years.

17. CLUB MEMBERSHIP

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Club membership, at cost	980	–

The above membership in a golf club was subscribed in June 2010 and can be transferred upon the lapse of twenty-four months after the membership became effective.

The club membership was measured at cost less impairment at 30 June 2010.

18. 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

19. 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 amounting to RMB10,068,000 and RMB5,371,000, respectively.

The aging of trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the 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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB76,391,000 and RMB67,052,000 as at 30 June 2010 and 31 December 2009, respectively which are past due at the end of reporting period for which the Group has not provided for impairment loss.

19. TRADE AND OTHER RECEIVABLES *(continued)*

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:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Not yet due	94,815	57,800
Overdue 0-180 days	70,569	63,821
Overdue 181-360 days	5,513	1,358
Overdue >360 days	309	1,873
Total	171,206	124,852

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 positions of the customers periodically through meetings, independent investigation and publicly available information. Considering historical payment records and subsequent settlements, the directors believe that no further allowance is required.

Certain trade receivables with carrying amount of RMB60,762,000 and nil as of 30 June 2010 and 31 December 2009, respectively are pledged against short-term bank loans of the Group.

Movement in the allowance for doubtful debts:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Balance at beginning of the period/year	–	–
Impairment losses recognised on receivables	1,535	–
Amounts written off as uncollectible	(350)	–
Balance at end of the period/year	1,185	–

19. TRADE AND OTHER RECEIVABLES *(continued)*

The credit risk on note receivables is limited because the counterparties are state-owned banks located in the PRC. The aging of note receivables presented based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
0-180 days	33,310	23,725
181-360 days	5,249	5,105
Total	38,559	28,830

Certain note receivables with carrying amount of RMB23,616,000 and nil as of 30 June 2010 and 31 December 2009, respectively are pledged against short-term bank loans of the Group.

20. AMOUNT DUE FROM A RELATED PARTY

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-trading in nature		
Mr. Xiang	1,738	40

The amount due from a related party represents advances which are unsecured, non-interest bearing and to be settled on demand.

	Maximum amount outstanding	
	Six months ended 30 June 2010 RMB'000	Year ended 31 December 2009 RMB'000
Mr. Xiang	1,738	1,851

21. OTHER FINANCIAL ASSETS

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Foreign exchange forward contracts	2,568	1,295

Major terms of the foreign currency forward contracts as at 30 June 2010 and 31 December 2009 are as follows:

Notional amount	Forward contract rates	Maturity
At 30 June 2010		
3 contracts to buy CHF6,565,000 in total	CHF1: RMB5.8865 to 5.9205	From 2 August 2010 to 29 October 2010
At 31 December 2009		
2 contracts to buy CHF2,117,000 in total	CHF1: RMB6.0221	From 1 January 2010 to 29 January 2010

Pursuant to the terms of the foreign exchange forward contracts, the Group is obliged, within the relevant contract period, to buy (at any time during the relevant contract period) CHF at the specified rate (through gross settlement) for the total notional amounts as specified in the contracts.

22. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carried interest at market rates ranging from 0.36% to 1.98% per annum and 0.36% to 1.71% per annum at 30 June 2010 and 31 December 2009, respectively.

The Group's bank balances and cash and pledged bank deposits that were denominated in currencies other than the functional currency of the relevant group entities are set out below:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Bank balance and cash and pledged bank deposits denominated in		
CHF	804	2,878
US$	17,395	247
Total	18,199	3,125

22. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS *(continued)*

Certain bank balances and cash and pledged bank deposits of approximately RMB33,936,000 and RMB40,058,000 at 30 June 2010 and 31 December 2009, respectively were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is controlled by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Pledged bank deposits represent deposits pledged to banks to secure short-term foreign currency forward contracts and letters of credit of the Group and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of the relevant foreign exchange forward contracts and letters of credit.

23. 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
	63,950	61,240

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:

	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 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.

24. SHORT-TERM BANK LOANS

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Secured bank loans	**127,389**	20,000

The bank borrowing are secured (see notes 14, 15 and 19) and the effective interest rates on the Group's fixed-rate bank borrowings are also equal to weighted average contracted interest rates as 4.65% and 5.31% per annum at 30 June 2010 and 31 December 2009, respectively. All the Group's bank loans have contractual maturity within one year from the end of the reporting period.

25. AMOUNT DUE TO A SHAREHOLDER

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-trading in nature		
Sunking BVI	**12,335**	7,481

The amount due to a shareholder represented loan provided by a shareholder, which was unsecured, non-interest bearing and repayable on demand. During the six months ended 30 June 2010, Sunking BVI paid certain legal and professional fees on behalf of the Company in advance.

26. DEFERRED INCOME

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Government grants	**3,715**	3,810

In 2009, the Group received a government subsidy of RMB3,810,000 to compensate the purchase cost of its machineries. The amount is treated as deferred income and amortised to income over the useful lives of related assets once the machineries are ready for their intended use by the management and depreciation commences. A credit to income of RMB95,000 and nil has been recognised for the six months ended 30 June 2010 and the year ended 31 December 2009, respectively.

27. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon for the year ended 31 December 2009 and the six months ended 30 June 2010:

	Unrealised foreign exchange forward contract gains RMB'000	Pre-operating expense RMB'000	Unrealised profit RMB'000	Bad debt provision RMB'000	Accrued expenses RMB'000	Withholding tax on undistributed profit of subsidiaries RMB'000	Total RMB'000
At 1 January 2009	(1,165)	73	–	–	43	(687)	(1,736)
Credited to combined statement of comprehensive income for the year	841	(19)	–	–	28	(2,202)	(1,352)
At 31 December 2009	(324)	54	–	–	71	(2,889)	(3,088)
Credited to combined statement of comprehensive income for the period	(54)	(11)	169	125	81	(822)	(512)
Eliminated on distribution of profit of subsidiaries	–	–	–	–	–	913	913
At 30 June 2010	**(378)**	**43**	**169**	**125**	**152**	**(2,798)**	**(2,687)**

For the purposes of presentation in the combined statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial report presentation purposes.

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Deferred tax assets	–	–
Deferred tax liabilities	2,687	3,088

27. DEFERRED TAX *(continued)*

The deferred tax balances have reflected the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

The Group has unused tax losses of RMB7,644,000 and RMB4,466,000 as at 30 June 2010 and 31 December 2009, respectively and available to offset against future profits that may be carried forward accordingly. In respect of the tax losses as at 31 December 2009, tax losses of RMB1,952,000 will expire by 2013 and RMB2,514,000 will expire by 2014. In respect of the tax losses as of 30 June 2010, tax losses of RMB1,952,000 will expire by 2013, RMB2,514,000 will expire by 2014 and RMB3,178,000 will expire by 2015. Other deductible temporary differences not recognised as deferred tax assets are deferred income and amounted to RMB3,715,000 and RMB3,810,000 as at 30 June 2010 and 31 December 2009, respectively. No deferred tax asset has been recognised in respect of the tax losses and deferred income due to the unpredictability of future profit streams.

28. SHARE CAPITAL

The share capital of the Group at 31 December 2009 represented the issued and fully paid capital of the ordinary shares of Sunking Pacific, the then holding company of the group entities.

The share capital of the Group at 30 June 2010 represented the issued and fully paid capital of the ordinary shares of Sunking Pacific and the Company.

	Sunking Pacific		**The Company**		**Total**
	Number of shares	**Amount** HK$'000	**Number of shares**	**Amount** HK$'000	**Amount** HK$'000
Authorised:					
On 31 January 2008, date of incorporation of Sunking Pacific and at 31 December 2009	10,000	10	–	–	
On 19 March 2010, date of incorporation of the Company	–	–	3,800,000	380	
At 30 June 2010	**10,000**	**10**	**3,800,000**	**380**	
Issued and fully paid:					
Issued on 31 January 2008, date of incorporation of Sunking Pacific and at 31 December 2009	1	–	–	–	–
Issued on 19 March 2010, date of incorporation of the Company	–	–	1	–	–
At 30 June 2010	**1**	**–**	**1**	**–**	**–**

	RMB'000
Presented as	–

29. SHARE-BASED PAYMENTS TRANSACTIONS

A share award scheme (the "Scheme") was adopted by Sunking BVI for the primary purpose of providing incentives to officers, directors, consultants and employees of Sunking BVI and its subsidiaries. Under the Scheme, Sunking BVI may issue up to 6,000,000 ordinary shares to officers, directors, consultants and employees including the ordinary shares granted to the consultants and employees of the Group.

Ordinary shares of Sunking BVI granted to consultants of the Group

During the year ended 31 December 2009 and the six months ended 30 June 2010, a total of 200,000 ordinary shares of Sunking BVI were granted and issued to consultants of the Group in the capacity of independent service providers.

Details of ordinary shares of Sunking BVI granted to consultants of the Group are as follows:

Grant Series	**Date of grant**	**Vesting date**	**Number of shares granted**	**Fair value per share at grant date** RMB
2009	01/07/2009	01/07/2009	150,000	5.74
2010	18/01/2010	18/01/2010	50,000	7.10

In accordance with the terms of the share-based arrangements, ordinary shares of Sunking BVI granted in the above table were vested upon the completion of the services provided by the consultants in the capacity of independent service providers.

The following table discloses movements of Sunking BVI's unvested ordinary shares granted to consultants during the year ended 31 December 2009 and the six months ended 30 June 2010.

	2009	**2010**	Total
Unvested shares at 1 January 2009	–	**–**	–
Granted	150,000	**–**	150,000
Vested	(150,000)	**–**	(150,000)
Unvested shares at 31 December 2009	–	**–**	–
Granted	–	**50,000**	50,000
Vested	–	**(50,000)**	(50,000)
Unvested shares at 30 June 2010	–	**–**	–

As the fair value of the service provided by consultants could not be estimated reliably, the Company measured the service received by reference to the fair value of the ordinary shares of Sunking BVI granted at the date of grant. The expense recognised in respect of the above share award was RMB355,000 and nil for each of the six months ended 30 June 2010 and 2009 and have been included in administrative and general expenses.

29. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Ordinary shares of Sunking BVI granted to employees of the Group

During the year ended 31 December 2009 and the six months ended 30 June 2010, 543,709 ordinary shares of Sunking BVI were granted to employees of the Group.

Details of ordinary shares of Sunking BVI granted to employees of the Group are as follows:

Grant series	**Date of grant**	**Vesting period**	**Number of shares granted**	**Fair value per share at grant date** RMB
2008	01/04/2008	01/04/2008~31/03/2012	2,059,000	3.06
2009A	01/01/2009	01/01/2009~31/12/2012	200,000	4.15
2009B	01/07/2009	01/07/2009~30/06/2012	110,000	5.74
2010	01/01/2010	01/01/2010~31/03/2012	233,709	7.10

The following table discloses movements of the unvested ordinary shares of Sunking BVI granted to employees during the year ended 31 December 2009 and the six months ended 30 June 2010.

	2008	2009A	2009B	**2010**	Total
Unvested shares at 1 January 2009	2,059,000	–	–	**–**	2,059,000
Granted	–	200,000	110,000	**–**	310,000
Vested	(881,853)	(50,000)	(10,909)	**–**	(942,762)
Forfeited *(Note)*	(142,709)	–	–	**–**	(142,709)
Unvested shares at 31 December 2009	1,034,438	150,000	99,091	**–**	1,283,529
Granted	–	–	–	**233,709**	233,709
Vested	(229,875)	(25,000)	(10,909)	**(51,935)**	(317,719)
Unvested shares at 30 June 2010	804,563	125,000	88,182	**181,774**	1,199,519

Note: The unvested ordinary shares were forfeited when the employments were terminated.

29. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Ordinary shares of Sunking BVI granted to employees of the Group *(continued)*

The expense recognised in respect of the above share award was RMB1,272,000 and RMB892,000 for each of the six months ended 30 June 2010 and 2009 and have been included in the profit or loss as follow:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(Unaudited)
Cost of sales	**130**	169
Distribution and selling expenses	**103**	127
Administrative and general expenses	**1,039**	596
Total	**1,272**	892

The fair value of ordinary shares of Sunking BVI is determined by using the weighted average of income approach and market approach. Five benchmark dates were selected to evaluate the fair value of ordinary shares of Sunking BVI that are used to calculate share-based compensation for the above shares awards.

Inputs into the share pricing model are as follows:

			Type		
	01/04/2008	**01/01/2009**	**01/07/2009**	**01/01/2010**	**18/01/2010**
Marketability discount	25.0%	25.0%	17.5%	14.0%	14.0%
Weighted average capital cost	18.5%	18.5%	19.0%	18.0%	18.0%
Income approach percentage	75.0%	75.0%	50.0%	50.0%	50.0%

30. OPERATING LEASES

	Six months ended 30 June 2010 RMB'000	2009 RMB'000 (Unaudited)
Minimum lease payments paid under operating leases during the period	**1,096**	1,062

Operating lease payments represented rentals payable by the Group for certain of its office premises.

At the end of the reporting period, the Group had commitments for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within one year	**934**	1,681
In the second to fifth year inclusive	**524**	873
Total	**1,458**	2,554

Leases are negotiated for an average term from one to three years.

31. CAPITAL COMMITMENTS

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the combined financial statements	**7,576**	12,959
Capital expenditure in respect of the acquisition of equity interest in a joint venture contracted for but not provided in the combined financial statements	**5,000**	–

32. RETIREMENT BENEFITS SCHEME

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute 15% to 20% of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

During the six months ended 30 June 2010 and 2009, the total amounts contributed by the Group to the scheme and charged to the combined statements of comprehensive income represent contribution payable to the scheme by the Group at rates specified in the rules of the schemes and are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(Unaudited)
Amount contributed and charged to the combined statements of comprehensive income	**908**	439

As at 30 June 2010 and 31 December 2009, the contributions due in respect of each period/year that had not been paid over to the scheme were RMB53,000 and RMB4,000, respectively.

33. RELATED PARTY TRANSACTIONS

The Group's related party transactions are disclosed in notes 20, 25 and 29 during the reporting period.

The remuneration of directors and other members of key management during the six months ended 30 June 2010 and 2009 were as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(Unaudited)
Short-term benefits	**780**	626
Post-employment benefits	**205**	176
Share-based payments	**1,191**	773
	2,176	1,575

The remuneration of key management is determined with reference to the performance of individuals and market trends.

34. 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 into the registered capital of Shanghai Lang Zhi De. On 6 July 2010, the above-said equity investments of RMB5,000,000 by the Group completed. The Group accounted for its equity investment in Shanghai Lang Zhi De as investment in an associate.

(2) Pursuant to the articles of association of the Group's subsidiary 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 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 Stated-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 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 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.

(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 pursuant to the Global Offering, the Directors of the Company 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 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).

Deloitte.
德勤

TO THE DIRECTORS OF SUN.KING POWER ELECTRONICS GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Sun.King Power Electronics Group Limited (the "Company") set out on pages 78 to 88, which comprise the statement of financial position as at 30 June 2010, and the statement of comprehensive income and statement of changes in equity for the period from 19 March 2010 (date of incorporation) to 30 June 2010, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and the true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of its loss for the period from 19 March 2010 (date of incorporation) to 30 June 2010 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 October 2010

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period from 19 March 2010 (date of incorporation) to 30 June 2010 RMB'000
Legal and professional fees and loss before tax	5	(3,113)
Income tax expense		–
Loss for the period and total comprehensive expenses for the period		(3,113)
Attributable to:		
Owners of the Company		(3,113)

STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2010 RMB'000
CURRENT ASSETS		
Deposits and prepayments		8,741
CURRENT LIABILITIES		
Other payables	6	5,397
Amount due to a shareholder	7	6,457
		11,854
NET CURRENT LIABILITIES		(3,113)
CAPITAL AND RESERVE		
Share capital	8	–
Accumulated losses		(3,113)
Equity attributable to owners of the Company		(3,113)
TOTAL EQUITY		(3,113)

The financial statements on pages 78 to 88 were approved and authorised for issue by the Board of Directors on 26 October 2010 and are signed on its behalf by:

Xiang Jie
Director

Yue Zhoumin
Director

STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company		
	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
Loss and total comprehensive expenses for the period	–	(3,113)	(3,113)
Balance at 30 June 2010	**–**	**(3,113)**	**(3,113)**

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION OF THE 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 an investment holding company.

Under a group reorganisation (the "Group Reorganisation") in preparation for the listing of the Company's shares 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 and its subsidiaries on 23 September 2010 (collectively referred to as the "Group") upon completion of the Group Reorganisation.

The financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company operates (the functional currency of the Company).

No statement of cash flows has been prepared as the Company has no cash transactions for the period from 19 March 2010 (date of incorporation) to 30 June 2010.

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

For the purpose of preparing and presenting the financial statements for the period, the Company 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 or after 1 January 2010.

At the date of this report, 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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost convention and in accordance with the accounting policies set out below which are in conformity with IFRSs. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Financial instruments

Financial liabilities are recognised on the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including amount due to a shareholder are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt (which includes amount due to a shareholder) and equity attributable to owners of the Company, comprising issued share capital and accumulated losses, as disclosed in the financial statements.

The management of the Company reviews the capital structure regularly. The Company considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as raising of borrowings.

4. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Categories of financial instruments

The carrying amount of financial liabilities is as follows:

	At 30 June 2010 RMB'000
Financial liabilities	
Amortised cost	**6,457**

Financial risk management objectives and policies

The Company's financial instruments include amount due to a shareholder. Details of this financial instrument is disclosed in note 7.

The risks associated with this financial instrument and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

Part of amount due to a shareholder is denominated in Hong Kong Dollars ("HK$"), which is currency other than the functional currency of the Company and expose the Company to foreign currency risk.

The carrying amount of the foreign currency denominated monetary liabilities at the end of the reporting period is as follows:

	At 30 June 2010 RMB'000
Liabilities	
HK$	**(5,390)**

4. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% change in RMB against HK$. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary item and adjusts its value at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates an increase in loss for the period where the relevant foreign currency strengthens 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the loss for the period.

	RMB'000
HK$ impact	(270)

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Company's short-term funding and liquidity management requirements. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows.

The following table details the remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date in which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 30 June 2010 RMB'000
30 June 2010						
Non-derivative financial liabilities						
Amount due to a shareholder	N/A	6,457	–	–	6,457	6,457

4. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Fair value

The fair value of the Company's financial liabilities at amortised costs is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

5. LOSS BEFORE TAX

	Period from 19 March 2010 (date of incorporation) to 30 June 2010 RMB'000
Loss before tax has been arrived at after charging:	
Directors' remuneration	–
Auditor's remuneration	–
Legal and professional fees	3,113

6. OTHER PAYABLES

	At 30 June 2010 RMB'000
Other payables	5,397

Other payables represented already incurred but unbilled legal and professional fees.

7. AMOUNT DUE TO A SHAREHOLDER

	At 30 June 2010 RMB'000
Non-trading in nature	
Sun.King Group Limited ("Sunking BVI")	6,457

The amount due to a shareholder represented loan provided by a shareholder, which was unsecured, non-interest bearing and repayable on demand. During the six months ended 30 June 2010, Sunking BVI paid certain legal and professional fees on behalf of the Company in advance.

8. SHARE CAPITAL

The share capital of the Company at 30 June 2010 represented the issued and fully paid capital of the ordinary shares of the Company.

	Number of shares (HK$0.1 each)	Amount HK$'000
Authorised:		
On 19 March 2010, date of incorporation of the Company and 30 June 2010	3,800,000	380
Issued and fully paid:		
On 19 March 2010, date of incorporation of the Company and 30 June 2010	1	–

Presented as	RMB'000
	–

9. SUBSEQUENT EVENTS

(1) 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 Limited from 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.

(2) 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 pursuant to the Global Offering, the Directors of the Company 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.

(3) 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.

(4) 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 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.