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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Turnover decreased by approximately 6.03% to RMB573.5 million.
- Gross profit increased by approximately 47.1% to RMB145.8 million.
- Gross profit margin increased from 16.2% to 25.4%.
- Profit attributable to owners of the Company amounted to RMB0.4 million.
- Earnings per share amounted to RMB0.03 cents.

ANNUAL RESULTS

The board (the "**Board**") of Directors (the "**Directors**") of Sun.King Power Electronics Group Limited 賽晶電力電子集團有限公司 (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2012, with the comparative figures for the corresponding year in 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	4	**573,517**	610,311
Cost of sales		**(427,761)**	(511,239)
Gross profit		**145,756**	99,072
Other income and gains	4	**12,023**	12,716
Selling and distribution costs		**(44,959)**	(46,573)
Administrative expenses		**(74,693)**	(86,294)
Other expenses		**(8,685)**	(24,691)
Finance costs	6	**(17,424)**	(4,339)
Share of loss of a jointly-controlled entity		**(652)**	(380)
Profit/(loss) before tax	5	**11,366**	(50,489)
Income tax expense	7	**(12,269)**	(2,793)
Loss and total comprehensive loss for the year		**(903)**	(53,282)
Attributable to:			
Owners of the parent		**443**	(59,360)
Non-controlling interests		**(1,346)**	6,078
		(903)	(53,282)
Earnings/(loss) per share attributable to ordinary equity holders of the parent – basic and diluted	8	**RMB0.03 cents**	RMB(4.35) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**299,833**	211,897
Prepaid land lease payments		**62,135**	56,387
Deposits for purchase of items of property, plant and equipment		**1,107**	8,908
Deposits paid for prepaid land lease payments		**–**	7,117
Goodwill		**40,357**	40,357
Other intangible assets		**25,109**	26,373
Club memberships		**2,534**	2,534
Investment in a jointly-controlled entity		**3,348**	–
Trade receivables	9	**46,688**	25,206
Deferred tax assets		**10,931**	4,341
Total non-current assets		**492,042**	383,120
CURRENT ASSETS			
Inventories		**129,638**	175,479
Trade and bills receivables	9	**472,947**	468,538
Prepayments, deposits and other receivables		**64,572**	43,087
Derivative financial instruments		**1,376**	–
Due from a director		**180**	–
Prepaid land lease payments		**1,401**	1,041
Pledged deposits		**17,933**	25,110
Cash and cash equivalents		**186,660**	184,452
Total current assets		**874,707**	897,707
CURRENT LIABILITIES			
Trade and bills payables	10	**161,103**	142,020
Other payables and accruals		**51,174**	56,725
Derivative financial instruments		**–**	886
Interest-bearing bank borrowings		**268,362**	227,130
Tax payable		**21,212**	12,193
Total current liabilities		**501,851**	438,954
NET CURRENT ASSETS		**372,856**	458,753
TOTAL ASSETS LESS CURRENT LIABILITIES		**864,898**	841,873

	At 31 December 2012 *RMB'000*	At 31 December 2011 *RMB'000*
NON-CURRENT LIABILITIES		
Deferred income	**18,382**	3,143
Deferred tax liabilities	**13,994**	11,649
Total non-current liabilities	**32,376**	14,792
Net assets	**832,522**	827,081
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**117,137**	117,385
Reserves	**668,219**	663,899
	785,356	781,284
Non-controlling interests	**47,166**	45,797
Total equity	**832,522**	827,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 March 2010. The ordinary shares of the Company 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 Group was principally engaged in the trading and manufacturing of power electronic components during the year.

In the opinion of the directors of the Company, the Company's immediate and ultimate holding company is Max Vision Holdings Limited, which is controlled by Mr. Xiang Jie, the founder and a director of the Company.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Tax – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment which is principally engaged in the manufacturing and trading of power electronic components.

Geographical information

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

Information about major customers

Revenue from major customers individually accounted for 10% or more of the Group's revenue is as follows:

	2012	2011
	RMB'000	*RMB'000*
Customer A	**134,411**	125,870
Customer B*	**–**	84,377
Customer C*	**59,402**	–
Total	**193,813**	210,247

* *The sales to customer B was less than 10% of the Group's revenue for the year ended 31 December 2012. The sales to customer C was less than 10% of the Group's revenue for the year ended 31 December 2011.*

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts and an appropriate proportion of contract revenue of construction contracts during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**573,517**	610,311
Other income		
Interest income	**1,707**	1,174
Government grants*	**7,828**	8,365
Commission income	**1,169**	2,958
Others	**511**	–
	11,215	12,497
Gains		
Gains/(losses) on disposal of items of property, plant and equipment, net	**218**	(206)
Others	**590**	425
	808	219
	12,023	12,716

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

5. PROFIT/(LOSS) BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories sold	**423,710**	507,378
Write-down of inventories to net realisable value	**4,051**	3,861
Cost of sales	**427,761**	511,239
Auditors' remuneration	**1,500**	3,600
Depreciation	**14,983**	11,939
Amortisation of other intangible assets	**1,292**	7,397
Amortisation of land lease payments	**1,390**	960
Minimum lease payments under operating leases for land and buildings	**1,898**	2,680
Impairment of trade and other receivables*	**980**	5,157
Fair value losses on foreign currency forward contracts, net*	**522**	5,114
Foreign exchange differences, net*	**2,378**	2,991
Research and development costs*	**4,805**	6,929
Share award**	**4,000**	14,694
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**36,623**	29,903
Share-based payment expense	**4,689**	7,733
Pension scheme contributions***	**4,789**	4,042
	46,101	41,678

* *The impairment of the trade and other receivables, net fair value losses on foreign currency forward contracts, foreign exchange differences, and research and development costs are included in other expenses in the consolidated statement of comprehensive income.*

** *The share award expense is included in selling and distribution costs in the consolidated statement of comprehensive income.*

*** *At 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2011: Nil).*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**17,424**	4,339

7. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil).

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

Jiashan Sunking Power Equipment Technology Co., Ltd. ("**Jiashan Sunking**"), a subsidiary of the Company, was recognised as a wholly-foreign-owned enterprise under PRC law and was entitled to tax exemption from CIT for two years commencing from its first profit making year in 2007, followed by a 50% tax rate reduction for CIT for the subsequent three years. Therefore, the applicable CIT rate for Jiashan Sunking is 25% for the year ended 31 December 2012 (2011: 12.5%).

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

	2012	2011
	RMB'000	*RMB'000*
Group:		
Current – Mainland China		
Charge for the year	**16,514**	7,558
Deferred	**(4,245)**	(4,765)
Total tax charge for the year	**12,269**	2,793

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,364,767,660 (2011: 1,365,913,945) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

9. TRADE AND BILL RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**321,427**	301,542
Impairment	**(15,116)**	(14,651)
	306,311	286,891
Add: Bills receivable	**213,324**	206,853
Less: Amount shown as non-current	**(46,688)**	(25,206)
	472,947	468,538

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

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

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**132,753**	146,231
3 to 6 months	**35,544**	85,489
6 to 12 months	**91,178**	37,933
Over 1 year	**46,836**	17,238
	306,311	286,891

As at 31 December 2012 and 31 December 2011, all the Group's bills receivable aged within six months.

As at 31 December 2012, certain trade receivables of the Group with an aggregate carrying amount of RMB152,627,000 (2011: RMB96,060,000) were pledged to banks to secure the bank loans granted to the Group.

At 31 December 2012, certain of the Group's bills receivable of approximately RMB25,000,000 (2011: Nil) were pledged to secure certain of the Group's bills payable.

10. TRADE AND BILLS PAYABLES

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 6 months	**123,507**	136,327
Over 6 months	**37,596**	5,693
	161,103	142,020

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 days to 180 days.

As at 31 December 2012, certain of the Group's bills payable are secured by the pledge of the Group's bills receivable amounting to approximately RMB25,000,000 (2011: Nil).

11. FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The products offered by the Group are divided into, in terms of their applied industries, power transmission sector, rail transportation sector and industrial sector.

Power transmission sector

The Group's position as the only domestic supplier with the ability of manufacturing anode saturable reactors gives it considerable leverage in the commencement of various projects in the power transmission sector, such as several lines of ultra-high-voltage ("**UHV DC**") transmission and flexible direct current ("**HVDC**") transmission. The Group also provides these direct current transmission projects with products such as insulated gate bipolar transistor ("**IGBT**") and laminated busbars, etc.

In 2012, the Group's high-voltage power capacitors were included in the procurement lists of major domestic grid companies twice and the Group won both bids for the supply of the high-voltage power capacitors to such domestic grid companies. Since the power equipment industry emphasis on the operation qualities and application history of the products, winning the bids was a manifestation of the acceptance of the Group's power capacitor products by authoritative customers. Further, the installation of on site equipment for the construction of the "High Power Experimental System" laboratory under the "HVDC Converter Valve Industrialisation" programme of Xi'an Electric Power System Co., Ltd. undertaken by the Group was completed by the end of 2012. The self-manufactured energy-saving products for power quality improvement, including static var compensations ("**SVCs**") and fixed direct current ("**DC**") ice melting and static var compensations ("**TCScs**") etc., of the Group have been successfully applied in multiple power transmission projects such as fixed DC ice melting on power grids in Yunnan and were well-received and widely-praised in the market.

Rail transportation sector

The Group continued to maintain a strategic relationship with China CNR Corporation Limited in 2012, offering components and parts, among which were IGBT modules and laminated busbars, for traction converters on various types of electric locomotives. The Group's subsidiary has formed a joint-venture in the PRC with Trainelec, S.L. and Traintic, S.L., which are the subsidiaries of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A. ("**CAF**"). The joint-venture cooperated with other subsidiaries of the Group and had accumulated valuable experience through its participation in the tendering of several subway projects in cities such as Nanchang, Ningbo and Shenzhen and attending technical exchanges activities.

Industrial sector

Orders from industrial customers increased significantly in 2012 as compared to the corresponding period of last year. Having regard to the slowdown or distress in the development of certain industrial sectors in China, the Group implemented stringent internal policies on customer assessment and account receivable management, and solely selected and executed the orders placed by credible customers and with lower risks, so as to lower the Group's exposure to potential bad debts.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB36.8 million, or approximately 6.03%, from approximately RMB610.3 million for the year ended 31 December 2011 to approximately RMB573.5 million for the year ended 31 December 2012 primarily due to the decrease in the sales of products for industrial sector and rail transportation sector.

Cost of sales

Cost of sales decreased by approximately 16.3% from approximately RMB511.2 million for the year ended 31 December 2011 to approximately RMB427.8 million for the corresponding period in 2012. The decrease was primarily due to the measures taken by the Group to avoid exchange loss and the increase in effectiveness of the Group's operation.

Gross profit margin

Gross profit increased by approximately RMB46.7 million, or approximately 47.1%, from approximately RMB99.1 million for the year ended 31 December 2011 to approximately RMB145.8 million for the corresponding period in 2012. The Group's gross profit margin increased from approximately 16.2% for the year ended 31 December 2011 to approximately 25.4% for the corresponding period in 2012. The increase was primarily due to the effective measures adopted by the Group against foreign currency risk exposure, which enable the Group to control the cost of trading of power electronic components and certain raw materials which were denominated in Swiss Franc ("**CHF**").

Selling and distribution costs

Selling and distribution costs which constituted approximately 7.8% (2011: approximately 7.6%) of the Group's total revenue decreased by approximately 3.5% to approximately RMB45.0 million (2011: approximately RMB46.6 million) primarily reflecting the Group's strict control on selling and distribution costs budget for the year ended 31 December 2012.

Administrative expenses

Administrative expenses decreased by approximately 13.4% to approximately RMB74.7 million (2011: approximately RMB86.3 million) for the year ended 31 December 2012 primarily due to the Group's strict control on administration expenses budget for the year ended 31 December 2012. Administrative expenses constituted approximately 13.0% (2011: approximately 14.1%) of the Group's total revenue for the year ended 31 December 2012.

Other expenses

Other expenses decreased to approximately RMB8.7 million (2011: approximately RMB24.7 million) for the year ended 31 December 2012. The decrease was primarily due to the following changes in expenses incurred during the year ended 31 December 2012: (i) fair value losses on foreign currency forward contracts of the Group decreased to approximately RMB0.5 million (2011: approximately RMB5.1 million); and (ii) the impairment of trade and other receivables of the Group decreased to approximately RMB1.0 million (2011: approximately RMB5.2 million).

Interest on bank borrowings wholly repayable within five years

Interest on bank borrowings wholly repayable within five years increased to approximately RMB17.4 million (2011: approximately RMB4.3 million) for the year ended 31 December 2012 primarily due to the increase in interest-bearing bank loans and the increase in the statutory interest rates on interest-bearing bank loans.

Profit before tax

The Group recorded a profit before tax of approximately RMB11.4 million for the year ended 31 December 2012, compared with loss before tax of approximately RMB50.5 million for the corresponding period in 2011 primarily due to the measures taken by the Group to avoid exchange loss and strict control on costs and expenses.

Income tax expenses

Income tax expenses amounted to approximately RMB12.3 million was provided for the year ended 31 December 2012 as compared to the approximately RMB2.8 million for the corresponding period in 2011 due to an increase in profit before tax for the year ended 31 December 2012.

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

The Group's profit and total comprehensive income for the year attributable to owners of the Company amounted to approximately RMB0.4 million for the year ended 31 December 2012, when compared to loss and total comprehensive loss of approximately RMB59.4 million for the year ended 31 December 2011. The Group's net gain/(loss) margin, which is calculated as gain/(loss) attributable to owners of the Company for the year divided by total revenue, changed from a net loss margin of approximately 9.7% for the year ended 31 December 2011 to a net profit margin of approximately 0.08% for the corresponding period in 2012.

Inventories

The inventory balances decreased by approximately 26.1% to approximately RMB129.6 million as at 31 December 2012 (as at 31 December 2011: approximately RMB175.5 million) reflecting a strict control of the Group on inventories to reduce the cost of capital during the year ended 31 December 2012.

The average inventory turnover days increased to approximately 130.4 days (2011: approximately 86.8 days) for the year ended 31 December 2012.

Trade receivables

Trade receivables increased to approximately RMB306.3 million (as at 31 December 2011: approximately RMB286.9 million) as at 31 December 2012 and the average trade receivables turnover days increased to approximately 189.1 days (2011: approximately 179.6 days) for the year ended 31 December 2012. This was because of an increase in sales to a number of stated-owned or stated-controlled enterprise, which are subject to stringent internal settlement procedures, resulting in longer payment process time.

Trade and other payables

Trade and other payables increased to approximately RMB212.3 million (as at 31 December 2011: approximately RMB198.7 million) as at 31 December 2012 and the average turnover days for trade payables increased to approximately 130.8 days (2011: approximately 106.7 days) for the year ended 31 December 2012 primarily due to the Group's increase in purchase of raw material as a result of the expected increase in sales in 2013.

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 2012, the Group's current ratio (current assets divided by current liabilities) was approximately 1.74 (as at 31 December 2011: approximately 2.05). As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB186.7 million (as at 31 December 2011: approximately RMB184.5 million), which were mainly denominated in Renminbi ("**RMB**"), CHF and United States dollars ("**USD**"), and interest-bearing bank loans of RMB268.4 million (as at 31 December 2011: approximately RMB227.1 million). The increase in interest-bearing bank loans was mainly for working capital purposes. As at 31 December 2012, the Group's gearing ratio measured on the basis of total interest-bearing bank loans to total equity was approximately 32.2%, as compared to approximately 27.5% as at 31 December 2011.

As at 31 December 2011 and 31 December 2012, 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 year. The effective interest rates on the Group's fixed-rate bank borrowings were also equal to the weighted average contracted interest rates of approximately 6.28% per annum as at 31 December 2012 (as at 31 December 2011: approximately 5.48% per annum). During the year under review, there was no material change to the Group's funding and treasury policy.

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

Foreign currency exposure

As most of the principal subsidiaries of the Group operates in the PRC, their functional currency is RMB. However, certain purchases of the Group are denominated in CHF, USD, Euro and Hong Kong dollars, which are not the functional currency of the relevant Group entities and therefore the Group is exposed to foreign currency risk.

In light of the adverse effects on the Group's operations brought by the CHF exchange rate fluctuations in 2011, the Group has assiduously negotiated with ABB Switzerland, our largest supplier, to reach an agreement on the flexibility of settlement in either CHF or USD in mid-2011. The Group implemented measures of swaps hedging in full on various import and export orders in 2012, in order to fully avoid exchange rate risks. The Board is of the view that the aforesaid measures can avoid the adverse impact arising from exchange rate fluctuations to the best extent.

The carrying amount of outstanding foreign currency forward contracts as at 31 December 2012 was approximately RMB1.4 million (as at 31 December 2011: approximately RMB(0.9) million).

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2012, none of the Group's bank deposits were pledged (2011: approximately RMB14.9 million).

In addition, the Group's bank borrowings were secured by certain trade receivables amounting to approximately RMB152.6 million as at 31 December 2012 (2011: approximately RMB96.1 million). Certain of the Group's bills payable were secured by the pledge of the Group's bills receivables of approximately RMB25.0 million (2011: Nil). None of the Group's prepaid lease payment and building was pledged to banks for the years ended 31 December 2011 and 31 December 2012.

USE OF PROCEEDS FROM LISTING

Net proceeds of approximately HK$593.0 million were raised from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2010.

As at 31 December 2012, out of the total net proceeds from the listing of the Company, approximately RMB337.1 million was utilised for repayment of bank borrowings, land acquisition and construction of buildings for expansion of production capacity, building construction for research and development and working capital and general corporate expenses.

HUMAN RESOURCES

As at 31 December 2012, the Group employed 635 employees. Key components of the Group's remuneration packages included basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews on the performance of its employees and their salaries and bonuses are performance-based. The Group did not experience any significant problems with its employees or disruptions to its operations due to labor disputes, nor did it experience any difficulties in the recruitment and retention of experienced employees in 2012. The Group maintains a good relationship with its employees.

In 2012, the Group keenly recruited high-caliber talents. The Group recruited talents, who were senior engineering professors and have prominent influence in power capacitors industry and enjoy special government allowance granted by the State Council. The recruitment of high-calibre talents enables the Group to enhance its own product manufacturing technology.

PROSPECTS

Looking forward into 2013, the Group will continue to adhere to the target of being the industry-leading electric power system solution integrator. The Group will also continue to strengthen its capability in technology and product research and development, improve operational efficiency and product quality, promote product diversification, reinforce personnel training and talents introduction, in order to implement the rapid development plan of the Group.

In the next few years, power transmission industry in China will be at its critical development stage, especially UHV DC transmission and flexible direct current transmission. As promulgated in the State Grid Social Responsibility Report, four ultra-high-voltage alternating current transmission lines and three UHV DC transmission lines will be built under the 2013 construction plan. Therefore, the Company is positive towards the future market development of power transmission industry.

Based on the rail transportation projects approved by relevant authorities and local governments in the PRC in 2012, it is expected that the total investment in rail transportation projects, including subways will surpass RMB900 billion in the next five years. In addition, the total investment in railway projects in the PRC in 2013 will exceed RMB650 billion with over 5,200 km of newly paved rails pursuant to the railway construction plan promulgated in the National Railway Work Conference. As a result, the products for rail transportation sector offered by the Group and the joint-venture formed with CAF shall embrace good development opportunities. Meanwhile, the Group will also attempt to develop the domestic and overseas rail transportation business with strategic partners and valued customers through various channels and by way of development projects.

The Group will continue to boost its research and development capability and launch of new products. The laminated bus bar, a new product introduced by the Group in 2012 which is used in the field of power conversion, was tested and its performance reached first-class level in the PRC. It was used by the customers and received positive responses. In view of the above, the sales of this type of products shall record significant growth and performance in 2013.

The Group will seize opportunities for growth in terms of market share and revenue through strategic alliance with strategic partners, mergers and acquisitions and formation of business collaboration with large customers in the long run and will gradually explore and develop both regional and overseas markets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company made the following purchases of its own shares which were cancelled subsequently on the Stock Exchange:

Month of purchase in 2012	No. of shares purchased	Consideration per shares		Aggregate consideration paid
		Highest	*Lowest*	
		HK$	*HK$*	*HK$*
May	930,000	0.420	0.390	371,260
August	200,000	0.340	0.335	67,050
September	1,756,000	0.370	0.350	624,050

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the year ended 31 December 2012.

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. For the period from 1 January 2012 to 31 March 2012, the Company adopted the Code on Corporate Governance Practices (the "**Old Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and for the period from 1 April 2012 to 31 December 2012, the Company adopted the code provision included in the amendments made to the Old Code which took effect and renamed as Corporate Governance Code (the "**Code Provisions**"), 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. Before 10 April 2012, the positions of the chairman of the Board and the chief executive officer of the Company were held by Mr. Xiang Jie. On 10 April 2012, Mr. Xiang Jie relinquished his role as the chief executive officer of the Company and Mr. Gong Renyuan was appointed as the chief executive officer. Save as disclosed above, during the year ended 31 December 2012, the Company has continued to apply the Code Provisions of the Corporate Governance Code.

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 year ended 31 December 2012.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed with the management 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 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2013 is scheduled to be held at 9:30 a.m. on Wednesday, 22 May 2013. 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 Monday, 20 May 2013 to Wednesday, 22 May 2013, 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, 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 4:30 p.m. on Thursday, 16 May 2013.

PUBLICATION OF ANNUAL 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 2012 will be available at the same websites and will be despatched to the Company's shareholders in due course.

TELEPHONE CONFERENCE

The Company will host a telephone conference to discuss the annual results of the Group for the year ended 31 December 2012 with its shareholders and potential investors on 21 March 2013 from 10:30 a.m. to 11:30 a.m. (Hong Kong time). The dial-in details are as follows:

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

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

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

Hong Kong, 20 March 2013

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.