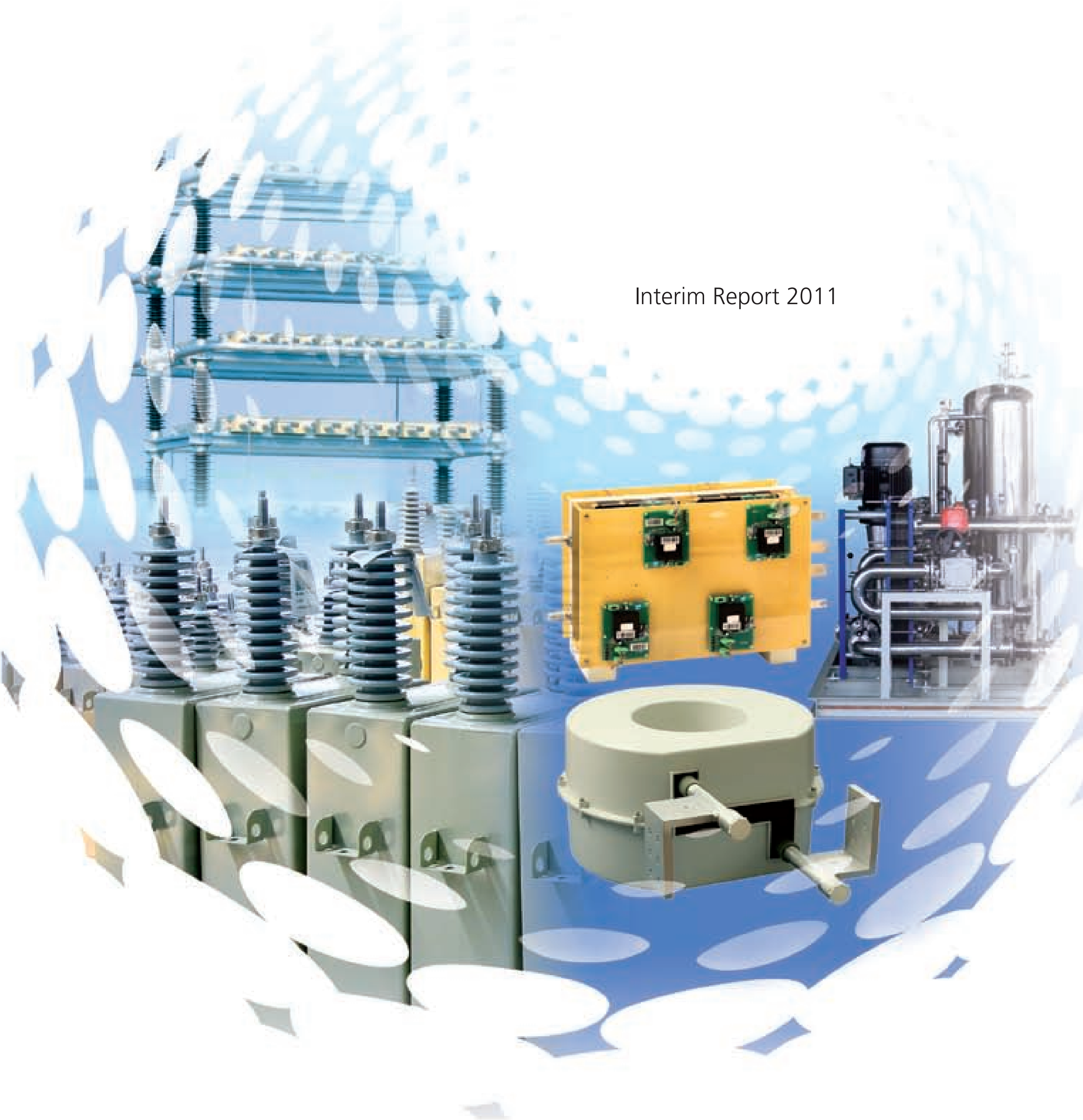
Sun.King Power Electronics Group Limited
賽晶電力電子集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 580



Interim Report 2011

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
Ms. Ma Sau Kuen Gloria

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

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

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

Joint secretaries
Ms. Ma Sau Kuen Gloria *FCIS, FCS*
Mr. Lau Lap Kwan

Auditors
Deloitte Touche Tohmatsu

Compliance adviser
Haitong International Capital Limited

Legal adviser
Pang & Co. in association with Salans LLP

Registered Office
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters
Floor 16, No. 1 Building
No. 66 Zhong Guan Cun East Road
Haidian District, Beijing
PRC

Principal place of business in Hong Kong
8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Principal share registrar and transfer office
Butterfield Fulcrum Group (Cayman) Limited
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

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

Listing exchange information
Place of listing: Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 00580

Company's website
www.speg.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board (the "**Board**") of Directors (the "**Directors**") the interim report of Sun.King Power Electronics Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2011.

Capitalising on the favorable growth in macro economy and streamlining in micro economic policies in the PRC, particularly in the continuing investments in rail transportation and power infrastructure sectors, the economic momentum shall remain stable in the PRC throughout 2011. Under this economic environment, the Group has been able to maintain and strengthen its business strategies to grasp market opportunities for a sustainable growth.

2011 is an important year for the Group which signifies its leading position in the industry. During the period under review, the Group's consolidated turnover amounted to RMB269.8 million, represented 107.1% increase compared to the corresponding period last year. Turnover for the distribution business and manufacturing business accounted for 44.6% and 55.4% of the consolidated turnover respectively. In monetary terms, the distribution business and manufacturing business reported turnover of RMB120.3 million and RMB149.5 million, represented 134.5% and 89.2% increase respectively compared to the corresponding period last year.

The Group has completed the acquisitions of Jiujiang Jiuzheng Rectifier Co., Ltd. and Shanghai Lang Zhi De Resources Technology Co., Ltd. during the reporting period. These acquisitions not only helped enlarge the Group's leading market share and products coverage in the power electronics sector, the Company also strategically extended and consolidated the industrial chain to downstream, utilizing the synergy effect of each of its branches and the Group in aspect of products, techniques and customers. Coupled with the formation of a joint venture with Trainelec, a subsidiary of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A., for the manufacture and sale of electronic traction systems, train control and monitoring systems in the PRC, the Group's prime position in the rail transportation sector in the region has been solidified.

In May 2011, the successful bidding for contractual construction of "High Power Experimental System" laboratory in the "HVDC Converter Valve Industrialisation" programme promoted by Xi'an Electric Power System Co., Ltd. demonstrated the Group's capability in becoming a distinguished system solution provider in the power industry. The Group was also recognised for its year's efforts in promoting the sale of quality products in the industry.

During the first half of 2011, the appreciation of Swiss Franc ("**CHF**") brought material adverse effect on the Group's operations. Nonetheless, after the Group's enthusiastic negotiations with ABB Switzerland Semiconductors Ltd, one of the Group's major suppliers, a mutual agreement has been reached subsequent to the current reporting period. As a result, for orders already placed but pending delivery, the settlement currency has been switched to United States dollars ("**USD**") at a fixed USD to CHF conversion rate. For new orders, the Group would settle in USD at a fixed exchange rate as well. The Board believes that this currency settlement arrangement not only brings cost efficiencies to the Group but could also mitigate the impact of volatility of CHF on the Group's results. The Group, however, may still have to encounter a certain degree of risk that associated with the possible USD currency rate movements.

Looking forward, the macro economic policies shall be consistently implemented in the PRC throughout the fiscal year 2011. We believe that the government's spending on the infrastructural investments shall be continued as it is one of the significant economic growth drivers in the PRC. We are also optimistic that demand for the Group's products would be sustainable and full of confidence in maintaining the Group's leading market position in rail transportation power grids and power electronic industries through its continuous efforts in product development and technological innovations. The Group will also continue to strengthen its competitiveness to deliver outstanding results and maximise returns for its 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, 30 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

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

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

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

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

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

Investment income

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

Other gains and losses

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

Distribution and selling expenses

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

Administrative and general expenses

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

Other expenses

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

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

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

Loss before tax

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

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

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

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

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

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: 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 2011, the Group's current ratio (current assets divided by current liabilities) was 2.02 (as at 31 December 2010: 3.51). As at 30 June 2011, the Group had cash and cash equivalents of RMB348.2 million (as at 31 December 2010: RMB446.0 million), which was mainly denominated in RMB, USD and HKD, and short-term bank loans of RMB275.8 million (as at 31 December 2010: RMB48.3 million). The increase in short-term bank loans was mainly for working capital purposes. As at 30 June 2011, the Group's gearing ratio measured on the basis of total short-term bank loans to total equity was 32.8%, as compared to 5.8% as at 31 December 2010.

As at 30 June 2011 and 31 December 2010, all the Group's bank loans were at variable interest rates, mainly denominated in RMB, and had contractual maturity within one year from the end of the reporting period. The effective interest rates on the Group's fixed-rate bank borrowings were also equal to the weighted average contracted interest rates of 5.19% per annum as at 30 June 2011 (as at 31 December 2010: 4.61% per annum). During the period under review, there was no material change to the Group's funding and treasury policy.

The majority of the Group's funds have been deposited in banks in the PRC and licensed banks in Hong Kong. The management believes that the Group possesses sufficient cash and cash equivalents to meet its commitments and working capital requirements in the second half of the financial year.

The Group continues to implement prudent financial management policies and monitor its capital structure based on the ratio of total liabilities to total assets.

Interest rate and foreign currency exposure

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group currently has not entered into interest rate swaps to hedge against its exposure to changes in fair values of its borrowings. The Group's cash flow interest rate risk relates primarily to its variable-rate bank deposits. Currently, the Group does not have a specific policy to manage its interest rate risk, but will closely monitor the interest rate risk exposure in the future. In the opinion of the management, the Group did not have significant exposure to cash flow interest rate risk as at 31 December 2010 and 30 June 2011.

As most of the principal subsidiaries of the Company are operating in the PRC, their functional currency is RMB. However, certain purchases of the Group are either denominated in CHF, USD, Euro and Hong Kong dollar ("**HK$**"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

Since 2007, the Group has reduced its CHF exposure against RMB by using foreign exchange forward contracts in order to increase its foreign exchange visibility and limit losses. The carrying amount of foreign currency forward contracts outstanding as at 30 June 2011 was RMB7.9 million (as at 31 December 2010: RMB4.2 million).

Significant investments

Save as those disclosed in this report, the Group did not hold any significant investment as at 30 June 2011.

Future plans for material investments or capital assets

Save as disclosed in this report, the Group does not plan to have any other material investments or acquisitions of material capital assets.

Contingent liabilities

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

Charges on Group Assets

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

USE OF PROCEEDS FROM LISTING

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

HUMAN RESOURCES

As at 30 June 2011, the Group employed approximately 620 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews of the performance of its employees and their salaries and bonuses are performance related. The Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains a good relationship with its employees.

PROSPECTS

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

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

OTHER INFORMATION

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 (the "**Listing Rules**") Governing the Listing of Securities 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 the aim of maintaining high standards of corporate governance practices. The Company has applied and complied with most of the code provisions (the "**Code Provisions**") of the Corporate Governance Code throughout the six months ended 30 June 2011. A summary of the deviation from the Code Provisions is set out as below:

Code Provision A2.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2011.

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

As at 30 June 2011, 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 Securities and Futures Ordinance (Cap. 571, laws of Hong Kong) ("**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:

(i) Long positions in ordinary shares of HK$0.1 each:

Name of Director	Nature of interest	Total number of shares held *(Note 1)*	Approximate percentage of interest in the Company
Mr. Xiang Jie	Beneficial owner and interest in controlled corporation	415,828,347 *(L) (Note 2)*	30.4%
Mr. Gong Renyuan	Beneficial owner	18,060,000 *(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 of the Company.

2. Out of these 415,828,347 shares, 200,000 shares were directly held by Mr. Xiang Jie and the remaining 415,628,347 shares were held by Max Vision Holdings Limited ("**Max Vision**"), which in turn was wholly and beneficially owned by Mr. Xiang. Mr. Xiang is deemed under the SFO to be interested in the 415,628,347 shares held by Max Vision.

(ii) Long positions in underlying shares of share options

The Directors have been granted options under the Company's share option scheme, details of which are set out in the paragraph headed "Share Option Scheme" below.

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 2011 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 spouses 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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, 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 executive 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 substantial shareholder	Nature of interest	Total number of shares held *(Note 1)*	Approximate percentage of interest in the Company
Max Vision	Beneficial owner	415,628,347 *(L)*	30.4%
Meng Fankun	Interest of spouse	415,828,347 *(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. Ms. Meng Fankun, the spouse of Mr. Xiang, is deemed under the SFO to be interested in the 415,828,347 shares in which Mr. Xiang was interested.

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

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

SHARE OPTION SCHEME

Prior to the Listing, the Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 23 September 2010 which became effective and unconditional upon the Listing. 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 Participant 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 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 unless otherwise determined by the Board.

Details of movements in the share options under the Share Option Scheme during the six months period ended 30 June 2011 and share options outstanding as at the beginning and end of the period are set out below:

Name of grantees	Date of grant	As at 1 January 2011	Number of share options Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2011	Exercise price per share *(HK$)*	Exercisable period
Executive Directors and their associates:									
Mr. Xiang Jie *(Chairman, executive Director and substantial shareholder of the Company)*	27 April 2011	–	13,660,000 *(Note)*	–	–	(13,660,000) *(Note)*	–	1.83	27 April 2012- 26 April 2017
Mr. Gong Renyuan *(executive Director)*	27 April 2011	–	7,510,000	–	–	(6,160,000)	1,350,000	1.83	27 April 2012- 26 April 2017
Mr. Yue Zhoumin *(executive Director)*	27 April 2011	–	420,000	–	–	–	420,000	1.83	27 April 2012- 26 April 2017
Mr. Huang Xiangqian *(executive Director)*	27 April 2011	–	700,000	–	–	–	700,000	1.83	27 April 2012- 26 April 2017
Ms. Ren Jie *(senior management personnel of the Company and the spouse of Mr. Gong Renyuan)*	27 April 2011	–	420,000	–	–	–	420,000	1.83	27 April 2012- 26 April 2017
		–	22,710,000	–	–	(19,820,000)	2,890,000		
Employees in aggregates		–	8,230,000	–	–	(220,000)	8,010,000		
Other grantees		–	4,000,000	–	–	–	4,000,000		
Total		–	34,940,000	–	–	(20,040,000)	14,900,000		

Note:

The grant of share options to Mr. Xiang to subscribe for 13,660,000 shares of the Company was not approved by the shareholders at the annual general meeting of the Company held on 21 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

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

OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee (the "**Audit Committee**") of the Company was established on 19 August 2010 with written terms of reference in compliance with the Listing Rules. The Audit Committee is responsible for (a) making recommendation to the Board on the appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditor; (b) monitoring integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing the financial controls, internal control and risk management systems. The current members of the Audit Committee are Mr. Chen Shimin (chairman), Mr. Wang Yi and Mr. Ye Weigang Greg.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including review of the condensed consolidated financial statements of the Group for the six months ended 30 June 2011. The condensed consolidated financial statements for the six months ended 30 June 2011 have not been audited, but have been reviewed by the external auditors of the Company, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

The remuneration committee (the "**Remuneration Committee**") of the Company was established on 19 August 2010 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee is responsible for making 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 nomination committee (the "**Nomination Committee**") of the Company was established on 19 August 2010 with written terms of reference in compliance with the Listing Rules. The Nomination Committee is responsible for making 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 2011 and up to the date of this report, there were no changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

CHANGE OF NAME AND ADOPTION OF CHINESE NAME AS PART OF THE OFFICIAL NAME

Pursuant to the special resolution passed at the annual general meeting of the Company held on 21 June 2011, it was approved that the Company's official name be changed (i) from "Sun.King Power Electronics Group Limited" to "Sun.King Power Electronics Group Ltd." and subsequently (ii) from "Sun.King Power Electronics Group Ltd." to "Sun.King Power Electronics Group Limited 賽晶電力電子集團有限公司". Two Certificates of Incorporation on Change of Name were issued by the Registrar of Companies in the Cayman Islands on 6 July 2011 and two Certificates of Registration of Change of Corporate Name of Non-Hong Kong Company were issued by the Registrar of Companies in Hong Kong on 18 August 2011.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SUN.KING POWER ELECTRONICS GROUP LIMITED

Introduction

We have reviewed the interim financial information set out on pages 14 to 34, which comprises the condensed consolidated statement of financial position of Sun.King Power Electronics Group Limited (the "Company") and its subsidiaries as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Company is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	**At 30 June 2011 RMB'000 (Unaudited)**	At 31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**157,232**	136,190
Deposits for property, plant and equipment		**13,109**	17,757
Prepaid lease payments	*12*	**54,340**	36,585
Intangible assets	*13*	**28,500**	561
Interests in jointly controlled entities		**–**	3,655
Available-for-sale investment		**–**	3,540
Club memberships		**2,534**	1,734
Other asset		**2,402**	–
Goodwill		**45,727**	–
Deferred tax assets	*14*	**770**	–
TOTAL NON-CURRENT ASSETS		**304,614**	200,022
CURRENT ASSETS			
Inventories		**214,201**	67,740
Trade and other receivables	*15*	**500,746**	376,820
Amount due from a related party		**–**	22
Deposits and prepayments		**6,148**	2,028
Other financial assets	*16*	**7,880**	4,739
Prepaid lease payments	*12*	**991**	767
Pledged bank deposits		**20,513**	1,203
Bank balances and cash		**348,218**	446,016
TOTAL CURRENT ASSETS		**1,098,697**	899,335
TOTAL ASSETS		**1,403,311**	1,099,357

(Continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	**At 30 June 2011 RMB'000 (Unaudited)**	At 31 December 2010 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*17*	**255,844**	194,827
Tax liabilities		**12,136**	12,883
Short-term bank loans	*18*	**275,825**	48,324
TOTAL CURRENT LIABILITIES		**543,805**	256,034
Net current assets		**554,892**	643,301
Total assets less current liabilities		**859,506**	843,323
NON-CURRENT LIABILITIES			
Deferred income	*19*	**3,334**	3,524
Deferred tax liabilities	*14*	**15,629**	5,167
TOTAL NON-CURRENT LIABILITIES		**18,963**	8,691
Total net assets		**840,543**	834,632
CAPITAL AND RESERVES			
Share capital	*20*	**117,425**	117,425
Reserves		**702,394**	715,707
Equity attributable to owners of the Company		**819,819**	833,132
Non-controlling interests		**20,724**	1,500
TOTAL EQUITY		**840,543**	834,632

The condensed consolidated financial statements on pages 14 to 34 were approved and authorised for issue by the Board of Directors on 30 August 2011 and are signed on its behalf by:

Xiang Jie
DIRECTOR

Yue Zhoumin
DIRECTOR

	Attributable to the owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Deemed contribution reserve** RMB'000	**Share option reserve** RMB'000	**Other reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
Balance at 1 January 2010	–	–	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 b)*	–	–	–	–	–	–	–	1,500	1,500
Recognition of equity-settled share-based payment *(Note a)*	–	–	1,627	–	–	–	1,627	–	1,627
Balance at 30 June 2010	–	–	10,098	–	206,367	24,502	240,967	1,500	242,467
Balance at 1 January 2011	117,425	400,692	11,375	–	248,886	54,754	833,132	1,500	834,632
(Loss) profit and total comprehensive (expense) income for the period	–	–	–	–	–	(17,636)	(17,636)	609	(17,027)
Acquisition of additional interest in a subsidiary *(Note b)*	–	–	–	–	–	–	–	(1,500)	(1,500)
Disposal of additional interest in a subsidiary *(Note b)*	–	–	–	–	–	–	–	2,000	2,000
Acquisition of subsidiaries *(Note c)*	–	–	–	–	–	–	–	18,115	18,115
Recognition of equity-settled share-based payment *(Note a)*	–	–	1,236	3,087	–	–	4,323	–	4,323
Balance at 30 June 2011	117,425	400,692	12,611	3,087	248,886	37,118	819,819	20,724	840,543

Notes:

(a) Equity-settled share-based payment include:

(1) During the six months ended 30 June 2010 and 30 June 2011, share-based payment expense incurred and recognized by the Group was settled by the issuance of equity by Sun.King Group Ltd. ("Sunking BVI"), without charging the Group in prior years. As a result, the amounts involved were treated as deemed contribution from shareholders of the Company.

(2) During the six months ended 30 June 2011, the Group granted 14,900,000 share options to directors, eligible employees and consultants. As a result, the amounts involved were recognized as share option reserve.

(b) On 31 May 2011, 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") entered into a share transfer agreement to acquire 15% equity interests in Jiashan Sunking Converter Technology Co., Ltd. 嘉善華瑞賽晶變流技術有限公司 ("Jiashan Converter Technology") for cash consideration of RMB1,500,000 from the then non-controlling shareholder, Shanghai Mai-di-er Investment Co., Ltd. 上海麥迪兒投資管理有限公司, and concurrently entered into another share transfer agreement with an independent third party, Beijing Qi Xu Technology Co., Ltd. 北京齊旭科貿有限公司 ("Beijing Qi Xu"), to dispose of 20% equity interest in Jiashan Converter Technology for a cash consideration of RMB2,000,000. The consideration has not been paid by Beijing Qi Xu till 30 June 2011 and recorded in other receivables.

(c) On 13 May 2011, the Group acquired additional 56% interests in Jiujiang Jiuzheng Rectifier Co., Ltd. 九江九整整流器有限公司 ("Jiujiang Rectifier"). Together with 5% interests acquired in prior period (recorded as available-for-sale investment), the Group has obtained 61% controlling interest in Jiujiang Rectifier since then. The non-controlling interests (39%) in Jiujiang Rectifier recognized at the date of acquisition was measured by reference to the proportionate share of recognized amounts of net assets of Jiujiang Rectifier and amounted to RMB17,262,000. Details of which are set out in Note 23.

On 25 April 2011, the Group acquired additional 41% interests in Lang Zhi De Resources Technology Co., Ltd. 上海朗之德能源科技有限公司 ("Langzhide"). Together with 20% interests acquired (recorded as interests in jointly controlled entity) in prior period, the Group has obtained 61% controlling interests in Langzhide and its subsidiary, Wuhan Langde Electrics Co. Ltd. 武漢朗德電氣有限公司 ("Wuhan Langde") (collectively named as "Langzhide Group") since then. The non-controlling interests (39%) in Langzhide Group recognized at the date of acquisition was measured by reference to the proportionate share of recognized amounts of net assets of Langzhide Group and amounted to RMB853,000. Details of which are set out in Note 23.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Operating activities:		
(Loss) profit before tax	**(12,528)**	12,339
Adjustments for:		
Finance costs	**1,487**	1,832
Investment income	**(1,283)**	(156)
Share of loss of jointly controlled entity	**380**	–
Depreciation and amortisation of non-current assets	**5,120**	2,329
Allowance for doubtful debts	**2,820**	1,535
Impairment loss recognized on inventory	**336**	–
Release of prepaid lease payment	**420**	180
Amortisation of deferred income	**(190)**	(95)
Amortisation of other asset	**450**	–
Net unrealized foreign exchange loss (gain)	**2,632**	(1,241)
Fair value gain on foreign exchange forward contracts	**(4,898)**	(2,519)
Share-based payments expense	**4,323**	1,627
Gain from changes in fair values of derivatives	**(31)**	–
Gain from changes in fair values of equity interests previously held in the acquirees *(Note 23)*	**(403)**	–
Operating cash flow before movements in working capital	**(1,365)**	15,831
Increase in inventories	**(42,944)**	(24,879)
Increase in trade and other receivables	**(144,957)**	(63,730)
(Increase) decrease in deposits and prepayments	**(4,120)**	1,691
Decrease in trade and other payables	**(34,536)**	(1,715)
Decrease in other financial assets	**1,247**	1,246
Increase in other asset	**(2,852)**	–
Increase in amount due to a shareholder	**–**	2,298
Cash used in operations	**(229,527)**	(69,258)
Income taxes paid	**(11,016)**	(8,081)
Interest paid	**(1,487)**	(1,832)
Net cash used in operating activities	**(242,030)**	(79,171)

(Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Investing activities:		
Placement of pledged bank deposits	**(21,687)**	(7,568)
Release of pledged bank deposits	**2,377**	–
Interest received	**1,283**	156
Purchases of property, plant and equipment	**(8,149)**	(17,206)
Purchase of club memberships	**(800)**	(980)
Purchase of intangible assets	**–**	(22)
Prepayment for lease payments	**(627)**	–
Advance to a related party	**–**	(1,698)
Repayment from a related party	**22**	–
Payment for available-for-sale investment	**(2,115)**	–
Acquisition of additional interest in a subsidiary from a non-controlling shareholder	**(1,500)**	–
Acquisition of subsidiaries *(Note 23)*	**(51,694)**	–
Net cash used in investing activities	**(82,890)**	(27,318)
Financing activities:		
Proceeds from new bank loans	**422,663**	121,889
Repayment of new bank loans	**(195,162)**	(14,500)
Repayment to a shareholder	**–**	(1,460)
Capital contribution from a non-controlling shareholder	**–**	1,500
Net cash generated from financing activities	**227,501**	107,429
Net (decrease) increase in cash and cash equivalents	**(97,419)**	940
Cash and cash equivalents at the beginning of the period	**446,016**	38,946
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(379)**	444
Cash and cash equivalents at the end of the period	**348,218**	40,330

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 19 March 2010. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 October 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company.

The principal activities of the subsidiaries of the Company are import and sales of power electronic components, manufacture and sales of IGBT power modules, deionised water cooling systems, reactors, capacitors, power rectifier, electric automation and control systems, and other power electronic components.

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

New and revised Standards and Interpretations applied in the current period

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

New and revised Standards and Interpretations issued but not yet effective

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

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

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold to outside customers for each of the six months ended 30 June 2011 and 2010.

Mr. Xiang, the Chief Executive Officer and Chairman of the Company, is the chief operating decision maker of the Group (the "CODM") and he regularly reviews revenue analysis for the period prepared in accordance with accounting policies conforming to IFRS to make decisions about resources allocation and performance assessment. Starting from 2011, the CODM reviews the revenue generated from sales of imported products and self-manufactured products separately instead of the revenue generated from imported products and major manufactured products by category which was reported in prior years. The comparative figures have been restated to conform to the same reporting basis. No segment information is presented other than entity-wide disclosures as no other discrete financial information is available for the assessment of performance and resources allocation of different business activities.

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

Revenue analyzed is as follows:

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

4. 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	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Customer A (for sales of manufactured goods and imported power electronic components)	**55,124**	40,151
Customer B (for sales of manufactured goods and imported power electronic components)	**84,340**	*
Customer C (for sales of imported power electronic components)	*	13,288

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

5. COST OF SALES AND PURCHASES

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

Information about a major supplier

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

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

6. INVESTMENT INCOME

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

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net foreign exchange (loss) gain	**(12,425)**	2,384
Fair value gain on foreign exchange forward contracts	**4,898**	2,519
Net gain from remeasurement of previously held interest in the acquirees upon acquisition	**403**	–
Government grants *(Note 19)*	**190**	–
Gain from changes in fair value of derivatives	**31**	–
Total	**(6,903)**	4,903

8. (LOSS) PROFIT BEFORE TAX

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

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax:		
Hong Kong	**1,403**	–
PRC enterprise income tax ("EIT")	**3,516**	5,400
Deferred tax charge:		
Current period *(Note 14)*	**(420)**	(401)
Total tax expense	**4,499**	4,999

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

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

9. INCOME TAX EXPENSE *(continued)*

In 2007, Jiashan Sunking was recognized as Foreign Invested Manufacturing Enterprise and was entitled to exemption from EIT for two years commencing from its first profit making year in 2007, followed by a 50% tax rate reduction for EIT for the subsequent three years. Therefore, the applicable income tax rate for Jiashan Sunking was 12.5% for the six months ended 30 June 2010 and 30 June 2011.

Wuhan Langde which became a subsidiary of the Group since 25 April 2011, obtained New and High Technology status in 2010 and was entitled to income tax rate of 15% from 2011 to 2013.

10. (LOSS) EARNINGS PER SHARE

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

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

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

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired additional 56% equity interests of Jiujiang Rectifier and additional 41% equity interests of Langzhide Group from independent third parties. The provisional fair value of property, plant and equipment acquired arising from the acquisition of subsidiaries approximated to RMB13,179,000.

Besides, the Group spent approximately RMB8,149,000 (six months ended 30 June 2010: RMB17,206,000) on acquisition of property, plant and equipment during the period.

12. PREPAID LEASE PAYMENTS

The additions in the six months ended 30 June 2011 mainly comprises approximately RMB17,772,000 (provisional) arising from the acquisition of Jiujiang Rectifier and approximately RMB627,000 additions in other group entities. The land use rights are under medium-term lease for a period of 50 years.

As at 30 June 2011, the Group is in the process of obtaining the land use rights certificates for certain of its prepaid lease payments with carrying amount of approximately RMB17,772,000 (31 December 2010: RMB20,336,000) and no charge to profit and loss has been recognized as the relevant lease terms are not fixed.

13. INTANGIBLE ASSETS

The additions during the six months ended 30 June 2011 mainly represented trademark, patents, sales backlog and software arising from the acquisition of subsidiaries. Details of which are set out in Note 23.

14. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized by the Group and movements thereon during the current and prior periods:

	Unrealised foreign exchange forward contract gains RMB'000	Pre-operating expense RMB'000	Unrealised profit RMB'000	Allowance for doubtful debt RMB'000	Inventory provision RMB'000	Derivatives RMB'000	Accrued expenses RMB'000	Withholding tax on undistributed profit of subsidiaries RMB'000	Fair value adjustment on assets upon acquisition of subsidiaries RMB'000	Total RMB'000
As at 1 January 2010	(324)	54	–	–	–	–	71	(2,889)	–	(3,088)
Charge/(credit) to loss or profit for the period	(54)	(11)	169	125	–	–	81	91	–	401
As at 30 June 2010	(378)	43	169	125	–	–	152	(2,798)	–	(2,687)
As at 1 January 2011	(634)	35	107	222	53	216	84	(5,250)	–	(5,167)
Addition upon acquisition of subsidiaries *(Note 23)*	–	–	–	2,219	899	–	–	–	(13,230)	(10,112)
Charge/(credit) to loss or profit for the period	(1,311)	(10)	395	423	306	(216)	226	414	193	420
As at 30 June 2011	(1,945)	25	502	2,864	1,258	–	310	(4,836)	(13,037)	(14,859)

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

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Deferred tax assets	**770**	–
Deferred tax liabilities	**15,629**	5,167

The Group has unused tax losses of RMB27,965,000 and RMB13,422,000 as at 30 June 2011 and 31 December 2010 respectively which are available to offset against future profits. In respect of the tax losses as at 31 December 2010, tax losses of RMB1,952,000 will expire by 2013, RMB2,514,000 will expire by 2014 and RMB8,956,000 will expire by 2015. In respect of the tax losses as of 30 June 2011, tax losses of RMB1,952,000 will expire by 2013, RMB2,514,000 will expire by 2014, RMB8,956,000 will expire by 2015 and RMB14,543,000 will expire by 2016. Other deductible temporary differences not recognized as deferred tax assets are deferred income amounting to RMB3,334,000 and RMB3,524,000 as at 30 June 2011 and 31 December 2010. No deferred tax asset has been recognized in respect of the tax losses and deferred income due to the unpredictability of future profit streams.

15. TRADE AND OTHER RECEIVABLES

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

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

Generally, the Group allows credit period ranging from 0 to 180 days to its trade customers. For certain major and well established customers, 10% of the amounts invoiced to these customers are due after the expiry of the relevant warranty period, which is eighteen months from the date of delivery of the Group's products or twelve months from the date of installation of the Group's products by the respective customers.

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

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

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

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

16. OTHER FINANCIAL ASSETS

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Foreign exchange forward contracts	**7,880**	4,228
Derivatives	**–**	511
	7,880	4,739

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) Swiss Franc ("CHF") at the specified rate (through gross settlement) for the total notional amounts as specified in the contracts.

The derivatives represent the options to acquire additional equity interests in Langzhide Group from and options to put the Group's investment in equity interest in Langzhide Group back to Mr. Zhu Xiaodong and Mr. Chen Yong (collectively referred to as the "Sellers"), who are the vendors of the previous acquisition of 20% equity interest (the "Options"). Upon the acquisition of additional 41% equity interests of Langzhide Group, the Group surrendered the Options. Details of acquisition of this subsidiary are set out in note 23.

17. TRADE AND OTHER PAYABLES

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

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

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

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

The trade payables comprise amounts outstanding for purchases of goods. The credit period with the suppliers varies and ranges from 30 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

18. SHORT-TERM BANK LOANS

During the period, the Group obtained new bank loans amounting to approximately RMB422,663,000 (six months ended 30 June 2010: RMB121,889,000). The loans carry interests at variable market rates from 3.1800% to 6.7275% per annum. All the Group's bank loans have contractual maturity within one year from the end of the reporting period.

19. DEFERRED INCOME

In 2009, the Group received a government subsidy of approximately RMB3,810,000 to compensate the purchase cost of certain machineries. The amount is treated as deferred income and amortized to income over the useful lives of related assets when the machineries were ready for their intended use by the management and depreciation commences. A credit to income of approximately RMB190,500 has been recognized for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB95,000).

20. SHARE CAPITAL

Ordinary shares of HK$1 each
Issued and fully paid

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

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

21. SHARE-BASED PAYMENTS

Scheme I

A share award scheme (the "Scheme I") was adopted in 2008 by Sunking BVI for the primary purpose of providing incentives to officers, directors, consultants and employees of Sunking BVI and its then subsidiaries. Under the Scheme I, Sunking BVI may issue up to 6,000,000 ordinary shares to officers, directors, consultants and employees, including consultants and employees of the Group. The number of unvested ordinary shares of Sunking BVI granted to employees and consultants of the Group under Scheme I were 539,079 and 869,867 as of 30 June 2011 and 31 December 2010 respectively.

Scheme II

The Company's share option scheme (the "Scheme II") was adopted pursuant to a resolution passed on 23 September 2010 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme II, 14,900,000 share options were granted on 27 April 2011.

21. SHARE-BASED PAYMENTS *(continued)*

Scheme II *(continued)*

The table below discloses movement of the Company's share options granted to the Group's employees and consultants:

	Number of Share options
Outstanding as at 1 January 2011	–
Granted during the period	14,900,000
Outstanding as at 30 June 2011	14,900,000

The closing price of the Company's shares immediately before 27 April 2011, the date of grant, was HK$1.72 (equivalent to RMB1.43).

The fair value of each option determined at the date of grant using binomial model was HK$0.82 (equivalent to RMB0.68).

The following assumptions were used to calculate the fair value of share option:

	27 April 2011
Grant date share price	**HK$1.72**
Exercise price	**HK$1.83**
Option life	**6 years**
Vesting Period	**4 years**
Expected volatility	**53%**
Dividend yield	**0%**
Risk-free interest rate	**2.01%**
Early exercise multiple	**2.5-3.0**
Post-vesting forfeiture rate	**0%-5%**

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognized in profit and loss, with a corresponding adjustment to the share option reserve. There was no change in forfeiture rate during the six months ended 30 June 2011.

22. CAPITAL COMMITMENTS

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**5,846**	22,213

23. ACQUISITION OF SUBSIDIARIES

Jiujiang Rectifier acquisition

On 13 May 2011, the Group acquired additional 56% interests in Jiujiang Rectifier, and resulted in 61% of ownership thereafter (including the 5% interests acquired in 2010 recorded as available-for-sale investment). Jiujiang Rectifier was principally engaged in the rectifier manufacturing business and was acquired with the objective of extending the Group's products line. The acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	63,700

Assets and liabilities recognized at the date of acquisition (determined on a provisional basis)

	RMB'000
Current assets	
Bank balances and cash	14,197
Trade and other receivables *(Note a)*	46,335
Inventories	100,951
Non-current assets	
Property, plant and equipment	12,423
Prepaid lease payment	17,772
Intangible assets	27,255
Current liabilities	
Trade and other payables *(Note b)*	(159,424)
Tax liabilities	(5,350)
Non-current liability	
Deferred tax liabilities	(9,898)
	44,261

Notes:

(a) The gross contractual amount of the trade and other receivable was RMB55,212,000 and the fair value was RMB46,335,000 at the date of acquisition. The best estimate of the contractual cash flows not expected to be collected amounted to RMB8,877,000

(b) Included in the balance of trade and other payables was an amount of RMB68,186,000 payable to Jiashan Sunking at the date of acquisition.

Non-controlling interests

The non-controlling interests (39%) in Jiujiang Rectifier recognized at the date of acquisition was measured by reference to the proportionate share of recognized provisional amounts of net assets of Jiujiang Rectifier and amounted to RMB17,262,000.

Previously held interests

The previously held interests represented 5% equity interests in Jiujiang Rectifier that the Group obtained in August 2010 and recorded as available-for-sale investment. It was re-measured to fair value by reference to the proportionate share of the enterprise value of Jiujiang Rectifier at date of acquisition and the difference between the fair value of RMB5,697,000 and the carrying amount of 5% equity interest immediately prior to the date of acquisition of RMB3,160,000 was recognised in other gains and losses.

23. ACQUISITION OF SUBSIDIARIES *(continued)*

Jiujiang Rectifier acquisition *(continued)*

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	63,700
Plus: non-controlling interests	17,262
fair value of previously held interests	5,697
Less: recognized amount of identifiable net assets acquired	(44,261)
Goodwill arising on acquisition	42,398

Goodwill arose on the acquisition of Jiujiang Rectifier because the acquisition included the assembled workforce and expected synergy benefits from vertical integration of business between Jiujiang Rectifier and other Group companies. These assets could not be separately recognized from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	63,700
Less: cash and cash equivalent balances acquired	(14,197)
	49,503

Impact of acquisition on the results of the Group

Included in the loss for six months ended 30 June 2011 is a profit of RMB229,000 attributable to Jiujiang Rectifier. Revenue for six months ended 30 June 2011 includes RMB8,996,000 attributable to Jiujiang Rectifier.

Had the acquisition of Jiujiang Rectifier been effected on 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB287,247,000, and the loss for the period would have been RMB24,461,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Jiujiang Rectifier been acquired on 1 January 2011, the directors calculated depreciation and amortization of property, plant and equipment and intangible assets based on the recognized provisional amounts of property, plant and equipment and intangible assets at the date of the acquisition.

23. ACQUISITION OF SUBSIDIARIES *(continued)*

Langzhide Group acquisition

On 25 April 2011, the Group entered into a new agreement with the Sellers for acquisition of additional 41% interests in Langzhide Group Wuhan, resulting in 61% of ownership thereafter (including the 20% interests acquired in 2010 recorded as interests in jointly controlled entities). As a result of the additional acquisition, the Group agreed with the Sellers to surrender the Options included in the investment agreement entered by Jianshan Sunking with the Sellers dated 18 June 2010. Langzhide Group were principally engaged in manufacturing online monitors of smart power grids and were acquired with the objective of extending the Group's products line. The acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	2,600
Derivative – Options surrendered	542
	3,142

The fair value of the derivatives is calculated using the Monte Carlo Simulation method by discounting future cash flows. The model involves making assumptions based on quoted market data adjusted for specific feature of the instrument, as well as assumption not supported by market observable data. Should any of the estimates be revised, it may lead to a material change to the fair value of the derivative components of embedded derivatives.

Assets and liabilities recognized at the date of acquisition (determined on a provisional basis)

	RMB'000
Current assets	
Bank balances and cash	409
Trade and other receivables *(Note a)*	1,640
Inventories	2,902
Non-current assets	
Property, plant and equipment	756
Intangible assets	871
Current liability	
Trade and other payables	(4,177)
Non-current liability	
Deferred tax liabilities	(214)
	2,187

Note:

(a) The gross contractual amount of the trade and other receivable was RMB1,863,000 and the fair value was RMB1,640,000 at the date of acquisition. The best estimate of contractual cash flows not expected to be collected amounted to RMB223,000.

Non-controlling interests

The non-controlling interests (39%) in Langzhide Group recognized at the date of acquisition was measured by reference to the proportionate share of recognized provisional amounts of net assets of Langzhide Group and amounted to RMB853,000.

23. ACQUISITION OF SUBSIDIARIES *(continued)*

Langzhide Group acquisition *(continued)*

Previously held interests

The previously held interests represented 20% equity interests in Landzhide Group that the Group obtained in June 2010 and recorded as interests in jointly controlled entity. It was re-measured at fair value by reference to the proportionate share of the enterprise value of Landzhide Group at the date of acquisition and the difference between the fair value of RMB1,521,000 and the carrying amount of 20% equity interest immediately prior to the date of acquisition of RMB3,655,000 was recognised in other gains and losses.

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	3,142
Plus: non-controlling interests	853
fair value of previously held interests	1,521
Less: recognized amount of identifiable net assets acquired	(2,187)
Goodwill arising on acquisition	3,329

Goodwill arose on the acquisition of Langzhide Group because the acquisition included the assembled workforce of Langzhide Group and the expected synergy benefits from combining the business development of Langzhide Group and other group entities. These assets could not be separately recognized from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	2,600
Less: cash and cash equivalent balances acquired	(409)
	2,191

Impact of acquisition on the results of the Group

Included in the loss for the interim period is a profit of RMB1,332,000 attributable to Langzhide Group. Revenue for the period includes RMB4,171,000 attributable to Langzhide Group.

Had the acquisition of Langzhide Group been effected on 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB269,865,000, and the loss for the period would have been RMB19,526,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Langzhide Group been acquired on 1 January 2011, the directors calculated depreciation and amortisation of property, plant and equipment and intangible assets based on the recognized provisional amounts of property, plant and equipment and intangible assets at the date of acquisition.

24. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the six months ended 30 June 2011 and 2010 were as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term benefits	**1,188**	780
Post-employment benefits	**227**	205
Share-based payments	**1,118**	1,191
	2,533	2,176

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