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 2013, FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 29.0% to approximately RMB739.9 million.
- Gross profit increased by approximately 52.4% to approximately RMB222.2 million.
- Gross profit margin increased from approximately 25.4% to approximately 30.0%.
- Profit attributable to owners of the Company amounted to approximately RMB42.9 million.
- Earnings per share amounted to approximately RMB3.2 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 2013, with the comparative figures for the corresponding year in 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	4	**739,865**	573,517
Cost of sales		**(517,698)**	(427,761)
Gross profit		**222,167**	145,756
Other income and gains	4	**14,842**	12,023
Selling and distribution expenses		**(64,382)**	(44,959)
Administrative expenses		**(69,847)**	(74,693)
Other expenses		**(27,542)**	(8,685)
Finance costs	6	**(16,969)**	(17,424)
Share of losses of:			
A joint venture		**(1,143)**	(652)
An associate		**(310)**	–
Profit before tax	5	**56,816**	11,366
Income tax expense	7	**(14,913)**	(12,269)
Profit/(loss) and total comprehensive income/(loss) for the year		**41,903**	(903)
Attributable to:			
Owners of the parent		**42,917**	443
Non-controlling interests		**(1,014)**	(1,346)
		41,903	(903)
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic		**RMB3.15 cents**	RMB0.03 cents
Diluted		**RMB3.14 cents**	RMB0.03 cents

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**342,280**	299,833
Prepaid land lease payments		**60,734**	62,135
Deposits for purchase of items of property, plant and equipment		**1,315**	1,107
Goodwill		**37,159**	40,357
Other intangible assets		**24,950**	25,109
Club memberships		**2,534**	2,534
Investment in a joint venture		**2,205**	3,348
Investment in an associate		**24,190**	–
Available-for-sale investment		**16,800**	–
Trade receivables	9	**93,994**	46,688
Deferred tax assets		**6,960**	10,931
Total non-current assets		**613,121**	492,042
CURRENT ASSETS			
Inventories		**91,920**	129,638
Trade and bills receivables	9	**524,579**	472,947
Prepayments, deposits and other receivables		**36,597**	64,572
Due from a director		**–**	180
Prepaid land lease payments		**1,401**	1,401
Derivative financial instruments		**743**	1,376
Pledged deposits		**17,375**	17,933
Cash and cash equivalents		**153,860**	186,660
Total current assets		**826,475**	874,707
CURRENT LIABILITIES			
Trade and bills payables	10	**142,477**	161,103
Other payables and accruals		**71,575**	51,174
Interest-bearing bank borrowings		**299,000**	268,362
Tax payable		**18,091**	21,212
Total current liabilities		**531,143**	501,851
NET CURRENT ASSETS		**295,332**	372,856
TOTAL ASSETS LESS CURRENT LIABILITIES		**908,453**	864,898

	Notes	**2013**	2012
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred income		**16,297**	18,382
Deferred tax liabilities		**13,429**	13,994
Total non-current liabilities		**29,726**	32,376
Net assets		**878,727**	832,522
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**117,156**	117,137
Reserves		**703,703**	668,219
Proposed final dividend	*11*	**11,716**	–
		832,575	785,356
Non-controlling interests		**46,152**	47,166
Total equity		**878,727**	832,522

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2013

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 holding company is Max Vision Holdings Limited, which is ultimately controlled by Mr. Xiang Jie, the founder and a director of the Company.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised International Financial Reporting Standards ("**IFRS(s)**") 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 – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments*: *Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
International Financial Reporting Interpretations Committee-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13, amendments to IFRS 10, IFRS 11, IFRS 12, IAS 1 and IAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in Standing Interpretations Committee Interpretation ("**SIC**")-Int *12 Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (i) power over an investee, (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under IFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with IAS 28 (2011).

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(d) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-Int 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(e) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended.

(f) The IAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

(g) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(h) *Annual Improvements 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

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:

	2013	2012
	RMB'000	*RMB'000*
Customer A	**187,924**	134,411
Customer B*	**95,182**	–
Customer C*	**–**	59,402
Total	**283,106**	193,813

* *The sales to customer C were less than 10% of the Group's revenue for the year ended 31 December 2013. The sales to customer B were less than 10% of the Group's revenue for the year ended 31 December 2012.*

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 during the year.

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**739,865**	573,517
Other income		
Interest income	**1,352**	1,707
Government grants*	**10,555**	7,828
Commission income	**846**	1,169
Others	**251**	511
	13,004	11,215
Gains		
Gains on disposal of raw materials	**1,059**	362
Gains on disposal of items of property, plant and equipment, net	**183**	218
Foreign exchange differences, net	**504**	–
Others	**92**	228
	1,838	808
	14,842	12,023

* *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 or contingencies relating to these government grants.*

5. PROFIT BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
Cost of inventories sold	**516,756**	423,710
Write-down of inventories to net realisable value	**942**	4,051
Cost of sales	**517,698**	427,761
Auditors' remuneration	**1,650**	1,500
Depreciation	**16,956**	14,983
Amortisation of other intangible assets	**1,371**	1,292
Amortisation of land lease payments	**1,401**	1,390
Impairment of goodwill*	**3,198**	–
Minimum lease payments under operating leases for land and buildings	**2,148**	1,898
Impairment of items of property, plant and equipment*	**196**	–
Impairment of trade and other receivables*	**4,424**	980
Fair value losses on foreign currency forward contracts, net*	**4,062**	522
Fair value losses on derivative financial instruments*	**734**	–
Foreign exchange differences, net	**(504)**	2,378
Research and development costs*	**14,877**	4,805
Share award**	**–**	4,000
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**30,707**	36,623
Share-based payment expense	**4,199**	4,689
Pension scheme contributions***	**4,830**	4,789
	39,736	46,101

* *The impairment of goodwill, impairment of trade and other receivables, impairment of items of property, plant and equipment, net fair value losses on foreign currency forward contracts, fair value losses of derivative financial instruments and research and development costs are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.*

** *The share award expense is included in selling and distribution expenses in the consolidated statement of profit or loss and other comprehensive income.*

*** *At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2012: Nil).*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**16,969**	17,424

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 31 December 2013 on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2013.

Hong Kong profits tax had not been provided for the year ended 31 December 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2012.

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%.

Wuxi Zhuofeng Information Technology Co., Ltd.* (無錫卓峰信息科技有限公司), a subsidiary of the Company, was recognised as a wholly-foreign-owned enterprise and was entitled to tax exemption from CIT for two years commencing from the first profit making year in 2012, followed by a 50% tax rate reduction for CIT for the subsequent three years.

Jiujiang Jiuzheng Rectifier Co., Ltd.* (九江九整整流器有限公司) and Wuhan Langde Electrics Co., Ltd.* (武漢朗德電氣有限公司), 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 ended 31 December 2013.

Jiashan Sunking Power Equipment Technology Co., Ltd.* (嘉善華瑞賽晶電氣設備科技有限公司), a subsidiary of the Company, was registered as a new and high technology enterprise, and is subject to CIT at a rate of 15% for the three years ending 31 December 2015.

	2013	2012
	RMB'000	*RMB'000*
Group:		
Current – Hong Kong		
Charge for the year	**378**	–
Current – Mainland China		
Charge for the year	**10,358**	16,514
Underprovision in prior years	**771**	–
Deferred	**3,406**	(4,245)
Total tax charge for the year	**14,913**	12,269

* *For identification purposes only*

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,362,758,751 (2012: 1,364,767,660) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**42,917**	443

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,362,758,751**	1,364,767,660
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,095,576**	–
	1,364,854,327	1,364,767,660

9. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**485,257**	321,427
Impairment	**(19,044)**	(15,116)
	466,213	306,311
Add: Bills receivable	**152,360**	213,324
Less: Amount shown as non-current	**(93,994)**	(46,688)
	524,579	472,947

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to 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 fulfilment 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	
	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**219,484**	132,753
3 to 6 months	**82,277**	35,544
6 to 12 months	**86,581**	91,178
Over 1 year	**77,871**	46,836
	466,213	306,311

As at 31 December 2013 and 31 December 2012, the Group's bills receivable aged within six months.

As at 31 December 2013, certain trade receivables of the Group with an aggregate carrying amount of approximately RMB25,331,000 (2012: RMB152,627,000) were pledged to banks to secure the bank loans granted to the Group.

At 31 December 2013, certain of the Group's bills receivables of approximately RMB64,469,000 (2012: RMB25,000,000) were pledged to secure certain of the Group's bills payables (note 10).

At 31 December 2013, certain of the Group's bills receivables of RMB15,000,000 (2012: Nil) were pledged to banks to secure the bank loans.

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "**Endorsed Bills**") with a carrying amount of approximately RMB14,187,000 (2012: RMB10,018,000) to certain of its suppliers in order to settle the trade payables due to these suppliers (the "**Endorsement**"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled.

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	
	2013	2012
	RMB'000	*RMB'000*
Within six months	**117,924**	123,507
Over six months	**24,553**	37,596
	142,477	161,103

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

As at 31 December 2013, certain of the Group's bills payables are secured by the pledge of the Group's bills receivables amounting to approximately RMB64,469,000 (2012: RMB25,000,000) (note 9).

11. DIVIDEND

	2013	2012
	RMB'000	*RMB'000*
Proposed final – HK1 cent (2012: Nil) per ordinary share	**11,716**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 revenue generated by the power transmission sector increased significantly by approximately 54.7% from approximately RMB174.1 million for the year ended 31 December 2012 to approximately RMB269.3 million for the year ended 31 December 2013. The gross profit margin also increased from approximately 29.0% for the year ended 31 December 2012 to approximately 35.0% for the year ended 31 December 2013. Such increase is primarily due to the following:

(a) the Group's high-voltage power capacitors were awarded a number of tenders by State Grid Corporation of China and China Southern Power Grid Company Limited in their centralised tender projects during the year ended 31 December 2013. All these tender awards point to the quality of the Group's high-voltage power capacitors which are able to meet the stringent quality testing processes imposed by the Group's state-owned customers.

(b) the Group's anode saturable reactors tailored for ultra-high voltage direct current transmission projects also achieved remarkable success as the Group was able to benefit from the PRC government's policy which encouraged the application of ultra-high voltage direct current transmission; and

(c) last but not least, the Group's effort in venturing into the high voltage direct current light market was proved successful in that the Group was awarded tenders and applied the relevant products in the PRC's first "five-terminal" high voltage direct current light project in Zhoushan, Zhejiang Province, the PRC.

Rail transportation sector

The revenue generated by the rail transportation sector increased by approximately 32.5% from approximately RMB144.3 million for the year ended 31 December 2012 to approximately RMB191.2 million for the year ended 31 December 2013. The gross profit margin also increased from approximately 21.0% for the year ended 31 December 2012 to approximately 27.0% for the year ended 31 December 2013. Such increase is primarily due to the increase in orders for the Group's insulated gate bipolar transistor modules and laminated busbars placed by China CNR Corporation Limited, being a state-owned manufacturer of locomotives and rolling stock for both the domestic and export markets.

Industrial sector

The revenue generated by the industrial sector increased by approximately 9.5% from approximately RMB255.1 million for the year ended 31 December 2012 to approximately RMB279.3 million for the year ended 31 December 2013 as the Group was able to leverage its expertise and experience in such niche market to secure an increasing number of orders from its customers. The gross profit margin also increased from approximately 26.0% for the year ended 31 December 2012 to approximately 28.0% for the year ended 31 December 2013.

FINANCIAL REVIEW

Revenue

The revenue increased by approximately 29.0% from approximately RMB573.5 million for the year ended 31 December 2012 to approximately RMB739.9 million for the year ended 31 December 2013 primarily due to the enhancement of product quality, diversification of product range and strengthening of market development, thereby increasing the market share of the Group's products.

Cost of sales

The cost of sales increased by approximately 21.0% from approximately RMB427.8 million for the year ended 31 December 2012 to approximately RMB517.7 million for the year ended 31 December 2013 primarily due to the increase in revenue for the year ended 31 December 2013.

Gross profit and gross profit margin

The gross profit increased significantly by approximately 52.4% from approximately RMB145.8 million for the year ended 31 December 2012 to approximately RMB222.2 million for the year ended 31 December 2013 primarily due to the increase in revenue for the year ended 31 December 2013.

The gross profit margin increased from approximately 25.4% for the year ended 31 December 2012 to approximately 30.0% for the year ended 31 December 2013 primarily due to the decrease in production costs of each product as a result of the increase in revenue, and the increase in sales of the Group's products with higher gross profit.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 43.2% from approximately RMB45.0 million for the year ended 31 December 2012 to approximately RMB64.4 million for the year ended 31 December 2013 primarily due to the increase in revenue for the year ended 31 December 2013, the enhancement in marketing of new products and the exploration of new markets.

Administrative expenses

The administrative expenses decreased by approximately 6.5% from approximately RMB74.7 million for the year ended 31 December 2012 to approximately RMB69.8 million for the year ended 31 December 2013 primarily as a result of the Group's strict implementation of budget management and control over administrative expenses.

Other expenses

The other expenses increased significantly by approximately 217.1% from approximately RMB8.7 million for the year ended 31 December 2012 to approximately RMB27.5 million for the year ended 31 December 2013 primarily due to the increase in related expenses as a result of the enhancement of research and the development of new products.

Interest on bank loans wholly repayable within five years

The interest on bank loans wholly repayable within five years decreased slightly by approximately 2.6% from approximately RMB17.4 million for the year ended 31 December 2012 to approximately RMB17.0 million for the year ended 31 December 2013.

Profit before tax

The profit before tax increased significantly by approximately 399.9% from approximately RMB11.4 million for the year ended 31 December 2012 to approximately RMB56.8 million for the year ended 31 December 2013 primarily due to the significant increase in gross profit and the Group's strict control over expenses.

Income tax expenses

The income tax expenses increased by approximately 21.6% from approximately RMB12.3 million for the year ended 31 December 2012 to approximately RMB14.9 million for the year ended 31 December 2013 primarily due to the increase in revenue for the year ended 31 December 2013.

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

The profit and total comprehensive income for the year attributable to owners of the parent increased significantly by approximately 9,587.8% from approximately RMB0.4 million for the year ended 31 December 2012 to approximately RMB42.9 million for the year ended 31 December 2013.

The Group's net gain margin, which is calculated as gain attributable to owners of the parent for the year divided by revenue, increased from approximately 0.1% for the year ended 31 December 2012 to approximately 5.8% for the year ended 31 December 2013.

Inventories

The inventories decreased by approximately 29.1% from approximately RMB129.6 million as at 31 December 2012 to approximately RMB91.9 million as at 31 December 2013 primarily due to the strict implementation of ordering process, thereby decreasing the inventory levels.

The average inventory turnover days decreased from approximately 130.4 days for the year ended 31 December 2012 to approximately 87.0 days for the year ended 31 December 2013.

Trade receivables

The trade receivables increased significantly by approximately 52.2% from approximately RMB306.3 million as at 31 December 2012 to approximately RMB466.2 million as at 31 December 2013 primarily due to the increase in revenue for the year ended 31 December 2013.

The average trade receivables turnover days increased from approximately 189.1 days for the year ended 31 December 2012 to approximately 196.0 days for the year ended 31 December 2013.

Trade and other payables

The trade and other payables remained stable and increased by approximately 0.8% from approximately RMB212.3 million as at 31 December 2012 to approximately RMB214.1 million as at 31 December 2013.

The average trade and other payables turnover days increased from approximately 130.8 days for the year ended 31 December 2012 to approximately 150.0 days for the year ended 31 December 2013.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings. The current ratio (current assets divided by current liabilities) decreased slightly from approximately 1.7 as at 31 December 2012 to approximately 1.6 as at 31 December 2013. The cash and cash equivalents decreased from approximately 186.7 million as at 31 December 2012 to approximately 153.9 million as at 31 December 2013. The interest-bearing bank borrowings increased from approximately 268.4 million as at 31 December 2012 to 299.0 million as at 31 December 2013 primarily due to the expansion in scale of production. The gearing ratio measured on the basis of total interest-bearing bank borrowings to total equity increased slightly from approximately 32.2% as at 31 December 2012 to approximately 34.0% as at 31 December 2013.

As at 31 December 2012 and 31 December 2013, all the Group's bank loans were mainly denominated in Renminbi ("**RMB**"), and had contractual maturity within one year from the end of the reporting year. The effective interest rate on bank borrowing, which were also equal to the weighted average contracted interest rate, decreased from approximately 6.3% as at 31 December 2012 to approximately 6.1% as at 31 December 2013. 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 Company operate in the PRC, their functional currency is RMB. The Group has transactional currency exposures. These exposures arise from purchases by operating units in currencies other than the units' functional currencies. In order to minimise the impact of foreign exchange exposure, the Group has entered into forward currency contracts with creditworthy banks to manage its exchange rate exposure.

The carrying amount of the outstanding foreign currency forward contracts decreased by approximately 46.0% from approximately RMB1.4 million as at 31 December 2012 to approximately RMB0.7 million as at 31 December 2013.

Contingent liabilities

As at 31 December 2013, the Group had no significant contingent liabilities.

Charges on group assets

As at 31 December 2013, certain of the Group's bank loans were secured by pledge of certain of the Group's trade receivables amounting to approximately RMB25.3 million (as at 31 December 2012: approximately RMB152.6 million) and pledge of certain of the Group's bills receivables of RMB15.0 million (as at 31 December 2012: Nil). At 31 December 2013, certain of the Group's bills receivables of approximately RMB64.5 million (as at 31 December 2012: RMB25.0 million) were pledged to secure certain of the Group's bills payables.

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 in October 2010.

As at 31 December 2013, out of the total net proceeds from the listing of the Company, approximately RMB496.7 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 2013, the Group employed 664 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. The Group maintains a good relationship with its employees. For the year ended 31 December 2013, the Group further introduced senior sales management personnel in capacitor products and senior production management personnel in busbar products.

In May 2013, the Company granted share options to 83 management personnel and key staff to subscribe for 14,300,000 shares of HK$0.10 each in the issued share capital of the Company, and granted share options to four executive Directors to subscribe for 3,550,000 of HK$0.10 each in the issued share capital of the Company, all at the exercise price of HK$0.68 per share. In August 2013, the Company granted share options to certain grantees, as talents to be introduced, to subscribe for 7,000,000 shares in the issued capital of the Company at the par value of HK$0.10 each, at the exercise price of HK$0.84 per share *(Note)*.

In 2013, Zhejiang Saiying Power Technology Co., Ltd ("**Zhejiang Saiying**"), a subsidiary of the Company received great support from Shanghai Industrial Technical School (formerly known as Second Light Industry Machinery School) for campus talk and aid events, and some students from this school have come to Zhejiang Saiying for practice on an internship basis. In addition, the unveiling ceremony for the First Batch of Practice Base for College Graduates of Zhejiang Jiashan County was held at Zhejiang Saiying. With such a platform, the Group actively provides internships and employment training opportunities to college graduates from Jiashan County, helping them promote work skills and facilitate their early employment.

Note: As grantees did not accept the share options to subscribe for 7,000,000 shares of the Company, the aforesaid share options as mentioned in the announcement of the Company dated 23 August 2013 are deemed not to have been granted.

PROSPECTS

Along with considerable growth of the investment of the PRC governments at various levels in rail transport, rapid development of power transmission especially ultra-high voltage direct current transmission, and recovery of the PRC macro economy, the Company is fully confident about the economic development of the PRC and the business performance of the Group in 2014.

Looking forward into 2014, 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 independent research and development in technology and product innovation, improve product quality, reinforce personnel training and talents introduction, develop diversified products and improve operational efficiency, in order to realise the sustainable and rapid development of the Group.

In the next few years, power transmission in the PRC will be at its critical development stage, especially high voltage direct current power transmission and ultra-high voltage direct current power transmission. According to the development plans of the two major power grid companies of the PRC, the PRC will heavily increase its investment in power grid, including the proposed construction of over four lines of ultra-high voltage direct current power transmission, in 2014. Thus the Company is fully confident about the future market development of the power transmission industry.

Since the restart of the investment of the railway department of the PRC in 2013, the Group's orders from the rail transport industry have been obviously increased. Meanwhile, the cooperation between the Group and CAF Group of Spain in the urban rail transport has presented smooth development. The Company is fully confident about development of the railway equipment market and the urban rail transport market in 2014.

The Group will continue to improve its research and development capability, and actively develop and promote new products. The new product laminated busbars, which were launched in 2013, have received recognition from customers in rail transport, power transmission and industrial sectors and made remarkable achievements. In addition, the SVG researched and developed in 2013 for power energy quality governance and the user-breakdown intelligent switch to secure safe power distribution of intelligent power grid have been launched after passing laboratory tests, and received customer recognition. In 2014, the Group will heavily expand the market of such new products.

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

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 year ended 31 December 2013.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not engage in any material acquisitions or disposals during the year ended 31 December 2013.

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 the shareholders of the Company (the "**Shareholders**"). The Company has adopted the Corporate Governance Code and Corporate Governance Report (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 the aim of maintaining and improving the standard of corporate governance practices. The Company continued to apply the Corporate Governance Code during the year ended 31 December 2013. In addition, to demonstrate the Company's continued commitment to high standards of corporate governance, the Board adopted a board diversity policy in August 2013 to comply with a new code provision of Corporate Governance Code on board diversity which became effective in September 2013. With the adoption of the board diversity policy, the Company has expanded the duty scope of the Nomination Committee to include monitoring the implementation of the policy.

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 complied with the required standards as set out in the Model Code during the year ended 31 December 2013.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The audit committee of the Board 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 2013.

DIVIDENDS

At the Board meeting held on 19 March 2014 (Wednesday), the Directors proposed to recommend the payment of a final dividend of HK1 cent per ordinary share for the year ended 31 December 2013. Details of the dividends for the year ended 31 December 2013 are set forth in note 11 to the consolidated statement of profit or loss and other comprehensive income above. The aforesaid final dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 13 May 2014 and will be paid on or around Thursday, 5 June 2014 to the Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on Tuesday, 27 May 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2014 is scheduled to be held on Tuesday, 13 May 2014 at 10:00 a.m. A notice convening the annual general meeting will be issued in due course.

CLOSURE OF REGISTER

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 branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effective from 31 March 2014), no later than 4:30 p.m. on Thursday, 8 May 2014. The register of members of the Company will be closed from Friday, 9 May 2014 to Tuesday, 13 May 2014, both days inclusive, during which period no transfer of shares will be registered.

In order to establish the identity of the Shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effective from 31 March 2014), no later than 4:30 p.m. on Thursday, 22 May 2014. The register of members of the Company will be closed from Friday, 23 May 2014 to Tuesday, 27 May 2014, both days inclusive, during which period no transfer of shares will be registered. Subject to Shareholders' approval of the proposed final dividend at the annual general meeting to be held on Tuesday, 13 May 2014, the final dividend will be paid on or around Thursday, 5 June 2014 to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 27 May 2014.

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 2013 will be available at the same websites and despatched to the 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 2013 with the Shareholders and the potential investors on Friday, 21 March 2014 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, 19 March 2014

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.