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

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 63.5% to RMB428.0 million.
- Gross profit increased by approximately 43.9% to RMB115.0 million.
- Gross profit margin decreased from 30.5% to 26.9%.
- Profit attributable to owners of the Company decreased by approximately 3.3% to RMB37.6 million.
- Earnings per share decreased by approximately 9.8% from RMB3.79 cents to RMB3.42 cents.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sun.King Power Electronics Group Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2010, with the comparative figures for the corresponding year in 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010**	2009
		RMB'000	*RMB'000*
Revenue	*3*	**427,996**	261,704
Cost of sales	*4*	**(313,044)**	(181,789)
Gross profit		**114,952**	79,915
Other income and other gains and losses	*5*	**1,085**	(1,791)
Distribution and selling expenses		**(14,046)**	(4,801)
Administrative and general expenses		**(40,199)**	(22,671)
Other expenses	*6*	**(4,280)**	(565)
Interest on bank borrowings wholly repayable within five years		**(5,099)**	(975)
Share of result of jointly controlled entities		**30**	–
Profit before tax	*7*	**52,443**	49,112
Income tax expense	*8*	**(14,851)**	(10,262)
Profit and total comprehensive income for the year		**37,592**	38,850
Attributable to:			
Owners of the Company		**37,592**	38,850
Non-controlling interests		**–**	–
		37,592	38,850
		RMB cents	*RMB cents*
Earnings per share – basic	*9*	**3.42**	3.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**136,190**	91,570
Deposits for property, plant and equipment		**17,757**	–
Prepaid lease payments – non-current		**36,585**	17,016
Intangible asset		**561**	440
Interests in jointly controlled entities		**3,655**	–
Available-for-sale investments		**3,540**	–
Club memberships		**1,734**	–
TOTAL NON-CURRENT ASSETS		**200,022**	109,026
CURRENT ASSETS			
Inventories	*11*	**67,740**	20,137
Trade and other receivables	*12*	**376,820**	161,035
Amount due from a related party		**22**	40
Deposits and prepayments		**2,028**	2,946
Other financial assets		**4,739**	1,295
Prepaid lease payments – current		**767**	360
Pledged bank deposits		**1,203**	4,237
Bank balances and cash		**446,016**	38,946
TOTAL CURRENT ASSETS		**899,335**	228,996
TOTAL ASSETS		**1,099,357**	338,022
CURRENT LIABILITIES			
Trade and other payables	*13*	**194,827**	61,240
Tax liabilities		**12,883**	10,403
Short-term bank loans		**48,324**	20,000
Amount due to a former shareholder		**–**	7,481
Deferred income		**3,524**	3,810
TOTAL CURRENT LIABILITIES		**259,558**	102,934
Net current assets		**639,777**	126,062
Total assets less current liabilities		**839,799**	235,088
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,167**	3,088
Total net assets		**834,632**	232,000
CAPITAL AND RESERVES			
Share capital		**117,425**	–
Reserves		**715,707**	232,000
Equity attributable to owners of the Company		**833,132**	232,000
Non-controlling interests		**1,500**	–
TOTAL EQUITY		**834,632**	232,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED 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**") with effect from 13 October 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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 Insulated Gate Bipolar Transistor ("**IGBT**") power modules, deionised water cooling systems, reactors, capacitors and other power electronic components.

Pursuant to a group reorganisation (the "**Group Reorganisation**") to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 23 September 2010 by issuing shares of the Company in exchange for the entire issued share capital of Sunking Pacific Limited. Details of the Group Reorganisation were set out in the section headed "History and Development" of the prospectus dated 30 September 2010 issued by the Company (the "**Prospectus**"). The Group Reorganisation is a reorganisation of companies under common control. Accordingly, the Group resulting from the Group Reorganisation including the Company and its subsidiaries is regarded as a continuing entity.

The consolidated statement of comprehensive income, the consolidated statement of cash flows and consolidated statement of changes in equity which are prepared in accordance with the principles of merger accounting, for each of the years ended 31 December 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 or since their respective dates of incorporation or establishment, whichever is the shorter period. The consolidated statement of financial position of the Group as at 31 December 2009 has 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 that date.

The consolidated 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")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations:

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
International Accounting Standard ("**IAS**") 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC - Int 17	Distributions of Non-cash Assets to Owners

Amendments to IAS 17 Leases

As part of the Improvements to IFRSs issued in 2009, IAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to IAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The application of the amendment has had no material effect on the consolidated financial statements of the Group.

The application of the other new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 except for the amendments to IFRS 3 (as revised in 2008), IAS 1 and IAS 28[1]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013.

The directors of the Company anticipate that the application of other new and revised Standards and Interpretations issued but not yet effective will have no material effect on consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold to outside customers during the reporting year.

Mr. Xiang Jie, 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 year under the 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) 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:

	2010 ***RMB'000***	2009 *RMB'000*
Sale of:		
Imported power electronic components	**138,535**	139,140
Sale of:		
IGBT power modules	**113,626**	45,904
Anode saturable reactors	**33,513**	11,759
High-voltage power capacitors	**12,781**	–
Silicon rectifier valves and others	**121,549**	58,061
Deionised water cooling systems	**7,992**	6,840
Sub-total of manufactured goods	**289,461**	122,564
Total turnover	**427,996**	261,704

Information about major customers

Revenue from major customers of the corresponding years contributing over 10% of the total sale of the Group are as follows:

	2010 ***RMB'000***	2009 *RMB'000*
Customer A (for sale of IGBT power modules and imported power electronic components)	**109,296**	45,904
Customer B (for sale of imported power electronic components)	**69,785**	**

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

4. COST OF SALES AND PURCHASES

	2010	2009
	RMB'000	*RMB'000*
Cost of inventories recognised as expense	**313,044**	181,789

Products purchased from a major supplier accounted for 74% (2009: 81%) of the Group's total purchases during the year. The following table shows the total purchase amount from that supplier during the corresponding years.

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:

	2010	2009
	RMB'000	*RMB'000*
Supplier A	**259,953**	141,200

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	*RMB'000*
Bank interest income	**801**	387
Net foreign exchange loss	**(9,057)**	(2,887)
Fair value gain on foreign exchange forward contracts	**4,179**	416
Loss from changes in fair values of embedded derivatives	**(864)**	–
Gain on disposal of available-for-sale investment	**–**	296
Government grants *(Note)*	**6,088**	–
Loss on disposal of property, plant and equipment	**(62)**	(3)
Total	**1,085**	(1,791)

Note: Included in government grants is an amount of RMB5,510,000 (2009: Nil) received from the Zhejiang Province Jiashan Economic Development Zone Administrative Committee (浙江省嘉善經濟開發區管理委員會) for rewarding Jiashan Sunking Power Equipment Technology Co. Ltd's ("**Jiashan Sunking**") achievements in scientific and technological innovation.

6. OTHER EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Allowance for doubtful debts	**1,523**	–
Research and development costs recognised as an expense	**2,757**	565
Total	**4,280**	565

7. PROFIT BEFORE TAX

	2010	2009
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging:		
Directors' remuneration, including share-based payment expense and retirement benefit schemes contributions	**2,259**	1,009
Other staff costs	**11,259**	5,959
Other staff's retirement benefit schemes contributions	**1,198**	928
Other share-based payment expense	**1,730**	2,254
Total staff costs	**16,446**	10,150
Impairment loss recognised on inventory	**1,104**	–
Depreciation for property, plant and equipment	**5,623**	2,292
Amortisation of intangible assets	**148**	88
Auditor's remuneration	**1,711**	54
Operating lease rentals in respect of rented premises	**2,230**	2,309
Release of prepaid lease payment	**360**	360

8. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("**EIT**")	**11,859**	8,910
Deferred tax charge:		
Current year	**2,992**	1,352
Total tax expense	**14,851**	10,262

Sunking Pacific Limited was incorporated in Hong Kong, where the applicable income tax rate is 16.5% for both years ended 31 December 2010 and 2009.

Under the Law of the PRC on Enterprise Income Tax Law (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries (other than Jiashan Sunking) is 25%.

Jiashan Sunking, a Foreign Invested Manufacturing Enterprise, 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 12.5% for the years ended 31 December 2010 and 2009.

Wuxi Sunking Power Capacitor Co., Ltd. (無錫賽晶電力電容器有限公司), Jiangsu Sunking Power Equipment Co., Ltd. (江蘇賽晶電氣設備有限公司), Jiashan Sunking Converter Technology Co., Ltd. (嘉善華瑞賽晶變流技術有限公司), Tianjin Sunking Xinglu Water Technology Co., Ltd. (天津市華瑞賽晶興路水科技有限公司), Wuxi Zhuofeng Information Technology Co., Ltd. (無錫卓峰信息科技有限公司), and Sudian Power Electronic Technology (Wuxi) Co., Ltd. (蘇電電力電子技術（無錫）有限公司), were established in the PRC and have had no assessable profits subject to the PRC EIT since their establishment.

The tax charge for the year can be reconciled to profit before tax per the consolidated statement of comprehensive income as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit before tax	**52,443**	49,112
Income tax expense at PRC income tax rate: 25% *(Note 1)*	**13,111**	12,278
Tax effect of expenses not deductible for tax purpose	**6,169**	715
Effect of different tax rate of entities operating in other jurisdictions	**(146)**	(9)
Effect of tax reduction granted to subsidiaries	**(10,572)**	(6,535)
Tax effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	**2,545**	1,582
Tax effect of utilisation of unused tax losses and other deductible temporary differences not previously recognised as deferred tax assets	**–**	(12)
Deferred tax liabilities recognised in respect of withholding tax *(Note 2)*	**3,274**	2,202
Others	**470**	41
Tax charge for the year	**14,851**	10,262

Note 1: The PRC income tax rate for the year was 25%, which represented the applicable income tax rate of the PRC subsidiaries through 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 consolidated financial statements in respect of undistributed retained profits of the PRC entities amounting to RMB65,480,000 (2009: RMB44,048,000) for the year ended 31 December 2010.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**37,592**	38,850
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,099,389,315**	1,024,540,000

The weighted average number of shares for the purpose of calculating basic earnings per share for each of the two years ended 31 December 2010 and 2009 is based on the assumption that the 51,227,000 shares issued and outstanding upon the Group Reorganisation and the 973,313,000 shares issued pursuant to the capitalisation issue had been in issue as at the beginning of the respective years.

In addition, the effect of the 341,500,000 shares issued under public offering has also been included in the calculation of the weighted average number of shares for the year ended 31 December 2010.

No diluted earnings per share have been presented as the Group had no potential dilutive ordinary shares outstanding during both years.

10. FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2010 (2009: nil).

11. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	**53,215**	6,177
Work-in-process	**2,901**	1,874
Finished goods	**11,624**	12,086
Total	**67,740**	20,137

12. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**313,949**	124,852
Less: Allowance for doubtful debts	**(393)**	–
	313,556	124,852
Note receivables	**45,541**	28,830
Other receivables	**17,723**	7,353
Total	**376,820**	161,035

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

Generally, the Group allows a 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 date of the Group's products or twelve months from the date of installation of the Group's products by the respective customers. As at 31 December 2010, trade receivables expected to be recovered or settled more than the next twelve months from the respective dates amounted to RMB13,257,000 (31 December 2009: RMB5,371,000).

The following is an aging analysis of trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010	2009
	RMB'000	*RMB'000*
0-90 days	**199,668**	99,734
91-180 days	**87,253**	20,463
181-360 days	**25,302**	2,600
>360 days	**1,333**	2,055
Total	**313,556**	124,852

The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	2010	2009
	RMB'000	*RMB'000*
Note yet due	**142,550**	57,800
Overdue 0-180 days	**164,472**	63,821
Overdue 181-360 days	**6,206**	1,358
Overdue >360 days	**328**	1,873
Total	**313,556**	124,852

Movement in the allowance for doubtful debts

	2010	2009
	RMB'000	*RMB'000*
1 January	**–**	–
Impairment losses recognised on receivables	**1,523**	–
Amounts written off as uncollectible	**(1,130)**	–
31 December	**393**	–

13. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**156,902**	43,862
Advance from customers	**3,000**	4,083
Other payables	**14,093**	2,545
Other taxes payable	**12,780**	9,930
Accrued expenses	**8,052**	820
	194,827	61,240

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

	2010	2009
	RMB'000	*RMB'000*
0-180 days	**151,923**	43,373
>181 days	**4,979**	489
Total	**156,902**	43,862

The trade payables comprise 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.

BUSINESS AND FINANCIAL REVIEW

Revenue

The Group's revenue increased by RMB166.3 million, or 63.5%, from RMB261.7 million for the year ended 31 December 2009 to RMB428.0 million for the year ended 31 December 2010 primarily reflecting an increase in the sale of manufactured products, in particular, the sale of IGBT power modules and silicon rectifier valves and others.

The following table sets forth a breakdown of the Group's revenue by business segment and product and as a percentage of the Group's total revenue for the year ended 31 December 2010, with corresponding comparative figures for 2009:

	Year ended 31 December			
	2010	**2010**	2009	2009
	RMB'000	***%***	*RMB'000*	*%*
Sale of imported power electronic components	**138,535**	**32.4**	139,140	53.2
Sale of manufactured products:				
IGBT power modules	**113,626**	**26.5**	45,904	17.5
Anode saturable reactors	**33,513**	**7.8**	11,759	4.5
High-voltage ("**HV**") power capacitors	**12,781**	**3.0**	–	–
Silicon rectifier valves and others	**121,549**	**28.4**	58,061	22.2
Deionised water cooling systems	**7,992**	**1.9**	6,840	2.6
Sub-total of manufactured products	**289,461**	**67.6**	122,564	46.8
Total revenue	**427,996**	**100.0**	261,704	100.0

The Group's revenue from the sale of manufactured products increased by RMB166.9 million, or 136.1%, from RMB122.6 million for the year ended 31 December 2009 to RMB289.5 million for the corresponding year in 2010 primarily due to the increased sale of IGBT power modules to China CNR Corporation Limited and its subsidiaries (collectively the "**CNR Group**") and the increased sale of silicon rectifier valves for the aluminium industry, in each case during the year ended 31 December 2010. As a percentage of the Group's total revenue, the sale of manufactured products increased from 46.8% in the year ended 31 December 2009 to 67.6% for the corresponding year in 2010. The Group's revenue from the sale of IGBT power modules increased from RMB45.9 million in the year ended 31 December 2009 to RMB113.6 million for the corresponding year in 2010 due to the rise in demand for locomotives resulting from the development of the PRC rolling stock industry. Such sale was predominately made to the CNR Group. The Group only started to sell IGBT power modules in November 2009 and therefore low sale of IGBT power modules was noted for the year 2009.

For the year ended 31 December 2010, the Group recorded revenue of RMB33.5 million from the sale of anode saturable reactors, with a substantial increase of 183.9% as their quality and functionality were gradually recognised by customers, and revenue of RMB12.8 million from the sale of HV power capacitors. Revenue from the sale of silicon rectifier valves and other products increased by RMB63.4 million, or 109.1%, from RMB58.1 million in the year ended 31 December 2009 to RMB121.5 million for the corresponding year in 2010. As a percentage of the Group's total revenue, revenue from the sale of anode saturable reactors, HV power capacitors and silicon rectifier valves and others increased from 26.7% in the year ended 31 December 2009 to 39.2% for the corresponding year in 2010 because the sale of these products increased and the proportion of the sale of IGBT power modules decreased. The Group's revenue from the sale of deionised water cooling systems increased by RMB1.2 million, or 17.6%, from RMB6.8 million for the year ended 31 December 2009 to RMB8.0 million for the corresponding year in 2010 because of the expanded customer base. As a percentage of the Group's total revenue, revenue from the sale of deionised water cooling systems decreased marginally from 2.6% in the year ended 31 December 2009 to 1.9% for the corresponding year in 2010.

Revenue from the sale of imported power electronic components remained steady with a slight decrease of RMB0.6 million, or 0.43%, from RMB139.1 million for the year ended 31 December 2009 to RMB138.5 million for the corresponding year in 2010. As a percentage of the Group's total revenue, revenue from the sale of imported power electronic components decreased from 53.2% in the year ended 31 December 2009 to 32.4% for the corresponding year in 2010 reflecting the proportional increase in revenue generated from the Group's manufacturing business as compared to the sale from the Group's distribution business.

Cost of sales

Cost of sales increased by 72.2% from RMB181.8 million for the year ended 31 December 2009 to RMB313.0 million for the corresponding year in 2010. The increase primarily reflects the combined effect of increases in sale, the higher cost of imported power electronic components that are denominated in Swiss Francs ("**CHF**") and the higher exchange rate of CHF:RMB during the year ended 31 December 2010 compared to the corresponding year in 2009.

Gross profit and gross profit margin

Gross profit increased by RMB35.1 million, or 43.9%, from RMB79.9 million for the year ended 31 December 2009 to RMB115.0 million for the corresponding year in 2010. The Group's gross profit margin decreased from 30.5% for the year ended 31 December 2009 to 26.9% for the corresponding year in 2010, primarily as a result of a change in the product mix of the Group's manufactured products sold in the year ended 31 December 2010 compared to the corresponding year 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 year ended 31 December 2010 compared to the corresponding year in 2009.

For the years ended 31 December 2009 and 2010, RMB141.2 million and RMB260.0 million, representing 80.8% and 74.5%, of the Group's total purchases for the respective years were denominated in CHF. The lower average exchange rate of CHF:RMB in the year ended 31 December 2009 contributed to the Group's higher gross profit margins recorded for that year compared to the corresponding year in 2010.

The following table sets forth the Group's gross profit margins by business segment and product for the year ended 31 December 2010, with corresponding comparative figures in 2009:

	Year ended 31 December	
	2010	2009
	%	%
Distribution business:		
Imported power electronic components	**21.9**	27.0
Manufacturing business	**29.2**	34.5
IGBT power modules	**21.5**	27.0
Anode saturable reactors	**69.4**	61.7
HV power capacitors	**23.9**	–
Silicon rectifier valves and others	**27.6**	38.2
Deionised water cooling systems	**4.1**	7.0
The Group	**26.9**	30.5

Gross profit margin for the Group's distribution business decreased from 27.0% for the year ended 31 December 2009 to 21.9% for the corresponding year 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 year ended 31 December 2010 compared to the corresponding year in 2009. Gross profit margin of the Group's manufacturing business decreased from 34.5% for the year ended 31 December 2009 to 29.2% for the corresponding year in 2010 reflecting the mixed effects explained below.

Gross profit margin of IGBT power modules was 21.5% for the year ended 31 December 2010 compared to 27.0% for last year because of the lower selling price to the CNR Group and the higher exchange rate for CHF:RMB causing higher cost of imported raw materials. For the year ended 31 December 2010, gross profit margin of anode saturable reactors increased to 69.4% as a result of increased quantity and proportion for the sale of new models with higher gross profit margin. The gross profit margin of silicon rectifier valves and others decreased from 38.2% for the year ended 31 December 2009 to 27.6% for the corresponding year in 2010 primarily due to a greater proportion in the sale of a new type of silicon rectifier valve with a lower gross profit margin and less favorable exchange rate for imported material costs.

Gross profit margin for deionised water cooling systems decreased from 7.0% for the year ended 31 December 2009 to 4.1% for the corresponding year in 2010. During the two reporting years, 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 the sale of deionised water cooling systems only accounted for 2.6% and 1.9% of the Group's total revenue for the year ended 31 December 2009 and 2010, respectively, the Group's overall gross profit margin during the two years was not affected by the performance of the deionised water cooling systems to any material extent.

Other income and other gains and losses

Other income and other gains and losses changed from a net loss of RMB1.8 million for the year ended 31 December 2009 to a net gain of RMB1.1 million for the corresponding year in 2010, primarily due to (i) government grants of RMB5.5 million received for the achievements in scientific and technological innovation in the current year; (ii) an increase in fair value gain of RMB3.8 million on foreign exchange forward contracts, 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 year; and (iii) a rise in bank interest income of RMB0.4 million, mainly received from the unused proceeds from the listing (the "**Listing**") of the Company's shares deposited with bank, and offset by the loss from changes in fair values of embedded derivatives of RMB0.9 million and the increase in net foreign exchange loss of RMB6.2 million, mainly generated from the conversion of part of the gross Listing proceeds of HK$659.1 million into RMB during the month of the Listing and the translation of its unused balance into RMB at the year end and the Group's trade payables outstanding as at 31 December 2010 denominated in CHF to RMB with an appreciation of CHF against RMB as at 31 December 2010 compared to the rate prevailing as at 31 December 2009. The CHF:RMB exchange rate was 6.5938 and 7.0562 as at 31 December 2009 and 31 December 2010, respectively.

Distribution and selling expenses

Distribution and selling expenses increased by RMB9.2 million, or 191.7%, from RMB4.8 million in the year ended 31 December 2009 to RMB14.0 million in the corresponding year 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 significantly increased by RMB17.5 million, or 77.1%, from RMB22.7 million for the year ended 31 December 2009 to RMB40.2 million for the corresponding year in 2010 primarily reflecting the legal and professional fees incurred for the preparation of the Listing, an increase in total staff costs (including salaries, social welfare, share-based payments and other staff costs) paid to the Directors and administrative staff of RMB2.5 million, additional depreciation of RMB0.2 million, a rise in external auditors' remuneration of RMB1.7 million and an impairment loss of RMB1.1 million recognised on inventory. Administrative and general expenses constituted 9.4% of the Group's total revenue for the year ended 31 December 2010, as compared to 8.7% for the corresponding year in 2009. The higher administrative and general expenses margin in the year ended 31 December 2010 was primarily due to the lower rate of increase in revenue compared to the rate of increase of administrative and general expenses.

Other expenses

Other expenses increased by RMB3.7 million, from RMB0.6 million for the year ended 31 December 2009 to RMB4.3 million for the corresponding year in 2010 primarily due to the following expenses incurred during the year ended 31 December 2010: (i) the recognition of RMB1.5 million impairment loss on the Group's trade receivables; and (ii) additional RMB2.2 million research and development fees paid in relation to a power electronic component to be applied in the Group's own manufactured products.

Interest on bank borrowings wholly repayable within five years

Interest on bank borrowings wholly repayable within five years increased by RMB4.1 million, or 410.0%, from RMB1.0 million in the year ended 31 December 2009 to RMB5.1 million in the corresponding year in 2010 primarily due to the increased amount of bank loans outstanding during the year ended 31 December 2010. The increased amount of loans was mainly used for working capital purposes.

Profit before tax

The Group's profit before tax increased by RMB3.3 million, or 6.7%, from RMB49.1 million in the year ended 31 December 2009 to RMB52.4 million in the corresponding year in 2010 primarily due to an increase of RMB35.1 million in the Group's gross profit, the receipt of government grants of RMB6.1 million and an increase in fair value gain on foreign exchange forward contracts of RMB3.8 million recognised in the year ended 31 December 2010. The increase in profit before tax was partially offset by the legal and professional fees incurred for the preparation of the Listing, an increase in the staff costs of RMB6.2 million, an increase in depreciation and amortisation expenses of RMB3.4 million as a result of the transfer of construction in progress relating to office space to fixed depreciable assets, an increase of RMB3.7 million in other expenses, an increase in distribution and selling expenses of RMB9.2 million, an increase in net foreign exchange loss of RMB6.2 million and an increase in interest expenses of RMB4.1 million. EBITDA increased by RMB10.9 million, or 20.6%, from RMB52.8 million for the year ended 31 December 2009 to RMB63.7 million for the corresponding year in 2010 and EBITDA margins for the year ended 31 December 2010 were 14.9%, as compared to 20.2% for the corresponding year in 2009.

Income tax expense

Income tax expense increased by RMB4.6 million from RMB10.3 million in the year ended 31 December 2009 to RMB14.9 million for the corresponding year in 2010. The Group's effective tax rate for the year ended 31 December 2010 was 28.4%, as compared to 21.0% for the corresponding year in 2009, primarily reflecting the non-tax deductible nature of certain expenses for PRC EIT purposes that were incurred in 2010 and operating losses incurred but not provided for deferred tax benefit for certain subsidiaries. In 2010, significant amount of expenses related to the Listing was recorded in the Group entities that were incorporated in non-taxation jurisdictions. No tax benefit was recorded for these expenses.

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

The Group's profit for the year and total comprehensive income for the year attributable to owners of the Company decreased by RMB1.3 million, or 3.3%, from RMB38.9 million for the year ended 31 December 2009 to RMB37.6 million for the corresponding year in 2010. The Group's net profit margin, which is calculated as profit attributable to owners of the Company for the year divided by total revenue, decreased from 14.9% in the year ended 31 December 2009 to 8.8% for the corresponding year in 2010.

Inventories

The inventory balances increased from RMB20.1 million as at 31 December 2009 to RMB67.7 million as at 31 December 2010, reflecting an increase in both raw materials and work-in-process in anticipation of increased sales orders in 2011.

The average inventory turnover days increased from 42.7 days in 2009 to 51.2 days in 2010, mainly due to an increase in inventory levels.

Trade receivables

Trade receivables increased from RMB124.9 million as at 31 December 2009 to RMB313.6 million as at 31 December 2010, primarily due to an increase in sales recorded in the year, in particular to a number of state-owned or state-controlled enterprises.

The average trade receivables turnover days increased from 112.5 days for the year ended 31 December 2009 to 187.1 days in 2010. This was because of the increased sales to customers with longer credit period, such as the sales of IGBT power modules to the CNR Group, and a substantial portion of the Group's trade receivables was due from a number of large customers who are state-owned or state-controlled enterprises, which tend to be slow in settlement of invoices but are of better creditworthiness.

Trade and other payables

Trade and other payables increased from RMB61.2 million as at 31 December 2009 to RMB194.8 million as at 31 December 2010 reflecting increased purchases of imported power electronic components, particularly in preparation for the anticipated increase in sales orders in 2011.

The average turnover days for trade payables increased from 61.9 days in 2009 to 117.1 days in 2010 primarily due to the stock up of imported power electronic components towards the end of year.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sale of its products and bank borrowings. As at 31 December 2010, the Group's current ratio (current assets divided by current liabilities) was 3.46 (as at 31 December 2009: 2.2). As at 31 December 2010, the Group had cash and cash equivalents of RMB446.0 million (as at 31 December 2009: RMB38.9 million) and short-term bank loans of RMB48.3 million (as at 31 December 2009: RMB20.0 million). The increase in short-term bank loans was mainly for working capital purposes. As at 31 December 2010, the Group's gearing ratio measured on the basis of total short-term bank loans and the loan due to a former shareholder to total equity was 5.8%, as compared to 11.9% as at 31 December 2009.

As at 31 December 2009 and 31 December 2010, all the Group's bank loans were at fixed interest rates and had contractual maturity within one year from the end of the reporting year. The effective interest rates on the Group's fixed-rate bank borrowings were also equal to the weighted average contracted interest rates of 4.61% per annum as at 31 December 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 31 December 2009 and 31 December 2010.

As most of the principal subsidiaries of the Company are operating in the PRC, their functional currency is RMB. However, the amount due to a former shareholder, certain bank balances and certain purchases of the Group are either denominated in CHF, United States Dollars, Euros or Hong Kong Dollars, 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 31 December 2010 was RMB4.2 million (as at 31 December 2009: RMB1.3 million).

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2010, the Group pledged its bank deposits of RMB1.2 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 31 December 2010, the Group's bank loans were secured by certain buildings owned by the Group and land use rights of carrying amounts of RMB49.2 million and RMB15.3 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 RMB17.0 million and RMB0.8 million, respectively (as at 31 December 2009: nil and nil, respectively) are pledged against short-term bank loans of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the Prospectus, the Group did not engage in any material acquisitions or disposals during the year ended 31 December 2010.

USE OF PROCEEDS FROM LISTING

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$593.0 million. The Company currently does not have any intention to change its plan for use of proceeds as stated in the Prospectus. From the date of the Listing (i.e. 13 October 2010) up to the date of this announcement, out of the total net proceeds from the Listing, RMB55.1 million was utilised for repayment of bank borrowings, RMB68.2 million for land acquisition and construction of buildings for expansion of production capacity, RMB21.8 million for building construction for research and development and RMB39.8 million for working capital and general corporate expenses.

HUMAN RESOURCES

As at 31 December 2010, the Group employed approximately 328 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 relationship with its employees.

PROSPECTS

Looking ahead, the Group believes there will be sustainable growth in its business, which will benefit from the PRC government policies which significantly enhance PRC's rolling stock and power grid infrastructure and encourage the use of domestic technology and products in major infrastructure projects, as well as from the global trend to reduce overall carbon emissions through the use of energy efficient technology and infrastructure. The PRC government has committed to make huge investments in both the rolling stock and the power grid industries, in which the Group's business currently lies. Thus, the Group will see the PRC rolling stock manufacturers and power transmission customers as the prominent sources of demand for its products. The Group will also actively explore new business opportunities in other novice industries like renewable energies and energy savings.

For new products in the pipeline, the Group will, without reservation, place resources in the development of high-end and innovative technology products particularly in the application for improving power quality and energy savings. These products mainly include fixed series compensator (FSC) and thyristor controlled series compensator (TCSC), HV static var compensator (SVC), fixed direct current melting ice SVC, removable HV static var compensator (RSVC), filter capacitor (FC), speed solid transfer switch (SSTS) and satic var generator (SVG). The Group seeks to offer these products to sizeable customers of power generating, power transmission and power consumption companies as their systematic and integrated solution providers.

The Group will speed up the pace of cooperation with Trainelec, a subsidiary of Construcciones y Auxiliar de Ferrocariles (CAF), S.A., in order to gain access into the city metro market by providing the traction converter systems, enriching its product series, expanding the market share and enhancing the market position in the PRC rolling stock industry.

The Group will seize opportunities for growth in terms of market share and revenue through strategic alliances with selected partners, mergers and acquisitions and long-lasting business collaborations with large customers and will gradually explore and step into both regional and oversea markets. It is also the Group's ultimate vision to become a vertically integrated manufacturer so as to achieve economies of scale.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2011 is scheduled to be held on Tuesday, 21 June 2011. A notice convening the annual general meeting will be issued in due course.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Friday, 17 June 2011 to Tuesday, 21 June 2011, both dates inclusive, during which period no transfer of shares will be registered.

In order to establish the identity of the shareholders who are entitled to attend and vote at the annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30p.m. on Thursday, 16 June 2011.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the date of the Listing (i.e. 13 October 2010) to 31 December 2010.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. The Company has adopted the Code on Corporate Governance Practices (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code to govern its corporate governance practices. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. Since the Listing on 13 October 2010 and up to the date of this announcement, the Company continued to apply the code provisions (the "**Code Provisions**") of the Corporate Governance Code, except for the deviation 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. Although this deviates from the practice under the Code Provision A2.1 where the two positions should be held by two different individuals, as Mr. Xiang Jie 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 Mr. Xiang Jie as an executive chairman so the Board can benefit from his knowledge of the business and his capability in leading the Board in the long term development of the Group. 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 the need 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 Listing on 13 October 2010 and up to the year ended 31 December 2010.

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 duties of the Audit Committee include (without limitation) (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor; (ii) monitoring the integrity of the financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them and (iii) reviewing the financial controls, internal control and risk management systems.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2010. The consolidated financial statements for the year ended 31 December 2010 have been audited by the Company's external auditors, Deloitte Touche Tohmatsu.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website at www.hkexnews.hk. and the website of the Company at www.speg.hk. The Company's annual report for the year 2010 will be available at the same websites and will be despatched to the Company's shareholders in due course.

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

Hong Kong, 21 March 2011

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

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

* *For identification purpose only*