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

Global Offering

Sole Global Coordinator, Sole Bookrunner, Sole Lead Manager and Sole Sponsor

Deutsche Bank
德意志银行

* For identification purposes only

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	409,800,000 Shares comprising 341,500,000 new Shares and 68,300,000 Sale Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	40,980,000 new Shares (subject to adjustment)
Number of International Offer Shares	:	368,820,000 Shares comprising 300,520,000 new Shares and 68,300,000 Sale Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$1.93 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)
Nominal value	:	HK$0.10 per Share
Stock code	:	580

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 6 October 2010 and, in any event, not later than Sunday, 10 October 2010. The Offer Price will not be more than HK$1.93 and is currently expected to be not less than HK$1.45. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$1.93 for each Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%.

The Global Coordinator, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which is HK$1.45 to HK$1.93 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.speg.hk**. If applications for the Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative offer price range is so reduced, such applications cannot be subsequently withdrawn.

If, for any reason, the Global Coordinator (on behalf of the Underwriters) and we (for ourselves and on behalf of the Selling Shareholders) are unable to reach an agreement on the Offer Price by Sunday, 10 October 2010, the Global Offering will not become unconditional and will lapse immediately.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Global Coordinator (on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on Wednesday, 13 October 2010. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been, and will not be, registered under the US Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyers" in reliance on Rule 144A under the US Securities Act or another exemption from, or in a transaction not subject to, registration under the US Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the US Securities Act.

* *For identification purposes only*

30 September 2010

Application lists open[2]	11:45 a.m. on Wednesday, 6 October 2010
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 6 October 2010
Latest time to give **electronic application instructions** to HKSCC	12:00 noon on Wednesday, 6 October 2010
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[3]	11:30 a.m. on Wednesday, 6 October 2010
Latest time to complete payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 6 October 2010
Application lists close[2]	12:00 noon on Wednesday, 6 October 2010
Expected Price Determination Date	Wednesday, 6 October 2010

(1):

Announcement of:

- the Offer Price;
- an indication of level of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation under the Hong Kong Public Offering

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before .... Tuesday, 12 October 2010

(2):

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or business registration numbers, where appropriate) to be available through a variety of channels (see "How to apply for Hong Kong Offer Shares" in this prospectus) .... Tuesday, 12 October 2010

(3):

A full announcement of the Hong Kong Public Offering containing (1) and (2) to be published on the website of the Stock Exchange at www.hkexnews.hk[4] and our Company's website at www.speg.hk[5] from	Tuesday, 12 October 2010
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function	Tuesday, 12 October 2010
Despatch of share certificates, White Form e-Refund payment instructions and refund cheques on or before[6]	Tuesday, 12 October 2010
Dealings in Shares on the Stock Exchange expected to commence	9:30 a.m. on Wednesday, 13 October 2010

Notes:

(1) All references to times and dates refer to Hong Kong local time and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 October 2010, the application lists will not open on that day. Particulars of the arrangements are set out in the section headed "How to Apply for Hong Kong Offer Shares – VI. When may applications be made – Effect of bad weather on the opening of the application lists" in this prospectus.

(3) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) The announcement will be available for viewing on the "Main Board – Allotment of Results" page on the Stock Exchange's website at www.hkexnews.hk.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) **Share certificates will only become valid certificates of title provided that the Hong Kong Public Offering has become unconditional and the Hong Kong Underwriting Agreement has not been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.**

You should carefully read the sections headed "Underwriting," "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering and how to apply for Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Global Coordinator, the Sponsor, the Underwriters, any of their respective directors or any other persons or parties involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading domestic manufacturer of high-end, specialised power electronic components and systems for use in the rail transportation, power transmission and distribution, and other general industrial sectors in China. According to Frost & Sullivan, we are also a leading distributor for the import of power semiconductors and other power electronic components into China. Our business can be generally categorised into the following two business segments:

- *Distribution business* – distribution of imported power electronic components such as semiconductors, current/voltage sensors, heat sinks, fuses, IGBT drivers and other power electronic components sourced from leading international engineering companies, including ABB Switzerland and Cooper Bussmann. We do not manufacture any of these products.

- *Manufacturing business* – design, manufacture and sale of our own manufactured products including IGBT power modules, anode saturable reactors, HV power capacitors, silicon rectifier valves, deionised water cooling systems and others. Some of these products apply certain imported power electronic components that we distribute.

We have over 600 customers, a number of whom are both customers of our distribution business and of our manufacturing business. Our distribution business customers include the CSR Group, CEPRI, NARI Group Corporation and other key players in various industries. Our manufacturing business customers include the CNR Group, the China XD Group, CEPRI and the CSR Group. Set forth below is an overview of our distribution business and manufacturing business.

Distribution business

Mr. Xiang Jie, our Chairman, started our business in 2002 when he established Beijing Sunking to engage in the distribution of imported semiconductors and other power electronic components in China. Prior to that, Mr. Xiang Jie worked at ABB Semiconductors AG as an engineer where he acquired product knowledge on ABB's semiconductors and gained useful insights into the PRC power electronic market. Notwithstanding his resignation from ABB in 2001 to pursue his business, Mr. Xiang Jie has continued his business relationship with ABB and started distributing ABB's power electronic components in China through Beijing Sunking. We are currently an authorised distributor of ABB Switzerland, Cooper Bussmann and a number of other leading global engineering companies for power electronic components in China. According to ABB, we have generated the highest sales volume in power semiconductors of any ABB Switzerland's authorised distributor on a global basis since 2006. The imported power electronic components that we sell are used in power transmission and distribution, electric rail transportation and a broad range of other industries, including mining and non-ferrous metals and steel production.

The business model of our distribution business is relatively straightforward compared with our manufacturing business. We buy our imported power electronic components from our suppliers and sell them to our customers. Our imported power electronic products are mainly applied in locomotives and other traditional industrial applications such as inverters, power supply, reactive power compensation, voltage soft start and rectifiers. While we do not manufacture the types of products that we distribute, we apply some of our imported power electronic components from our key suppliers for the manufacture of our manufactured products such as IGBT power modules and silicon rectifier valves. Normally, we do not maintain any significant level of inventory for our distribution business. For our larger customers, we place advance orders with our suppliers based on the customers' annual purchase plans. In other cases, we place purchase orders with our suppliers upon receipt of our customers' specific orders. The credit period with our suppliers varies and ranges from 30 to 180 days. We have over 600 customers for our distribution business, a small portion of whom are also customers of our manufacturing business. Almost all of our imported power electronic components are sold to domestic companies. Key customers of our distribution business include the CSR Group, CEPRI and NARI Group Corporation. For our distribution business, we generally do not enter into long-term purchase agreements with our customers. The credit period we grant to our customers ranges from 0 day (payment upon delivery) to 180 days depending on factors such as our relationship with the customer, the customer's credit record and market practice. The length of the credit period we grant to each customer is not affected by whether the customer buys our distribution products or our manufactured products. As is typical with any trading businesses, capital requirements for our distribution business are significantly less than they are for our manufacturing business. Similarly, research and development capabilities are not critical to the success of our distribution business.

Our distribution business is conducted through Beijing Sunking and Jiashan Sunking. Revenue for the sale of our distribution products is recognised when goods are delivered and title has passed. We adopt the same revenue recognition policy for both our manufacturing business and distribution business. The following table sets forth (i) the amount of revenue contributed by our distribution business and as a percentage of our total revenue, and (ii) the gross profit margin of our distribution business, for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Sales of imported power electronic components										
Revenue	185,485	98.5	181,818	72.9	139,140	53.2	33,570	65.7	45,767	38.6
Gross profit margin	–	24.1	–	27.3	–	27.0	–	34.5	–	25.8

The following table sets forth the amount of our trade receivables attributable to our distribution business and as a percentage of our total trade receivables outstanding as at the dates indicated:

	As at 31 December						As at 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Trade receivables attributable to sales of imported power electronic components	11,264	100.0	13,280	36.4	31,388	25.1	31,698	18.0

As at 31 August 2010, 67.5% of our trade receivables attributable to our distribution business outstanding as at 31 May 2010 had been settled.

Manufacturing business

After carrying on our distribution business for several years, we began leveraging our relationships with global suppliers and major PRC infrastructure customers to selectively research and develop critical specialised power electronic components and systems that are tailored to our customers' needs. In 2007, we began to manufacture and sell power electronic systems. This was after a long research and development process and an extensive period of quality and reliability testing and trial operation. Customers of our manufactured products include both of the major PRC rolling stock manufacturers, including the CNR Group, which is our largest customer in terms of our 2009 revenue, and both of the PRC's state-owned power grid operators.

Within the rail transportation sector, we produce and sell IGBT power modules and deionised water cooling systems that are crucial to the operation of electric locomotives and EMUs used in China's railway and rapid transit systems. The crucial nature of the rail infrastructure systems, into which our products are installed, demands the highest level of product quality and reliability. We believe we are one of the few domestic companies in China that have the proven capability to design and manufacture highly specialised power electronic systems with the quality and reliability of international standards. Our rail sector products are tailored for use in the electric rail systems that are favoured by PRC policies and global trends. Power electronic technology is employed in electric locomotives to transform the energy source into high-quality power efficiently, thereby achieving energy conservation. Power modules are a critical component in electric locomotives that reduce power loss and increase power conversion efficiency. The reliability of an IGBT power module is imperative to its end users, as its failure may lead to a sudden loss of power that may result in a long transportation delay and substantial economic loss. Therefore, our products are subject to extensive testing to earn the trust of our customers.

We produce and sell a range of high-end power electronic components such as anode saturable reactors and power capacitors that are critical to the continuous, safe and reliable operation of China's power grids. Anode saturable reactors are one of the essential protective components integrated in HVDC convertor valves of HVDC power transmission. Anode saturable reactors protect the thyristor in the HVDC convertor valves from being damaged. Our power sector products are tailored for use in the energy efficient HVDC power transmission systems that are favoured by PRC policies and global trends.

The following table sets forth the relevant market size and market forecast for our key manufactured products and our market share in 2009:

Product	Market size	Our market share
IGBT power modules	Frost & Sullivan estimates that the total sales of IGBT power modules applied in electric locomotives in China were RMB1.7 billion in 2009.	3.3%(1)
Anode saturable reactors	Frost & Sullivan estimates that the total sales of anode saturable reactors applied in HVDC convertor valves in China were RMB643 million in 2009 and that this market will grow at a CAGR of 30.6% from 2010 to 2013.	3.1%(2)

Source: Ministry of Railways, State Grid, Frost & Sullivan Report

Notes:

(1) According to Frost & Sullivan, the key players in the market of IGBT power modules applied in electric locomotives in China in 2009 were Zhuzhou CSR Times Electric Co., Ltd., Toshiba and Alstom & Bombardier whose market shares were 49.5%, 37.3% and 9.9%, respectively.

(2) According to Frost & Sullivan, the key players in the market of anode saturable reactors applied in HVDC convertor valves in China in 2009 were ABB Asea Brown Boveri Ltd., Siemens and Areva whose market shares were 48.5%, 35.5% and 12.9%, respectively.

We believe that we are well positioned to capture the growth opportunities presented by the convergence of two central policies of the PRC government – its commitment to significantly enhance the country's rail and power grid infrastructure and its policies to encourage the use of domestic technology and products in major infrastructure projects, as well as the global trend to reduce overall carbon emissions through the use of energy efficient technology and infrastructure.

The raw materials that we require for the production of our manufactured products include various domestic and imported power electronic components. In particular, production of our IGBT power modules and some models of our silicon rectifier valves require ABB Switzerland's semiconductors. Therefore, some of the suppliers of our manufacturing business are also the suppliers of our distribution business. We also require domestically produced power electronic components and other raw materials such as iron core, stainless steel pipe and benzyl-toluene insulating oil which we source from other suppliers. Except for some basic raw materials and components which are commonly applicable to most of our products, we only maintain a minimum level of inventory in respect of a majority of our raw materials. The credit period with our suppliers varies and ranges from 30 to 180 days.

Due to the nature of our manufactured products, the largest customers of our manufacturing business are primarily state-owned enterprises in the PRC. We are typically required by these customers to pass an extensive period of quality and reliability testing and trial operation. No similar testing process is required for the sale of our imported power electronic components.

Our manufactured products are generally customised and tailored to suit customers' specifications. Therefore the terms of our sales contracts for our own manufactured products vary from case to case. In some cases, customers of our own manufactured products make their purchases through tender processes. Typically, all the major terms of the contract, such as design and technical specifications, price, delivery schedule, technical requirements, payment terms, freight cost allocation, liability for breach of contract and dispute resolution, etc. will be included in the bid letter that we prepare to compete for the project. If we are selected, we will enter into a formal agreement with our customers incorporating the terms agreed. In most other cases, customers place orders with us because we have passed their stringent quality testing processes. We have about 80 customers for our manufacturing business, some of whom are also customers of our distribution business.

Naturally, capital requirements for our manufacturing business are significantly higher than our distribution business. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our capital expenditures were RMB9.4 million, RMB40.0 million, RMB60.9 million and RMB16.9 million, respectively. Almost all of our capital expenditures incurred during the Track Record Period were in relation to the acquisition of land use rights, construction of production facilities and purchases of property, plant and equipment for our production plants at Jiashan Sunking and Wuxi Sunking. Jiashan Sunking, Wuxi Sunking together with Tianjin Sunking carry on our manufacturing business. We expect to spend approximately RMB200 million in the near future primarily for upgrading our production facility at Jiashan Sunking for the production of IGBT power modules and the construction of phase II of our production facility at Wuxi Sunking. We expect to finance such capital expenditures primarily using the net proceeds from the Global Offering. We also expect to incur capital expenditures in relation to our research and development activities, please see the paragraph below.

In addition to capital expenditures, we also require funding to finance our research and development activities. Our Directors believe that research and development is essential for our manufacturing business in order to assist us in achieving our goal to maintain our position as a leading domestic power electronic product provider that offers high-quality advanced power electronic products to customers. Our research and development expenses for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were RMB4.5 million, RMB0.3 million, RMB0.6 million and RMB0.9 million, respectively. We intend to consolidate our various research and development capabilities currently installed at different lines of business by setting up a centralised research and development department, to be operated under Jiangsu Sunking, with the aim of optimising our research efforts. In particular, we plan to construct a laboratory at Jiangsu Sunking to focus on the research and development of power electronic components. The current plan is to develop in-house research and development capabilities for reactors, inverters and technology on power efficiency improvement. It is estimated that we would require approximately RMB140 million in aggregate for the construction of the laboratory building and for the procurement of various laboratory testing equipment and systems. We expect to fund the required costs partly by using the net proceeds from the Global Offering and partly by bank borrowings.

We adopt the same revenue recognition policy for our manufacturing and distribution businesses, i.e. revenue is recognised when goods are delivered and title has passed. Although our manufactured products are often subject to extensive quality and reliability testing by our customers, such testing is carried out prior to any sale of such products to the customer. After we sell our manufactured products, they are not subject to quality and reliability testing other than the standard warranty we provide to customers. On that basis, we recognise revenue when goods are delivered and title has passed. The following tables set forth (i) the amount of revenue contributed by our manufacturing business and as a percentage of our total revenue, and (ii) the gross profit margin of our manufacturing business by product line, for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Revenue from sales of manufactured products										
IGBT power modules	–	–	–	–	45,904	17.5	–	–	39,932	33.7
Anode saturable reactors	1,590	0.8	260	0.1	11,759	4.5	–	–	1,790	1.5
HV power capacitors	–	–	–	–	–	–	–	–	2,063	1.7
Silicon rectifier valves and others	1,221	0.7	61,807	24.8	58,061	22.2	16,817	32.9	27,215	23.0
Deionised water cooling systems	–	–	5,636	2.2	6,840	2.6	686	1.4	1,796	1.5
Total	2,811	1.5	67,703	27.1	122,564	46.8	17,503	34.3	72,796	61.4

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	%	%	%	%	%
				(unaudited)	
Gross profit margin					
Manufacturing business	41.3	31.1	34.5	44.8	26.4
IGBT power modules	–	–	27.0	–	27.0
Anode saturable reactors	54.5	75.0	61.7	–	49.8
HV power capacitors	–	–	–	–	57.3
Silicon rectifier valves and others	24.0	32.5	38.2	45.5	22.9
Deionised water cooling systems	–	13.9	7.0	27.6	9.2

The following table sets forth the amount of our trade receivables attributable to our manufacturing business and as a percentage of our total trade receivables outstanding as at the dates indicated:

	As at 31 December						As at 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Trade receivables attributable to our manufacturing business	–	–	23,230	63.6	93,464	74.9	143,968	82.0

As at 31 August 2010, 27.1% of our trade receivables attributable to our manufacturing business outstanding as at 31 May 2010 has been settled.

While we plan to further develop our manufacturing business, it is our intention to continue our distribution business to complement our manufacturing business. Our distribution business generated stable revenue and profit over the Track Record Period and allowed us to gain insights into the product requirements of our customers. Further, our bulk purchases with our key suppliers for our distribution business have enabled us to source raw materials for our own manufactured products, i.e. imported power electronic components, at competitive pricing.

As our two business segments present us with different sets of opportunities and risks, operating and maintaining our two businesses allow us to diversify the risks while at the same time capitalise on the opportunities in the growing rail and power sectors in China. While we incorporate certain imported power electronic components that we distribute into some of the products we manufacture, the end products of our manufacturing business have different functionalities and industrial applications than our unmodified imported products. Accordingly, our Directors are of the view that there is no direct competition between our distribution business and our manufacturing business.

Historical financial highlights

Our total revenue was RMB188.3 million, RMB249.5 million, RMB261.7 million and RMB118.6 million for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, respectively, representing a CAGR of 17.9% over the three years from 2007 to 2009. Our profit attributed to owners of our Company was RMB22.0 million, RMB45.0 million, RMB38.9 million and RMB9.4 million for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, respectively, representing a CAGR of 32.9% over the three years from 2007 to 2009.

RECENT CHANGE IN OUR BUSINESS FOCUS

Our manufacturing business has a short history. We started to selectively research and develop power electronic components and systems that are tailored to our customers' needs in 2005, and did not generate any revenue from the sale of our own manufactured products until 2007. The proportion of our revenue attributable to our manufacturing business accounted for 1.5% of our total revenue in 2007 and increased to 46.8% in 2009 and further to 61.4% for the five months ended 31 May 2010. The change in our business focus has brought on a number of new challenges and risks in our operations and represents risks to investors in our Shares, which are summarised as follows:

Increase in trade receivables and longer collection cycle – During the Track Record Period, our trade receivables balance increased significantly and at the same time our trade receivables turnover days also became longer. As of 31 December 2007, 2008 and 2009 and 31 May 2010, we had trade and note receivables of RMB30.7 million, RMB46.3 million, RMB153.7 million and RMB215.4 million, respectively. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our average trade and note receivables turnover days were 38.5 days, 56.3 days, 139.5 days and 235.0 days, respectively. The length of our average trade and note receivables turnover for the five months ended 31 May 2010 was longer than 180 days, which is the most favourable credit period we grant to our customers. This partly reflects the fact that some of our trade receivables balance were overdue as at 31 May 2010. The increased amount of our trade receivables and the longer collection cycle has, and will likely continue to have, an adverse impact on our working capital needs. Additionally, if we are unable to recover our trade receivables, our results of operations and financial condition may be adversely affected.

In view of the increasing trade receivables, our management has been exploring ways to improve our collection cycle. Our management and sales team hold regular meetings to review status of the collection process and devise specific plans to accelerate collection. With respect to those customers who have large overdue trade receivables, we may delay or consider rejecting their new orders. For such customers, we will endeavour to procure their written acknowledgement of the overdue amount and where appropriate, agree on a payment schedule with them. As a result of our increased effort in debt collection, settlement of our trade receivables has improved. As at 31 August 2010, 34.4% of our trade receivables outstanding as at 31 May 2010 had been settled. In particular, 26.8% of our trade receivables due from the CNR Group outstanding as at 31 May 2010 had been settled as at 31 August 2010. Further, the CNR Group has confirmed to us in writing that it will settle all of its remaining balance with us as at 31 May 2010 by the end of 2010, by way of three installments payable in the amounts of RMB20.0 million in October 2010, RMB20.0 million in November 2010 and the balance in December 2010.

Capital-intensive nature of our manufacturing business – Our manufacturing business is generally capital-intensive as we require significant amount of capital to construct our production facilities, purchase production equipment, develop new products, and develop and implement new technologies. Our capital expenditures for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were RMB9.4 million, RMB40.0 million, RMB60.9 million and RMB16.9 million, respectively and almost all of which were incurred in relation to our manufacturing business. As of 31 May 2010, we had committed capital expenditures of RMB7.7 million. We expect that our capital expenditures will continue to increase as a result of the ongoing expansion of our operations and further upgrades of our production facilities. If we are unable to obtain the necessary financing, our expansion plans or completion of new production facilities may be delayed, our proposed or potential projects may be hindered, and our financial position and results of operations may be adversely affected.

Insufficient working capital – We require a significant amount of working capital on a continuous basis to fund our manufacturing business. Several factors have had, and are expected to continue to have, a significant impact on the sufficiency of our cash flow and working capital, including the rapid growth of our manufacturing business, the procurement lead time of our products, the required prepayments to our suppliers for certain raw materials and components and the long trade receivables turnover time. As a result of these factors, our cash inflow may not be able to meet our working capital requirements. Recently, we have increased our reliance on bank borrowings to fund our working capital. Our secured short-term bank loans increased from RMB20.0 million as at 31 December 2009 to RMB92.3 million as at 31 May 2010 and further increased to RMB118.1 million as at 30 June 2010. As at 31 August 2010, we had secured short-term bank loans in an aggregate amount of RMB174.6 million outstanding. Please see the paragraph headed "Selected unaudited financial data for the period subsequent to 31 May 2010" below.

Short operating history – We began our business in 2002 as an authorised distributor of ABB Switzerland, and subsequently as distributor of Cooper Bussmann and a number of other leading global engineering companies for power electronic components in China. Although we began to manufacture products in 2007, we only started to generate significant revenue from our manufacturing business in 2008. Sales of our own manufactured products accounted for 1.5%, 27.1%, 46.8% and 61.4% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, respectively. Due to the limited operating history of our manufacturing business, and the limited availability of financial data of our business, there may not be a sufficiently adequate basis on which potential investors in our Shares can evaluate our future business prospects and results of operations.

For a further discussion of the above risks, please refer to the section headed "Risk Factors – Risks relating to our manufacturing business" of this prospectus.

Notwithstanding the new challenges and risks resulting from our change of business focus to our manufacturing business, our manufacturing business has grown significantly over our short history of operation. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, revenue generated from our manufacturing business amounted to RMB2.8 million, RMB67.7 million, RMB122.6 million and RMB72.8 million, respectively, representing a CAGR of 560.3% from 2007 to 2009. For the year ended 31 December 2009 and the five months ended 31 May 2010, revenue generated from sales of IGBT power modules amounted to RMB45.9 million and RMB39.9 million, respectively, representing 17.5% and 33.7% of our total revenue for the respective periods. Although, the gross profit margin of IGBT power modules was at a level similar to that of our distribution business during the Track Record Period, we generated substantial revenue and profit from sales of IGBT power modules which we believe we would otherwise have not been able to achieve by merely conducting our distribution business. Our manufacturing business is targeted at customers in the PRC railway and power transmission and distribution sectors. In view of the PRC government's continued investment in building and upgrading the national railway infrastructure, and its continued public spending in the national power transmission and distribution systems, our Directors believe that our manufacturing business will benefit from the growth opportunities brought by such expansion plans.

RELIANCE ON ABB

Our distribution business, and to a certain extent our manufacturing business, depends on a very limited number of key overseas suppliers, such as ABB Switzerland which is our largest supplier. Our customer, the CNR Group, requires us to use semiconductors from ABB Switzerland to manufacture their IGBT power modules. Our existing distribution agreement with ABB Switzerland was entered into on 20 November 2006 and for a term of five years, which will expire on 19 November 2011. We intend to discuss with ABB Switzerland the renewal of the distribution agreement or entering into a new distribution agreement at an appropriate time closer to the expiry date of the existing distribution agreement. In addition to products from ABB Switzerland, we also import and sell current/voltage sensors from ABB France. The following table sets forth for the periods indicated (i) the amount of our purchases from ABB

Switzerland and as a percentage of our total purchases, (ii) our revenue generated from distributing ABB Switzerland's products, and (iii) the aggregate amount of our purchases from ABB Switzerland and ABB France and as a percentage of our total purchases:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Purchase from ABB Switzerland	115,598	75.1	112,689	67.9	141,200	80.8	31,061	67.6	75,722	77.2
Revenue from distributing ABB Switzerland's products	149,882	79.6	147,169	59.0	121,878	46.6	31,268	61.2	46,946	37.9
Purchase from ABB Switzerland and ABB France	125,654	81.6	124,840	75.3	146,544	83.9	33,663	73.3	79,287	80.8

We expect that the proportion of our revenue generated from sales of our manufactured products will continue to increase relative to sales of imported power electronic components as we intend to continue to leverage the success of our manufacturing business achieved in the last three years. Other than IGBT power modules and silicon rectifier valves, production of our other manufactured products, such as anode saturable reactors, HV power capacitors and deionised water cooling systems, do not depend on the supply of ABB Switzerland's products. Therefore, as sales of our manufactured products increase relative to our distribution products, we expect that our reliance on ABB Switzerland will correspondingly decrease.

RELATIONSHIP WITH THE CNR GROUP

The CNR Group is our Group's largest customer based on the revenue for the year ended 31 December 2009 and for the five months ended 31 May 2010. For the year ended 31 December 2009 and for the five months ended 31 May 2010, our sales to the CNR Group accounted for approximately 17.5% and 33.9% of our total revenue for the respective periods. During the Track Record Period, all our IGBT power modules were sold to the CNR Group. As at 31 May 2010, we had RMB88.2 million outstanding trade receivables due from the CNR Group, representing approximately 50% of our total trade receivables amount as at that date. In June 2010, the CNR Group agreed to a strategic investment that will provide them with an approximate 5.0% equity interest in our Company following the Reorganisation but before completion of the Global Offering. The investment was completed on 1 September 2010. We intend to strengthen our strategic partnership with the CNR Group and enhance the potential of our business relationship through this investment. The objectives of such strategic partnership include, among others, the following: (i) to strengthen our cooperation in the development of IGBT power modules for electric locomotives and light railway locomotives; (ii) to expand our cooperation on the development of other power electronic application areas such as power equipment and electric cars; (iii) to tap into the CNR Group's resources for the purpose of assisting us in the pre-testing and testing phases of our new products; and (iv) to explore further cooperation opportunities and exchange general information on the PRC's traction, electric locomotives and railway industry.

According to CNR's website, CNR is a leading provider in the field of locomotive and rolling stock and its markets cover China, Australia, Asia and Africa. CNR's business includes the design, manufacturing, refurbishment, overhaul and maintenance of electric locomotives, diesel locomotives, passenger coaches and freight wagons, electric and diesel multiple units, traction motors and rolling stock.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our success has been, and will continue to be, attributable to, among other things, the following competitive strengths:

- We believe we are well positioned to capture the growth opportunities presented by the convergence of two central policies of the PRC government – its commitment to significantly enhance the country's rail and power grid infrastructure and its policies encouraging the use of domestic technology and products in major infrastructure projects.

- We believe we are well positioned to capture the growth opportunities presented by the global trend to reduce carbon emissions through the use of energy efficient technology and infrastructure.

- Our power electronic components distribution business generated stable revenue and profit over the Track Record Period, allowed us to gain insights into the needs of our key customers, enabled us to source key components of our own manufactured products at competitive pricing and hence, improved our cost base.

- We have well established partnerships with the major players that dominate the PRC rail and power grid sectors and are well positioned to continue to provide products and systems for their specialised development requirements.

- Our technical knowhow and our customers' rigorous requirements on suppliers for the rail and power grid sectors create barriers of entry to potential competitors.

- We have a proven track record of commercialisation of our proprietary technology.

- We have a seasoned and energetic management team that is committed to our long-term success.

OUR BUSINESS STRATEGIES

Our vision is to become a leading enabler of power efficiency and emission reduction in China by providing a comprehensive range of power electronic components, integrated systems and technology solutions in China and abroad. To achieve our goal, we intend to implement the following business strategies:

- To further capitalise on the rapid growth of power electronic market and favourable PRC macro policies that encourage the continued development of rail transportation and power infrastructure.

- To expand our product offerings and further develop products and systems based on our proprietary technology.

- To seek growth through strategic alliances, joint ventures and acquisitions.

- To explore overseas markets through our strategic cooperation with international companies or our customers.

- To increase our research and development capabilities.

RISK FACTORS

We believe that there are certain risks involved in our operations and many of these risks are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our manufacturing business; (iii) risks relating to our industry; (iv) risks relating to conducting business in China; and (v) risks relating to the Global Offering. Set forth below is a summary of the risks referred to above. For details, please refer to the section headed "Risk Factors" in this prospectus.

Risks relating to our business

- We rely heavily on ABB for its supply of power electronic components for our business. If we are unable to maintain our relationship with ABB, or should there be any disruption to the supply or an increase in the purchase price of ABB products, our business, financial condition and results of operations would be materially and adversely affected.

- Future movements in the exchange rate of Renminbi may adversely affect our financial condition and results of operations.

- Our growth is dependent on our continuing ability to retain and attract qualified professional personnel, including key members of our management team. Failure to retain and attract appropriate qualified professional personnel may adversely affect our business and prospects.

- If we fail to effectively implement strategies to manage our growth, our business, financial position and results of operations may be materially and adversely affected.

- If we fail to successfully identify, acquire or complete acquisitions or form joint ventures or other alliances, our growth and prospects may be adversely affected.

- We are subject to various environmental, safety and health regulations in China, compliance with which may be difficult or expensive. Any failure to comply with such regulations may subject us to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licences or permits to conduct our business.

- We may be held liable for any damage or loss incurred in connection with or arising from the use of our products. As a result of this, our business, financial condition and results of operations may be adversely affected.

- We have limited insurance coverage and it may be insufficient to cover all risks of loss associated with our business operations.

- The recent global recession and the challenges the Chinese economy faces as a result could adversely affect the demand for our products and our results of operations.

- Our non-compliance with social security fund contribution requirements under the PRC laws and regulations may subject us to fines and other penalties.

Risk relating to our manufacturing business

- The recent change of our business focus from a distribution business to manufacturing business has brought on a number of new challenges and risks in our operations, which include the following:

  – Our trade and note receivables from customers are subject to long collection cycles and may not be fully recoverable, which may adversely affect our cash flow, working capital, financial condition and results of operations.

  – Our manufacturing business is capital-intensive and any failure to obtain sufficient capital on acceptable terms, or at all, may adversely affect our expansion plans and growth prospects.

  – We may not generate sufficient cash from operations to meet our working capital requirements or repay bank loans as they become due.

  – Our short operating history and the changing nature of our business provide limited insight to investors and make it difficult to evaluate our business and prospects.

- We rely heavily on a limited number of customers. Any significant reduction in sales to or the loss of any of our major customers could materially and adversely affect our profitability and results of operations.

- We have a competitive advantage from the "domestic" status of our technologies and products and benefit from the PRC government's policies that encourage the use of domestic products and support the development of the rail and power industries. A change in the domestic status of our products following the Global Offering or the PRC government's policies could materially and adversely affect our business and results of operations.

- The fixed price nature of some of our contracts could adversely affect our business, cash flow and results of operations.

- We may not successfully commercialise new products that we will develop in the future.

- Failure to adequately protect our technical knowhow and other intellectual property rights could adversely affect our business, financial condition and results of operations.

- If our products or research and development efforts lead to intellectual property disputes, our business and financial condition may be adversely affected.

- We are subject to risks related to the operation of our production facilities. Any breakdown or suspension of production could have a material adverse effect on our business, financial condition and results of operations.

- Any interruption to or instability in the supply of utilities that we require may prevent us from operating our production facilities, which could adversely affect our business and results of operations.

Risks relating to our industry

- Any change in the PRC government's policies on enhancing the infrastructure in the rail and power industries or decrease in public spending in these industries, or regulatory reform of China's rail and power industries could impact our business and results of operations.

- The cyclical nature of the railway sector may expose us to potentially significant fluctuations in our financial condition and results of operations.

- A change in the demand for, or the selling prices of, the end applications of the imported power electronic components we distribute could adversely affect our business and results of operations.

- The power electronic component industry in which we operate is subject to potentially increasing competition.

Risks relating to conducting business in China

- Any change in China's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on us.

- Downturns in China's economy may adversely affect our business, financial condition and results of operations.

- The PRC legal system embodies uncertainties that could materially and adversely affect our business and results of operations.

- Our expansion plans may be affected by PRC regulations relating to acquisitions of domestic companies by foreign entities.

- There are significant uncertainties relating to our PRC enterprise income tax liabilities under the EIT Law.

- We may be deemed a PRC tax resident enterprise under the EIT Law and subject to PRC taxation on our worldwide income.

- The outbreak of any severe communicable disease in China, if uncontrolled, may materially and adversely affect our results of operations.

- Restrictions on the payment of dividends under applicable PRC laws and regulations may limit our subsidiaries' ability to remit dividends to us, which could affect our liquidity and ability to pay dividends to our shareholders.

- The PRC government's currency control policy on conversion and future movements in foreign exchange rates may materially and adversely affect our financial condition, results of operations and ability to remit dividends.

Risks relating to the Global Offering

- There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

- Because the Offer Price of our Shares in the Global Offering is higher than the net tangible book value per Share, your shareholding will be subject to immediate dilution.

- Shareholders' interest may be diluted as a result of our additional equity fund-raising.

- Our controlling shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other shareholders.

- Substantial future sales of our Shares in the public market could cause the price of our Shares to decline.

- We cannot assure you that we will declare dividends in the future.

- We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from official governmental sources contained in this prospectus.

SUMMARY OF SELECTED HISTORICAL FINANCIAL INFORMATION

You should read the summary combined financial information set out below in conjunction with our combined financial statements included in the accountants' report set out in Appendix I to this prospectus, which have been prepared in accordance with IFRS. The combined income statement data for the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, and the summary balance sheet information as at 31 December 2007, 2008, 2009 and 31 May 2010 are derived from the accountants' report set out in Appendix I to this prospectus. The basis of presentation is set out in note 1 in section E of the accountants' report. Operating results in any historical period may not be indicative of the results that may be expected in any future period.

Summary combined statements of comprehensive income

The following table sets forth certain selected combined income statement data for the periods indicated derived from our combined financial statements set out in the accountants' report included in Appendix I to this prospectus.

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	188,296	249,521	261,704	51,073	118,563
Cost of sales	(142,449)	(178,779)	(181,789)	(31,642)	(87,517)
Gross profit	45,847	70,742	79,915	19,431	31,046
Investment income	80	462	387	32	96
Other gains and losses	(904)	8,420	(2,178)	(1,096)	4,714
Distribution and selling expenses	(990)	(10,503)	(4,801)	(1,558)	(4,012)
Administrative and general expenses	(9,182)	(16,383)	(22,671)	(7,181)	(11,429)
Other expenses	(5,710)	(268)	(565)	(216)	(4,562)
Interest expense in relation to bank loans wholly repayable within five years	(343)	(480)	(975)	(405)	(1,416)
Profit before tax	28,798	51,990	49,112	9,007	14,437
Income tax expense	(5,954)	(7,018)	(10,262)	(1,882)	(5,068)
Profit for the year/period and total comprehensive income for the year/period	22,844	44,972	38,850	7,125	9,369
Attributable to:					
Owners of the Company	22,003	44,972	38,850	7,125	9,369
Non-controlling interests	841	–	–	–	–
Profit for the year/period and total comprehensive income for the year/period	22,844	44,972	38,850	7,125	9,369

Revenue by business segment

The following table sets forth a breakdown of our revenue by business segment and as a percentage of our total revenue for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Sales of imported power electronic components	185,485	98.5	181,818	72.9	139,140	53.2	33,570	65.7	45,767	38.6
Sales of manufactured products										
IGBT power modules	–	–	–	–	45,904	17.5	–	–	39,932	33.7
Anode saturable reactors	1,590	0.8	260	0.1	11,759	4.5	–	–	1,790	1.5
HV power capacitors	–	–	–	–	–	–	–	–	2,063	1.7
Silicon rectifier valves and others	1,221	0.7	61,807	24.8	58,061	22.2	16,817	32.9	27,215	23.0
Deionised water cooling systems	–	–	5,636	2.2	6,840	2.6	686	1.4	1,796	1.5
Sub-total	2,811	1.5	67,703	27.1	122,564	46.8	17,503	34.3	72,796	61.4
Total	188,296	100.0	249,521	100.0	261,704	100.0	51,073	100.0	118,563	100.0

Other selected financial information

The following table sets forth a full quantitative reconciliation of EBITDA to its most direct comparable IFRS measures, profit for the year/period and total comprehensive income for the year/period and the calculation of EBITDA margin.

	For the year ended 31 December			For the five months ended 31 May	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Profit for the year/period and total comprehensive income for the year/period	22,844	44,972	38,850	7,125	9,369
Add/(less)					
Income tax expense	5,954	7,018	10,262	1,882	5,068
Interest expense in relation to bank loans wholly repayable within five years	343	480	975	405	1,416
Depreciation, impairment and amortisation	440	1,898	2,740	973	1,990
EBITDA[1]	29,581	54,368	52,827	10,385	17,843
Revenue	188,296	249,521	261,704	51,073	118,563
EBITDA margin[2]	15.7%	21.8%	20.2%	20.3%	15.0%

Notes:

(1) EBITDA refers to earnings before non-controlling interests, income tax expenses, interest expenses in relation to bank loans wholly repayable within five years, depreciation and impairment of property, plant and equipment and amortisation and impairment of lease prepayments and other intangible assets as they are computed. EBITDA is not a measure of financial performance under IFRS. We have presented EBITDA data in this prospectus as we believe EBITDA is a useful supplement to cash flow data because it enables us to measure operating performance and provide a general indicator of our ability to service and incur debt as well as to internally fund capital expenditures. EBITDA is not a standard measure and should not be considered in isolation or construed as an alternative to net income or income from operations, or as an indicator of our operating performance or other combined operations or cash flow data prepared in accordance with IFRS, or as an alternative to cash flow as a measure of liquidity. EBITDA does not consider any fluctuation or legal requirements of the business that may require us to conserve and allocate funds for purposes other than debt services for funding of capital expenditure. EBITDA measures presented in this prospectus may not be comparable to similarly entitled measures of other companies.

(2) EBITDA margin represents EBITDA as a percentage of our revenue as computed.

Summary combined statements of financial position information

	As at 31 December			As at 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	31,658	22,389	20,137	34,894
Trade and other receivables	37,652	50,442	161,035	225,535
Amount due from a shareholder	33,100	–	–	–
Amount due from a related party	4,730	1,784	40	1,715
Deposits and prepayments	2,191	2,018	2,946	9,505
Other financial assets	–	5,958	1,295	–
Prepaid lease payments – current	40	361	360	360
Pledged bank deposits	828	11,726	4,237	9,355
Bank balances and cash	13,437	20,649	38,946	26,015
	123,636	115,327	228,996	307,379
Current liabilities				
Trade and other payables	77,758	33,338	61,240	66,753
Tax liabilities	5,990	2,554	10,403	8,131
Short-term bank loans	6,600	6,000	20,000	92,288
Amount due to a shareholder	–	7,525	7,481	12,850
Deferred income	–	–	3,810	3,746
	90,348	49,417	102,934	183,768
Net current assets	33,288	65,910	126,062	123,611

Gross profit margin

The following table sets forth the gross profit margin of our Group and by our business segment for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	%	%	%	%	%
				(unaudited)	
Distribution business	24.1	27.3	27.0	34.5	25.8
Manufacturing business	41.3	31.1	34.5	44.8	26.4
IGBT power modules	–	–	27.0	–	27.0
Anode saturable reactors	54.5	75.0	61.7	–	49.8
HV power capacitors	–	–	–	–	57.3
Silicon rectifier valves and others	24.0	32.5	38.2	45.5	22.9
Deionised water cooling systems	–	13.9	7.0	27.6	9.2
Our Group	24.3	28.4	30.5	38.0	26.2

During the Track Record Period, our manufacturing business generated a higher gross profit margin as compared to our distribution business reflecting the value-add of our manufacturing process and the specialised nature of our own manufactured products. Our overall gross profit margin has increased from 24.3% in 2007 to 30.5% in 2009 partly as a result of a shift in our product mix towards own manufactured products. However, during the short history of our manufacturing business, we also experienced significant fluctuations of gross profit margins for our manufacturing business. Set forth below is an analysis of the fluctuations in our gross profit margins by product during the Track Record Period.

Distribution business

Gross profit margin of our distribution business remained largely stable for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, and was 24.1%, 27.3%, 27.0%, 34.5% and 25.8%, respectively. The increase in the gross profit margin from 24.1% in 2007 to 27.3% in 2008 primarily reflected an increase in the selling prices of our imported power electronic components in 2008. Although the full year gross profit margin was stable in 2009 as compared to 2008, the gross profit margin for the five months ended 31 May 2009 was 34.5%, significantly higher than the average during the Track Record Period. Gross profit margin for the five months ended 31 May 2010 was 25.8% in line with the average during the Track Record Period. The higher than usual gross profit margin for the five months ended 31 May 2009 was primarily due to the lower cost of purchases of imported power electronic components that were denominated in CHF. The value of CHF relative to RMB during the five months ended 31 May 2010 was higher compared to the corresponding period in 2009. For the five months ended 31 May 2009 and 2010, we had RMB31.1 million and RMB75.7 million purchases denominated in CHF, representing 67.6% and 77.2% of our total purchases, for the respective periods. The average rate of CHF:RMB for the five months ended 31 May 2009 as reported by Bloomberg was 6.0077, whereas the average rate of CHF:RMB for the corresponding period in 2010 was 6.3611. The lower average exchange rate of CHF:RMB in the first five months of 2009 contributed to our Group's higher gross profit margin recorded for the period compared to any other reporting periods during the Track Record Period.

Manufacturing business

The average gross profit margin of our manufacturing business fluctuated considerably during the Track Record Period and was 41.3%, 31.1%, 34.5%, 44.8% and 26.4% for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. The fluctuations were primarily due to the changing compositions of the product mix that we sold during each of the periods as different manufactured products command different gross profit margins.

IGBT power modules

The gross profit margin of our IGBT power modules remained constant at 27.0% for the year ended 31 December 2009 and for the five months ended 31 May 2010. We only started to generate revenue from the sale of IGBT power modules in November 2009 and all of our IGBT power modules were sold to the CNR Group during the Track Record Period.

Anode saturable reactors

The gross profit margin of anode saturable reactors was 54.5%, 75.0%, 61.7% and 49.8% for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, respectively. We did not sell any anode saturable reactors for the five months ended 31 May 2009. The fluctuation in the gross profit margin of our anode saturable reactors during the Track Record Period was caused by a number of factors including the volume of the anode saturable reactors that we sold in the relevant period and the difference between the timing of sales and the timing of the accrual of the related overhead cost of sales. We had a higher gross profit margin in 2008 as we only sold a few sets of anode saturable reactors and some of the related overhead costs were accrued in 2007. For the five months ended 31 May 2010, the gross profit margin reduced to 49.8% due to the production of a new model of anode saturable reactors which had a longer production lead time at the introductory stage.

HV power capacitors

We started to sell HV power capacitors in 2010. The gross profit margin of our HV power capacitors was 57.3% for the five months ended 31 May 2010. A substantial portion of our sales of HV power capacitors was attributable to a single customer. The sales terms of these orders were agreed upon after negotiations with that particular customer and we do not expect that the gross profit margin of any future sales of HV power capacitors will necessarily be maintained at the same level.

Silicon rectifier valves and others

The gross profit margin of silicon rectifier valves and others was 24.0%, 32.5%, 38.2%, 45.5% and 22.9% for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. The gross profit margin for the five months ended 31 May 2010 was 22.9% lower than the average during the Track Record Period. The gross profit margin for the five months ended 31 May 2010 was affected by the higher costs of purchases of imported power electronic components for use in our silicon rectifier valves that are denominated in CHF. The value of CHF relative to RMB during the five months ended 31 May 2010 was higher compared to the corresponding period in 2009.

Deionised water cooling systems

During the Track Record Period, the gross profit margin of our deionised water cooling systems fluctuated considerably and was 13.9%, 7.0%, 27.6% and 9.2% for the years ended 31 December 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. We acquired Tianjin Sunking in 2008 and hence had no sales of deionised water cooling systems in 2007. As our deionised water cooling systems are tailor made to customers' specifications, the contract terms are agreed upon on each occasion with the customer and can vary significantly from case to case. Further, during the Track Record Period, we only sold a small quantity of deionised water cooling systems. Accordingly, the gross profit margin of our deionised water cooling systems during the Track Record Period fluctuated significantly. Since revenue from sales of deionised water cooling systems only accounted for 2.2%, 2.6%, 1.4% and 1.5% of our total revenue for the two years ended 31 December 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively, our Group's overall profit margin during the periods was not affected by the performance of our deionised water cooling system to any material extent.

Foreign exchange risk

We are exposed to foreign exchange risks because we purchase a majority of raw materials and power electronic components from overseas suppliers in foreign currency such as CHF, EUR and USD, while we generate revenue in RMB. In the event that foreign currencies for our purchases of raw materials and power electronic components appreciate relative to RMB between their purchase and delivery time, and our currency hedging activities are not effective, our profit from sales may be adversely affected. Our profit for the five months ended 31 May 2010 was affected by the higher value of CHF during the first five months in 2010 compared to the corresponding period in 2009.

As our Directors believe that CHF will continue to appreciate relative to RMB in the near future, we intend to purchase foreign exchange forward contracts to counter the potential adverse effect of the anticipated appreciation on our results of operations. However, should our foreign exchange hedging prove to be ineffective, our results of operations will be adversely affected.

For additional financial information on the Track Record Period, please refer to the section headed "Financial Information" in this prospectus and the accountants' report as set out in Appendix I to this prospectus.

SELECTED UNAUDITED FINANCIAL DATA FOR THE PERIOD SUBSEQUENT TO 31 MAY 2010

As mentioned in the section headed "Financial Information – Profit estimate for the six months ended 30 June 2010", in the absence of any unforeseen circumstances and on the bases and assumptions set out in the section headed "Profit Estimate" in Appendix III to this prospectus, we estimate that our combined profit attributable to owners of our Company for the six months ended 30 June 2010 would be not less than RMB7.0 million. For the five months ended 31 May 2010, our profit attributable to owners of our Company was RMB9.4 million. We recorded unaudited net loss of RMB2.4 million in the month of June 2010 primarily as a result of a decrease in revenue and a lower gross profit margin we experienced during such period coupled with increased distribution and selling expenses, administrative and other general expenses, other expenses and interest expense in relation to bank loans wholly repayable within five years, in particular, non-recurring expenses in relation to the Listing of RMB1.7 million. Gross profit margin for our manufacturing business for June 2010 was 14.8%, as compared to 26.4% for the first five months of 2010 primarily due to a change in product mix within our own manufactured products. During that time period we generated more revenue from sales of silicon rectifier valves and only had insignificant sales of the other more profitable own manufactured products. In particular, we sold a new model of silicon rectifier valves to customers on special terms for promotion. Gross profit margin of our silicon rectifier valves was 17.2% during the month. The gross profit margin for our distribution business in June 2010 was 24.5%, as compared to 25.8% for the first five months of 2010 primarily as a result of the higher value of CHF relative to RMB in June 2010. Our overall gross profit margin for June 2010 was 20.7%, as compared to 26.2% for the first five months of 2010.

Our unaudited revenue for June 2010 was RMB12.2 million comprising of revenue from the distribution business that amounted to RMB7.5 million and revenue from the manufacturing business amounted to RMB4.7 million. Revenue from our manufacturing business in June 2010 was primarily derived from sales of certain new model of silicon rectifier valves amounting to RMB3.0 million and deionised water cooling systems amounting to RMB1.1 million. Our manufactured products including IGBT power modules, anode saturable reactors, HV power capacitors and deionised water cooling systems are applied in the rail transportation sector and the power transmission and distribution sector, which are two of the most important PRC infrastructure sectors. In the rail sector, the Ministry of Railways is responsible for considering and approving projects and organising tenders for the procurement of electric locomotives. In the power transmission and distribution sector, NDRC will review and approve projects and organise tenders for the procurement of relevant power electronic components and systems, such as HVDC convertor valves. The number of projects and the project size for each year are mainly determined on the basis of prevailing government economic policies and the relevant industry planning, and therefore are relatively certain. However, due to the large scale of some projects and the complicated tender processes involved, it is uncertain when tenders will be held within a year. Our production and delivery cycles are directly affected by such uncertainty. Our own manufactured products, such as IGBT power modules and anode saturable reactors, are respectively applied in electric locomotives and power transmission and distribution equipment, such as HVDC convertor valves. Typically, we do not have a long term agreement with our customers for the supply of our own manufactured products. Our customers will only negotiate and place purchase orders with us after their successful bidding for the tenders and based on their own production planning and progress. As we have no control over the timing and results of such tenders, nor do we have any control over customers' own production planning and progress, sales and delivery cycles of our own manufactured products are specific to each customer and therefore are uncertain within a year. Therefore, we only sold a relatively small amount of own manufactured products (such as IGBT power modules, anode saturable reactors and silicon rectifier valves) in the month of June 2010 compared to the first five months of 2010, which contributed to the net loss of RMB2.4 million in that month.

We recorded revenue of RMB118.6 million for the first five months of 2010. For the months of June, July and August 2010, we recorded unaudited revenue of RMB12.2 million, RMB32.1 million and RMB51.1 million, respectively. In correlation with the increase in revenue, our trade receivables balance increased from RMB175.7 million as at 31 May 2010 to RMB228.4 million (unaudited) as at 31 August 2010; our trade and note receivables balance increased from RMB215.4 million as at 31 May 2010 to RMB289.9 million (unaudited) as at 31 August 2010. Trade receivable turnover days increased from 191 days for the five months ended 31 May 2010 to 201 days for the eight months ended 31 August 2010, whereas trade and note receivable turnover days increased from 235 days to 252 days in the same periods. The increase in our trade receivables in the eight months ended 31 August 2010 largely corresponded with the increase in our revenue during the period. Our Directors believe that the increase in trade and note receivables turnover days was attributable to an increase in sales to customers with longer credit periods and the fact that a number of our customers have been slow in settling our invoices. In particular, a substantial portion of our trade receivables is due from a number of our largest customers who are state-owned or state-controlled enterprises, to whom we have granted a longer credit period and who also tend to be slow in payment of purchases. As part of our debtor control, our finance department monitors the credit quality of our trade receivables and closely follows up with any outstanding receivables. Our management has evaluated the credit situation of the specific debtors to which the trade receivable balances as at each of the above balance sheet dates relate and does not expect them to be uncollectible. Accordingly, our Directors are of the view that so far no provision for impairment is necessary with respect to these balances.

As we experienced a longer trade receivable cycle in the first eight months of 2010, we resorted to short term bank borrowings to fund our working capital needs and obtained a number of banking facilities from financial institutions. As a result, the balance of our secured short-term bank loans increased from RMB20.0 million as at 31 December 2009 to RMB92.3 million as at 31 May 2010 and further increased to RMB118.1 million as at 30 June 2010. As at 31 August 2010, we had secured short-term bank loans in an aggregate amount of RMB174.6 million outstanding. As at 31 August 2010, we had unutilised banking facilities of RMB220.6 million available for drawdown.

If our trade and note receivables balance and trade and note receivables turnover days continue to rise, we may have to continue to rely on bank loans to finance our working capital requirements. However, there can be no assurance that we will be able to obtain additional financing on reasonable terms or at all, due to various factors such as the general market conditions for financing activities, and the prevailing economic and political conditions, nor could there be any assurance for us to internally generate funds or obtain external funding to meet our working capital requirements in a timely manner or at all. For details of the risks involved due to our financial performances, please refer to the section headed "Risk Factors – Risks relating to our business" of this prospectus.

PRE-IPO INVESTORS

Prior to the Listing, we carried out several series of pre-IPO fund raisings to finance our business operations. The particulars of the investments made by various investors (including the CNR Group) in our Group prior to the Listing are set out below:

	NewMargin	Common Goal	CIAM	CNR (HK)
Date of signing of preference share purchase agreement	27 February 2008	26 May 2009	31 August 2009	19 June 2010
Number of preference shares in Sunking BVI subscribed	12,000,000	6,667,000	2,000,000	2,560,000
Total consideration	US$12,146,530	US$10 million	US$3 million	US$4.096 million

	NewMargin	Common Goal	CIAM	CNR (HK)
Time of settlement of consideration	25 March 2008	11 June 2009	18 September 2009	2 September 2010
Investment per Share (assuming conversion of the preferred shares of Sunking BVI and completion of the distribution in specie as disclosed in this prospectus) (Note)	HK$0.39	HK$0.58	HK$0.58	HK$0.62
Discount to:				
(i) low-end of the Offer Price of HK$1.45	73.1%	60.0%	60.0%	57.2%
(ii) high-end of the Offer Price of HK$1.93	79.8%	69.9%	69.9%	67.9%
Shareholding in the Company immediately after the Reorganisation and the Capitalisation Issue	23.4%	13.0%	3.9%	5.0%
Shareholding in the Company immediately after the Global Offering and:				
(i) assuming that the Over-allotment Option is not exercised	17.6%	6.7%	2.9%	3.7%
(ii) assuming that the Over-allotment Option is exercised in full	14.6%	6.6%	2.0%	3.7%

Note:

Based on an exchange rate of US$1.00 = HK$7.76.

Our Directors believe that the discrepancy between the Offer Price and the investment cost of HK$0.62 per Offer Share paid by CNR (HK) is justified by the potential benefits that our Group will receive upon the strengthening of our established long-term strategic partnership with the CNR Group, our Group's largest customer based on 2009 sales revenue, and the further business opportunities fostered by such strategic relationship. Our Directors believe that the investment by CNR (HK) will enhance the shareholders' profile of our Company and that following CNR (HK)'s subscription of the preference shares in Sunking BVI (and ultimately in our Group upon completion of the Reorganisation), it will be of mutual benefits for both our Group and the CNR Group to cooperate more closely together in the development of our Company's business in the PRC rolling stock industry, which is in the best interest of our Company and our shareholders in the long run.

Further, the fact that CNR (HK) has agreed to be subject to a lock-up period of 12 months, a more stringent restriction than that stipulated in the Listing Rules applicable to our controlling shareholders, while a shorter lock-up period is imposed on the Financial Investors, can also justify the disparity between the Offer Price and the investment cost paid by CNR (HK) and the proximity in its time of investment to the Listing.

Please refer to the section headed "History and Development" for further details of our pre-IPO investors and their investments in our Group.

PROFIT ESTIMATE FOR THE SIX MONTHS ENDED 30 JUNE 2010

The following unaudited pro forma estimated earnings per Share for the six months ended 30 June 2010 has been prepared on the basis of notes set out below for the purpose of illustrating the effect of the Global Offering on the estimated earnings per Share as if it had taken place on 1 January 2010. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of our Group following the completion of the Global Offering or for any future periods.

Estimated combined profit attributable to owners of our Company for the six months ended 30 June 2010[1]	not less than RMB7.0 million
Unaudited pro forma estimated earnings per Share for the six months ended 30 June 2010[2]	not less than RMB0.51 cent

Notes:

(1) The bases on which the above profit estimate for the six months ended 30 June 2010 have been prepared are summarised in the section headed "Profit Estimate" in Appendix III to this prospectus.

(2) The calculation of unaudited pro forma estimated earnings per Share is calculated by dividing the estimated combined profit attributable to owners of our Company for the six months ended 30 June 2010 by a total of 1,366,040,000 Shares (assuming the Shares in issue at the date of this prospectus and those Shares to be issued under the Capitalisation Issue and the Global Offering had been in issue on 1 January 2010 but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by us pursuant to the Issue Mandate and the Repurchase Mandate).

Our Company's interim report for the six months ended 30 June 2010 will be audited pursuant to Rule 11.18 of the Listing Rules if the Shares are listed on the Stock Exchange and we expect that our audited interim report will be published in late October 2010.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$1.45	**Based on an Offer Price of HK$1.93**
Market capitalisation of our Shares[1]	HK$1,980.8 million	HK$2,636.5 million
Unaudited pro forma adjusted net tangible asset per Share[2]	HK$0.53 (RMB0.46)	HK$0.65 (RMB0.56)

Notes:

(1) The calculation of market capitalisation is based on 1,366,040,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate or the Repurchase Mandate referred to in the paragraph headed "A. Further information about our Company – 3. Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010" in Appendix VI to this prospectus.

(2) The unaudited pro forma adjusted net tangible asset per Share is arrived at after making the adjustments referred to in "Unaudited Pro Forma Financial Information" included in Appendix II to this prospectus and on the basis of a total of 1,366,040,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Global Offering assuming they occurred on 31 May 2010. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate or the Repurchase Mandate referred to in the paragraph headed "A. Further information about our Company – 3. Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010" in Appendix VI to this prospectus.

DIVIDEND POLICY

After completion of the Global Offering, our shareholders will be entitled to receive dividends that we declare. Any amount of dividends we pay will be recommended at the discretion of our Directors and will depend on our future operations and earnings, our development pipeline, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Any declaration of a final dividend requires the approval of our shareholders although our Directors have the discretion to pay interim dividends if justified by our profits. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

As we are a holding company, our ability to declare and pay dividends will depend on the dividends received from our subsidiaries, particularly those in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as Jiashan Sunking and Wuxi Sunking, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or by any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Futech Group paid dividends in an aggregate amount of RMB66.8 million in 2008 to its then shareholder Sunking BVI. In addition, Futech Group made distributions to Mr. Xiang Jie of RMB1.8 million and RMB2.8 million in 2007 and 2008, respectively. Save for the above, our Group did not declare or pay any dividends during the Track Record Period. We will review our dividend policy annually taking into account the factors referred to above.

USE OF PROCEEDS

We estimate that the aggregate net proceeds we will receive (after deducting underwriting fees and estimated expenses) from the Global Offering, assuming an Offer Price of approximately HK$1.69 per Share, being the mid-point of the indicative office price range set out in this prospectus, will be approximately HK$530.7 million. We intend to use the net proceeds we receive from the Global Offering as follows:

- as to approximately 40% of the estimated net proceeds or approximately RMB183.1 million (equivalent to approximately HK$212.2 million) for upgrading and expanding the production facility of Jiashan Sunking for the production of IGBT power modules, and the construction of the second phase of Wuxi Sunking's production line for power capacitors;

- as to approximately 30% of the estimated net proceeds or approximately RMB137.3 million (equivalent to approximately HK$159.2 million) for the research and development of new products and systems and for part of the funding required for the establishment of our integrated research and development centre for all our product lines. We plan to construct a laboratory at Jiangsu Sunking to focus on the research and development of power electronic components. The current plan is to develop our in-house research and development capabilities for reactors, inverters and technology on power efficiency improvement. It is estimated that we would require approximately RMB140 million for the construction of the laboratory building and for the procurement of various laboratory testing equipment and systems. We expect to fund the required costs partly by using the net proceeds from the Global Offering and partly by bank borrowings;

- as to approximately 10% of the estimated net proceeds or approximately RMB45.8 million (equivalent to approximately HK$53.1 million) for the repayment of existing bank borrowings, all of which are short-term bank loans with an interest rate of 2% to 5% and expiring between 23 November 2010 to 4 February 2011 and utilised as working capital of our Group. For details of our bank borrowings, please prefer to the section headed "Financial Information – Indebtedness – Bank and other borrowings" in this prospectus;

- as to approximately 10% of the estimated net proceeds or approximately RMB45.8 million (equivalent to approximately HK$53.1 million) for implementing strategic alliances, joint ventures or acquisitions. In June 2010, Jiashan Sunking acquired 20% equity interest in Shanghai Lang Zhi De (which owns 100% of Wuhan Langde) and was granted options to acquire further equity interest in Shanghai Lang Zhi De. We are also seeking to establish a joint venture with Trainelec, a subsidiary of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A., for the production of IGBT power modules. Save as disclosed in the section headed "Business – Our business strategies" in this prospectus, our discussions on potential acquisition or alliance targets were still at a preliminary stage and no concrete agreement with any such potential acquisition or alliance targets was close to materialisation as at the Latest Practicable Date; and

- as to the balance of approximately 10% of the estimated net proceeds or approximately RMB45.8 million (equivalent to approximately HK$53.1 million) for our working capital and other general corporate purposes.

To the extent that the net proceeds we will receive from the Global Offering are not immediately required for the above purposes, we presently plan to place such proceeds on short-term deposits with licensed banks or financial institutions and/or invest them in money market instruments in Hong Kong and/or the PRC.

In the event that the Offer Price is finally determined at the high-end of the indicative offer price range, the estimated net proceeds we will receive from the Global Offering will be approximately HK$608.9 million. Our Directors intend to apply the additional net proceeds in the same proportions as set out above. In the event that the Offer Price is finally determined at the low-end of the indicative offer price range, the estimated net proceeds we will receive from the Global Offering will be approximately HK$452.2 million. Our Directors intend to apply the reduced net proceeds in the same proportions as set out above and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

Based on the mid-point of the indicative offer price range set out in this prospectus, the Selling Shareholders estimate that the Initial Selling Shareholders will receive net proceeds of approximately HK$110.3 million and the Option Selling Shareholders will receive net proceeds of HK$99.3 million if the Over-allotment Option is exercised in full, after deducting the underwriting fees and commissions and estimated expenses payable by the Selling Shareholders in relation to the Global Offering. We will not receive any of the net proceeds of the Global Offering from the sale of Shares by the Selling Shareholders.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms."

"ABB France"	ABB France Automation Products Division
"ABB Switzerland"	ABB Switzerland Ltd Semiconductors
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 23 September 2010 to take effect on the Listing Date, as amended or supplemented from time to time
"associates"	has the meaning given to it under the Listing Rules
"Beijing Sunking"	Beijing Sunking Electronic Technology Co. Ltd. (北京華瑞賽晶電子科技有限公司), a limited liability company established in the PRC on 8 July 2002 and an indirectly wholly-owned subsidiary of our Company
"Board"	the board of Directors
"business day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for general banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company as further described in the paragraph headed "A. Further information about our Company – 3. Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010" in Appendix VI to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CEPRI"	China Electric Power Research Institute (中國電力科學研究院), a comprehensive scientific research institution directly under State Grid
"CHF"	Swiss Franc, the lawful currency of Switzerland
"China XD Group"	China XD Electric Co., Ltd. (中國西電電氣股份有限公司), a limited liability company incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 601179) and its subsidiaries, and where the context requires, the relevant member of the China XD Group
"CIAM"	CIAM Group Limited, a company incorporated in Bermuda, whose shares are listed on the Stock Exchange (stock code: 0378) and a shareholder of our Company
"CNR"	China CNR Corporation Limited (中國北車股份有限公司), a limited liability company incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 601299)
"CNR Group"	CNR and its subsidiaries, and where the context requires, the relevant member of the CNR Group
"CNR (HK)" or "Strategic Investor"	CNR (Hong Kong) Corporation Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of CNR and a shareholder of our Company
"Common Goal"	Common Goal Holdings Limited, a company incorporated in the BVI and a shareholder of our Company
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company" or "we" or "us"	Sun.King Power Electronics Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 19 March 2010
"connected person"	has the meaning given to it under the Listing Rules
"controlling shareholder(s)"	has the meaning given to it under the Listing Rules and in the context of our Company, means Mr. Xiang Jie and Max Vision
"Cooper Bussmann"	Cooper Bussmann, a wholly-owned division of Cooper Industries, plc which is listed on New York Stock Exchange (stock code: CBE)
"CSR"	CSR Corporation Limited, formally known as China South Locomotive & Rolling Stock Corporation Limited (中國南車股份有限公司), a limited liability company incorporated in the PRC and listed on the Stock Exchange (stock code: 1766)
"CSR Group"	CSR and its subsidiaries, and where the context requires, the relevant member of the CSR Group
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	the deed of indemnity dated 23 September 2010 and executed by Mr. Xiang Jie and Max Vision in favour of our Company (for itself and as trustee for each of its subsidiaries from time to time)
"Deed of Non-Compete"	the deed of non-compete undertakings dated 23 September 2010 and executed by Mr. Xiang Jie and Max Vision in favour of our Company (for itself and as trustee of its subsidiaries from time to time)
"Deutsche Bank"	Deutsche Bank AG, Hong Kong Branch
"Director"	a director of our Company
"EIT"	the enterprise income tax of the PRC
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) issued on 16 March 2007 and its implementation rules issued on 6 December 2007, both effective on 1 January 2008

"Euro" or "€" or "EUR"	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
"Financial Investors"	NewMargin, Common Goal and CIAM
"First Jiujiang Transfer Agreement"	the equity transfer agreement (in Chinese) dated 26 August 2010 and entered into between the State-owned Assets Supervision and Administration Commission of Jiujiang (九江市國有資產監督管理委員會), Jiashan Sunking and Rui Hua Ying, relating to the acquisition of 34% equity interest in Jiujiang Rectifier by Jiashan Sunking and the remaining 66% equity interest by Rui Hua Ying for a total consideration of RMB70,793,900
"Fourth Amended and Restated Memorandum and Articles"	the fourth amended and restated memorandum of association and articles of association of Sunking BVI adopted on 18 June 2010
"Frost & Sullivan Report"	a report of an independent market research on China's markets of power electronic components and systems, IGBT power modules, anode saturable reactors, power capacitors and deionised water cooling systems and railway and power industries in China prepared by Frost & Sullivan dated 24 September 2010
"Futech Group"	Futech Group Limited, a company incorporated in the BVI on 19 December 2003 and wholly owned by SSL&SCL Limited. Futech Group was a former wholly-owned subsidiary of Sunking BVI
"GDP"	gross domestic product
"Global Coordinator"	Deutsche Bank, being the sole global coordinator, sole bookrunner and sole lead manager of the Global Offering
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** application form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Group"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

"**HK eIPO White Form**"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	The Bank of East Asia, Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	40,980,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price, on the terms and subject to the conditions set out in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 September 2010 relating to the Hong Kong Public Offering and entered into by, among others, the Global Coordinator, the Hong Kong Underwriters, Mr. Xiang Jie, Max Vision and us, as further described in the section headed "Underwriting" in this prospectus
"IFRS"	the International Financial Reporting Standards
"independent third party"	a party that is not a connected person of our Company

"Initial Selling Shareholders"	Max Vision, Common Goal, Mr. Gong Renyuan and Mr. Jin Jiafeng, being the shareholders who will offer the Sale Shares for sale in the International Offering with the particulars set out in the section headed "D. Other Information – 12. Particulars of the Selling Shareholders" in Appendix VI to this prospectus
"International Offer Shares"	368,820,000 Shares (of which 300,520,000 new Shares are to be offered for sale by us and 68,300,000 Shares are to be offered for sale by the Initial Selling Shareholders) being initially offered under the International Offering together, where relevant, with any additional Shares to be sold by the Option Selling Shareholders pursuant to the exercise of the Over-allotment Option, the number of which is further subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offering of the International Offer Shares at the Offer Price outside the United States in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the US Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Purchase Agreement"	the international purchase agreement relating to the International Offering to be entered into on or about the Price Determination Date by, among others, the Global Coordinator, the International Purchasers, Mr. Xiang Jie, Max Vision, the Selling Shareholders and us, as further described in the section headed "Structure of the Global Offering – The International Offering" in this prospectus
"International Purchasers"	the underwriters of the International Offering which are expected to enter into the International Purchase Agreement as purchasers on or around the Price Determination Date
"Issue Mandate"	the general unconditional mandate given to the Board by our shareholders relating to the issue of Shares, particulars of which are set forth in the paragraph headed "A. Further information about our Company – 3. Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010" in Appendix VI to this prospectus
"Jiangsu Sunking"	Jiangsu Sunking Power Equipment Co. Ltd. (江蘇賽晶電氣設備有限公司), a limited liability company established in the PRC on 5 November 2008 and an indirectly wholly-owned subsidiary of our Company

"Jiashan Converter Technology"	Jiashan Sunking Converter Technology Co., Ltd. (嘉善華瑞賽晶變流技術有限公司), a limited liability company established in the PRC on 29 March 2010, and is owned as to 85% by our Company
"Jiashan Sunking"	Jiashan Sunking Power Equipment Technology Co. Ltd. (嘉善華瑞賽晶電氣設備科技有限公司), a wholly-foreign owned enterprise established in the PRC on 13 September 2004 and an indirectly wholly-owned subsidiary of our Company
"Jiujiang Rectifier"	Jiujiang Jiuzheng Rectifier Co. Ltd. (九江九整整流器有限公司), a limited liability company established in the PRC on 14 March 2000, and is owned as to 5% by our Company
"Latest Practicable Date"	22 September 2010 being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or around 13 October 2010, from which the Shares are listed and dealings therein are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) issued on 8 August 2006
"Max Vision"	Max Vision Holdings Limited, a company incorporated in the BVI on 11 June 2010 and is wholly owned by Mr. Xiang Jie
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended from time to time
"Ministry of Railways" or "MOR"	the Ministry of Railways of the PRC (中華人民共和國鐵道部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"New Excel"	New Excel Holdings Limited, a company incorporated in the BVI on 9 July 2010 and a directly wholly-owned subsidiary of our Company
"NewMargin"	NewMargin Growth Fund, L.P., a limited partnership registered in the Cayman Islands and a shareholder of our Company
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed under the Hong Kong Public Offering to be determined as described in the section headed "Structure of the Global Offering – Determination of the Offer Price" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Option Selling Shareholders"	NewMargin, Common Goal, CIAM and Ms. Hou Libo, being the shareholders who will offer up to 61,470,000 Shares under the Over-allotment Option in the International Offering with the particulars set out in the section headed "D. Other Information – 12. Particulars of the Selling Shareholders" in Appendix VI to this prospectus
"Other Shareholders"	41 individuals or entities being the existing shareholders of our Company other than Max Vision, Mr. Gong Renyuan, Mr. Yue Zhoumin, Mr. Huang Xianqian, the Financial Investors and CNR (HK)
"Over-allotment Option"	the option expected to be granted by the Option Selling Shareholders to the International Purchasers exercisable by the Global Coordinator on behalf of the International Purchasers under the International Purchase Agreement, to require the Option Selling Shareholders to sell up to 61,470,000 additional Shares at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any
"PBOC"	the People's Bank of China, the central bank of the PRC
"PRC" or "China"	the People's Republic of China and "Chinese" shall be construed accordingly. References in this prospectus to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"PRC government" or "Chinese government"	central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Price Determination Date"	the date, expected to be on or around Wednesday, 6 October 2010 and, in any event, not later than Sunday, 10 October 2010 on which the Offer Price is to be fixed by agreement between our Company (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) to determine the Offer Price
"Property Valuation Report"	the summary of valuation and valuation certificates prepared by Jones Lang LaSalle Sallmanns Limited as set out in Appendix IV to this prospectus
"QIB" or "Qualified Institutional Buyers"	a qualified institutional buyer as defined in Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Global Offering as described in the section headed "History and Development – Reorganisation" in this prospectus
"Reorganisation Deed"	the reorganisation deed dated 23 September 2010 and entered into between Sunking BVI, our Company, New Excel, Mr. Xiang Jie and Max Vision
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to the Board by our shareholders, particulars of which are set forth in the paragraph headed "A. Further information about our Company – 3. Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010" in Appendix VI to this prospectus
"Restricted Business"	the business of agency for the import of power semiconductors and other power electronic components into China, and the manufacturing of high-end, niche power electronic components and systems for use in the rail transportation, power transmission and distribution, and other industrial sectors
"RMB" or "Renminbi"	the lawful currency of the PRC

"Rui Hua Ying"	Rui Hua Ying Investment Holdings Co. Ltd. (瑞華贏投資控股有限公司), a company established in the PRC which owns 95% equity interest of Jiujiang Rectifier
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC government authority responsible for matters relating to foreign exchange administration
"Sale Shares"	68,300,000 Shares to be offered for sale by the Initial Selling Shareholders at the Offer Price under the International Offering
"Second Jiujiang Transfer Agreement"	the equity transfer agreement (in Chinese) dated 10 September 2010 and entered into between Jiashan Sunking and Rui Hua Ying, relating to the transfer of 29% equity interest in Jiujiang Rectifier by Jiashan Sunking to Rui Hua Ying for a consideration of RMB20,530,231
"Selling Shareholders"	the Initial Selling Shareholders and the Option Selling Shareholders
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Lang Zhi De"	Shanghai Lang Zhi De Resources Technology Co. Ltd. (上海朗之德能源科技有限公司), a company established in the PRC and held as to 20% by Jiashan Sunking
"Shanghai Mai Dier"	Shanghai Mai Dier Investment Management Co. Ltd. (上海麥迪兒投資管理有限公司), a company established in the PRC and which owns 15% equity interest of Jiashan Converter Technology
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 23 September 2010, the terms of which are summarised under the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus
"Share(s)"	the share(s) with nominal value of HK$0.10 each of our Company

"SLZD Agreement"	the conditional capital injection agreement (in Chinese) dated 18 June 2010 and entered into between Jiashan Sunking, Shanghai Lang Zhi De, Mr. Zhu Xiaodong (朱曉東) and Mr. Chen Yong (陳勇) relating to the acquisition of 20% equity interest in Shanghai Lang Zhi De by Jiashan Sunking by injection of capital of RMB5 million into Shanghai Lang Zhi De
"South Grid"	China Southern Power Grid Co., Ltd., and where the context requires, any of its subsidiaries and subsidiary undertakings
"SPE Arrangements"	the special purpose entity arrangements in relation to Beijing Sunking as further described in the section headed "History and Development – Beijing Sunking – Structure Contracts" in this prospectus
"Sponsor"	Deutsche Bank, being the sponsor of the Listing
"State Council"	State Council of the PRC (中華人民共和國國務院)
"State Grid"	State Grid Corporation of China (國家電網公司), and where the context requires, any of its subsidiaries and subsidiary undertakings
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Global Coordinator and Max Vision on or about the Price Determination Date pursuant to which Max Vision will agree to lend in aggregate up to 61,470,000 Shares to the Global Coordinator on the terms set out therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning given to it under the Listing Rules
"Sunking BVI"	Sun.King Group Limited (賽晶集團有限公司) (formerly known as Sunking Group Ltd.), a company incorporated in the BVI on 19 December 2003 and a shareholder of our Company before completion of the Reorganisation. Mr. Xiang Jie has been its controlling shareholder since its incorporation
"Sunking BVI Share Award Scheme"	the share award scheme adopted by the board of directors of Sunking BVI on 30 June 2008
"Sunking Pacific"	Sunking Pacific Limited, a company incorporated in Hong Kong on 30 January 2008 and an indirectly wholly-owned subsidiary of our Company

"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases
"Third Amended and Restated Shareholders' Agreement"	the third amended and restated shareholders' agreement dated 19 June 2010 and entered into between the shareholders of Sunking BVI, namely Mr. Xiang Jie, the Other Shareholders, the Financial Investors and CNR (on behalf of CNR (HK)), and Sunking BVI and effective from the closing of the Series D Preference Share Purchase Agreement on 1 September 2010
"Tianjin Sunking"	Tianjin Sunking Xinglu Water Technology Co. Ltd. (天津市華瑞賽晶興路水科技有限公司), a company established in the PRC on 12 January 2000 and an indirectly wholly-owned subsidiary of our Company
"Track Record Period"	the period comprising the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"US" or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"US Securities Act"	United States Securities Act of 1933, as amended from time to time
"Wuhan Langde"	Wuhan Langde Electric Co. Ltd. (武漢朗德電氣有限公司), a company established in the PRC and a wholly-owned subsidiary of Shanghai Lang Zhi De
"Wuxi Sunking"	Wuxi Sunking Power Capacitor Co. Ltd. (無錫賽晶電力電容器有限公司) (formerly known as 無錫賽晶電氣設備有限公司), a wholly foreign-owned enterprise established in the PRC on 4 May 2008 and an indirectly wholly-owned subsidiary of our Company

For ease of reference, the names of the Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these terms may not correspond to standard industry definitions.

"AC"	alternating current, an electric current whose direction reverses cyclically
"anode saturable reactor"	an essential protective component integrated in HVDC convertor valves, used to limit the high rise rate of currents and protect against current surges, and to prevent an off-line convertor thyristor from opening in error which can be caused by a voltage surge
"capacitor"	a passive electronic component consisting of a pair of conductors separated by an insulator. When a potential difference in voltage exists across the conductors, an electric field is present in the insulator. This field stores energy and produces a mechanical force between the conductors. Capacitors are used in electronic circuits to block the flow of DC while allowing AC to pass, to filter out interference, to smooth the output of power suppliers, and for other purposes
"capacitor bank"	a system comprising several capacitor units and other electric components mounted on a frame
"carrier"	a particle that carries electric charge in a semiconductor. There are two types of carriers: (i) electrons, which carry a negative charge; and (ii) holes, which are travelling vacancies in the electron population of the semiconductor and carry a positive charge
"convertor"	an electric device which converts electric power from the form it is supplied to the form it is needed. The device that converts from AC to DC is called rectifier, while the device that converts DC to AC is called inverter
"convertor valve"	the key part of HVDC project, generating DC voltage through connecting the 3-phase AC voltage to DC terminal and realising the control of power
"current/voltage sensor"	a device that measures current and voltage, respectively, at specified points in a power electronic system. A current/voltage sensor is required for the control and protection of a power electronic system, and used in many applications like wind energy, solar energy, electric railway and other industrial applications

"DC"	direct current, an electric current whose direction is constant
"deionised water cooling system"	a system that uses deionised water as cooling media. The cooling system dissipates heat from the heat sink to the heat exchanger, where the media is cooled down by dissipating heat to the outside environment or a secondary cooling circuit. Depending on the requirements regarding purity of the cooling media, a water treatment circuit is added to the system
"electric locomotive"	a locomotive powered by electricity drawn from a power grid
"electrified railway"	railway with locomotives and MUs powered by electricity drawn from a power grid
"EMU" or "electric multiple unit"	a multi-unit train consisting of more than one passenger carriage, using electric power as the motive power. A distinguishing feature of an EMU is that power sources are distributed from multiple sources to achieve greater traction and flexible grouping
"freight wagon"	a rail vehicle primarily used for carrying goods
"fuse"	an electric device which protects other electric equipment from over-current
"GTO"	gate turn-off thyristor, a special type of thyristor and a high-power semiconductor device. GTOs are fully controllable switches which can be turned on and off by their third lead, the GATE lead
"heat sink"	a semiconductor device, which dissipates heat generated by a semiconductor device. In many applications the heat sinks are water cooled, and therefore connected to the water circuit of the cooling system
"high power"	power in the range from 0.5MVA to 36MVA
"high-speed train"	a train with an operating speed exceeding 200 km per hour
"HVDC" or "high-voltage, direct current"	a HVDC electric power transmission system using direct current for the bulk transmission of electrical power. For long-distance distribution, HVDC systems are less expensive and suffer lower electrical losses
"HV power capacitor"	a capacitor with a rated voltage of 1 kilovolt or higher

"IGBT" or "insulated gate bipolar transistor"	a power semiconductor device or module used to switch electric power in electrical appliances. IGBTs are noted for their high efficiency and fast switching and are used in electric traction, windmills, power transmission systems and other convertor applications
"IGBT driver" or "gate driver"	the controlling device of an IGBT
"IGBT power module"	a device comprising IGBT and other electric components and applied in a convertor
"IGCT"	integrated gate-commutated thyristor, a power semiconductor electronic device which is used for switching electric current in industrial equipment and related to the gate turn-off (GTO) thyristor
"inductance"	the ability of a reactor to store magnetic energy and measured by its inductance, in units of henries (H)
"km"	kilometer
"kV"	kilovolt
"kw"	kilowatt
"kwh"	kilowatt hour
"locomotive"	a driving vehicle that mobilises passenger carriages and freight wagons but does not carry passengers or freight (also known as the head of a train)
"MW"	megawatt
"MU"	a fixed arrangement of cars which are equipped with driving carriages, non-powered trailers and occasionally, controlling carriages
"osmosis"	diffusion of water through a semi-permeable membrane. More specifically, it is the movement of water across a semi-permeable membrane from an area of high water potential (low solute concentration) to an area of low water potential (high solute concentration). It is a physical process in which a solvent moves, without input of energy, across a semi-permeable membrane (permeable to the solvent, but not the solute) separating two solutions of different concentrations

"passenger carriage"	a car designed for the conveyance of passengers by rail and the provision of service, which is primarily used by a passenger train
"power industry"	comprises power generation and power transmission and distribution. Power generation refers to the process of creating electricity from other forms of energy. Power transmission and distribution refer to the movement of energy from the place of generation to the place of application
"rail vehicles"	refers to locomotives, passenger carriages, freight wagons, MUs and large railway maintenance vehicles
"rapid transit system"	urban mass rapid transit system, including subways and light rails
"reactor"	a passive electrical component, also called inductor, which stores energy in a magnetic field created by the electric current passing through it. The main part of a reactor is the conducting element shaped as a coil with loops helping create a strong magnetic field inside the coil. In electrical transmission systems, inductors are used to depress voltages from lightning strikes and to limit switching currents and fault currents. Two or more inductors which have coupled magnetic flux form a transformer, which is a fundamental component of every electric utility power grid
"rectifier"	an electrical device that converts AC to DC in a process known as rectification
"rolling stock"	refers to all types of rail vehicles and rapid transit vehicles including locomotives, passenger carriages, freight wagons, MUs, light rail cars and metro cars
"semiconductor"	a material having an electrical conductivity between that of a conductor and an insulator. Devices made from semiconductor materials are the foundation of modern electronics including radio, computers, telephones, and many other devices. In semiconductors, current can be carried either by the flow of electrons or by the flow of positively-charged holes in the electron structure of the material
"SVC"	an electrical device used for providing fast-acting reactive power on high-voltage electricity transmission networks, regulating voltage and stabilising the system
"surge current"	refers to the instantaneous rise of an electric current

"thyristor"	a solid-state semiconductor device with four layers of alternating N and P-type material and acts as a bistable switch, which conducts when the gate receives a current pulse and continues to conduct for as long as it is forward biased
"urban metro"	a single train unit that can be arranged into a subway train and operated on subway lines, including powered vehicles and non-powered trailers
"var" or "VAR"	volt-ampere reactive (var) is a unit used to measure reactive power in an AC electric power system in alternating current power transmission and distribution

You should carefully read and consider all of the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS

We rely heavily on ABB for its supply of power electronic components for our business. If we are unable to maintain our relationship with ABB, or should there be any disruption to the supply or an increase in the purchase price of ABB products, our business, financial condition and results of operations would be materially and adversely affected.

Our distribution business relies heavily on ABB. Pursuant to our distribution agreements with ABB, we sell and distribute ABB products in China, including semiconductors and current/voltage sensors. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2009 and 2010, aggregate purchases from ABB Switzerland and ABB France accounted for RMB125.6 million, RMB124.9 million, RMB146.5 million, RMB33.7 million and RMB79.3 million, respectively, representing 81.6%, 75.3%, 83.9%, 73.3% and 80.8% of our total purchases for the respective periods. In particular, ABB Switzerland was our single largest supplier throughout the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2009 and 2010, sales of ABB Switzerland products accounted for 79.6%, 59.0%, 46.6%, 61.2% and 37.9% of our total revenue, respectively, and purchases from ABB Switzerland amounted to RMB115.6 million, RMB112.7 million, RMB141.2 million, RMB31.1 million and RMB75.7 million, representing 75.1%, 67.9%, 80.8%, 67.6% and 77.2% of our total purchases for the respective periods. Our distribution agreement with ABB Switzerland can be terminated by either party with a 12-month written notice, or if the other party dose not fulfil its obligations within six months from the date of receiving a default notice. There can be no assurance that ABB Switzerland will renew our distribution agreement upon its expiry on terms acceptable to us, or at all. As we are a non-exclusive distributor of ABB in China, ABB may engage other distributors to sell their products in China, or our customers may purchase products directly from ABB. If any of these events occurs, the financial condition and results of operations of our distribution business will be adversely affected.

Our manufacturing business, in particular the production of IGBT power modules and silicon rectifier valves, depends on the supply of ABB Switzerland's semiconductors. Our customer, the CNR Group, requires us to use ABB Switzerland's semiconductors to manufacture their IGBT power modules. Therefore, if ABB Switzerland delays its supply of the semiconductors to us or is unable to supply the quantities we require, our manufacturing business will be adversely affected. For each of the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, our purchases from ABB Switzerland accounted for approximately nil, 19.5%, 33.2% and 53.4% of our total purchases for use in our manufacturing business, respectively.

If ABB is unable or unwilling to continue to supply products to us, there is no assurance that we will be able to source the components we require from alternative sources that are acceptable to our customers, at commercially reasonable prices, in a timely manner, or at all. ABB may adjust the prices of its products from time to time and we may not be able to pass the increasing purchase prices to our customers, which depends on various factors including the general economic condition of the market, the availability of substitute products and the terms of our sales contracts. Further, we cannot assure you that there will not be any unexpected interruption or a lack of supply of the products we require for any reason, such as a change in regulatory requirements, import restrictions, interruptions to ABB's business, disruptions in logistics or delivery by ABB to us, natural disasters or other unexpected events. Any disruption to the supply of the power electronic components we require could have a material adverse effect on our business, financial condition and results of operations.

Future movements in the exchange rate of Renminbi may adversely affect our financial condition and results of operations.

We are exposed to foreign exchange risks because we purchase imported power electronic components and a majority of raw materials from overseas suppliers in foreign currency such as CHF, EUR and USD, while we generate revenue in Renminbi. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, our purchases from overseas suppliers accounted for approximately 95.7%, 90.8%, 89.7% and 83.2% of our total purchases for the respective periods, amongst which approximately 75.1%, 67.9%, 80.8% and 77.2% were denominated in CHF. There is a time lag between the time we enter into the purchase contract and the time of delivery of the goods to us, which may be a few months' long. In the event that foreign currencies for our purchases of raw materials and power electronic components appreciate relative to RMB at the time of delivery, and that currency hedging activities are not effective, our profit from sales may be adversely affected. In order to reduce the risk of currency fluctuations, we may, as we deem appropriate, enter into foreign exchange forward contracts to hedge actual transactions for larger contracts. During the Track Record Period, we entered into certain foreign exchange forward contracts in respect of our substantial CHF denominated purchases of power electronic components from ABB Switzerland. Should Renminbi against the relevant foreign exchange depreciate substantially and our currency hedging activities are not effective, our profit from sales may be eroded. For example, our financial results for the five months ended 31 May 2010 have been affected by the higher exchange rate of CHF:RMB during the first five months in 2010 whereas exchange rate fluctuations did not negatively impact us during the corresponding period in 2009. Please refer to the section headed "Financial Information – Management's discussion and analysis of our financial results – The five months ended 31 May 2010 compared to the corresponding period in 2009" in this prospectus for further details. In addition, some of our machinery and equipment are imported from overseas. Accordingly, we are required from time to time to make payments in USD or other foreign currencies. Our exposure to foreign exchange fluctuations and movements in the exchange rate of Renminbi, which may adversely affect our financial condition and results of operations.

Our growth is dependent on our continuing ability to retain and attract qualified professional personnel, including key members of our management team. Failure to retain and attract appropriate qualified professional personnel may adversely affect our business and prospects.

Given the technology intensive nature of our business, we rely on highly-skilled professional staff to maintain and expand our operations. In particular, the industry expertise and extensive contributions of our senior management and other core technician personnel are essential to our continuing success. As we continue to grow our business, we will increasingly require additional experienced and knowledgeable staff and high-level executives. Our performance and future development depend on our ability to employ, train and retain highly-skilled personnel. We expect that our need for employees with industry-related experience and expertise will increase as our customers increase their capital expenditures and the use of our services. There is, and will continue to be, competition for highly skilled technical personnel with experience in our industry. If we were to lose the services of any of our key management members and were unable to retain and attract replacement personnel with the equivalent qualifications at any time, the quality of our management, financial condition and results of operations could be adversely affected.

If we fail to effectively implement strategies to manage our growth, our business, financial position and results of operations may be materially and adversely affected.

We have experienced significant growth during the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, our revenue was approximately RMB188.3 million, RMB249.5 million, RMB261.7 million and RMB118.6 million, respectively, representing a CAGR of 17.9% over the three-year period from 2007 to 2009. The increase in our revenue was partly driven by our successful commercialisation of new technologies, the introduction of our owned manufactured products and close working relationships with our key customers. As part of our business strategy, we plan to continue to develop new technologies and products, and invest in research and development. Our ability to implement our business plan depends on, among other things, global economic conditions, the success of our research and development for new technologies and new products, our ability to commercialise the results of our research and development, our ability to expand our production facilities, our ability to maintain a close relationship with our key customers, and the availability of management, financial and other resources. We may not be able to grow at a rate comparable to our growth in the past, either in terms of revenue or net profit. If we fail to effectively implement strategies to manage our growth, our business, financial position and results of operations may be materially and adversely affected.

If we fail to successfully identify, acquire or complete acquisitions or form joint ventures or other alliances, our growth and prospects may be adversely affected.

One of our business strategies is to acquire or enter into strategic alliance or joint venture arrangements with other power electronic companies to increase our product offerings and further increase our market share. Our ability to grow through acquisitions or forming joint ventures or other alliances depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions that present a strategic fit for our business and our ability to obtain necessary financing and any required governmental or third party consents, approvals and permits in a timely manner. We have limited experience with managing acquisitions or joint ventures, and we cannot assure you that we will realise the anticipated benefits of any future acquisition, joint venture or alliance. In June 2010, Jiashan Sunking acquired 20% equity interest in Shanghai Lang Zhi De (which owns 100% of Wuhan Langde) and was granted options to acquire further equity interest in Shanghai Lang Zhi De. We are also seeking to establish a joint venture with Trainelec, a subsidiary of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A., for the production of IGBT power modules.

If we offer new products that we do not have experience with, or operate in a market in which we have no or limited prior experience, the foregoing risks may increase. Our failure to address these risks successfully may have a material adverse effect on our financial condition and results of operations. If we fail to sign a final cooperation agreement with Trainelec and the joint venture for the production of IGBT power modules is not established, or if the joint venture, once established, is not successful, our growth and prospects may be adversely affected.

We are subject to various environmental, safety and health regulations in China, compliance with which may be difficult or expensive. Any failure to comply with such regulations may subject us to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licences or permits to conduct our business.

The PRC government has published extensive environmental, safety and health regulations with which we are required to comply. Please refer to the paragraphs headed "Environmental protection" and "Safety and labour protection" in the section headed "Regulatory Overview" in this prospectus for details of those requirements. Failure to comply with those regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation or our licences or permits to conduct our business. Non-compliance with the relevant regulations may result in us being ordered to suspend or cease production and to pay fines. Given the number and complexity of these regulations, compliance with them may be difficult and significant financial and other resources to establish efficient compliance and monitoring systems may be required. Moreover, the PRC's regulations are constantly evolving. There can be no assurance that the PRC government will not impose additional or stricter laws and regulations. Our compliance with such laws and regulations may cause us to incur significant costs that we may be unable to pass on to our customers. New laws and regulations may also delay our project construction and operation schedule. Any non-compliance with the environmental, health and safety regulations, or costs incurred in order to comply with such laws and regulations, may have a material adverse effect on our business, financial condition and results of operations.

We may be held liable for any damage or loss incurred in connection with or arising from the use of our products. As a result of this, our business, financial condition and results of operations may be adversely affected.

Due to the nature of the industries in which our products are applied, including the rail and power industries, there is an inherent risk of exposure to product liability claims for alleged product defects or for harm or injury allegedly caused by our products. Our PRC legal adviser has advised us that, our suppliers, and us, are jointly responsible for any product liability claim arising from the use of the imported power electronic components distributed. As a manufacturer, we are responsible for any product liability claim arising from the use of our own manufactured products. In the event that we are held liable for a product defect, we may only be entitled to reimbursements from our suppliers for any damages that we have paid if the defects in our products are directly caused by defects in the imported power electronic components or raw materials applied or used in our own manufactured products. We do not have any product liability insurance for any of our products. Any product liability claim may require us to pay substantial damages, result in significant negative publicity and materially and adversely affect the marketability of our products and our reputation, as well as our business, financial condition and results of operations.

In the event that it is alleged that a material design, manufacturing or quality failure or defect exists in our products, our products could be recalled from the market. Such allegations could also result in increased product liability claims against us that are expensive to defend and cause our business, financial condition and results of operations to be materially and adversely affected.

We have limited insurance coverage and it may be insufficient to cover all risks of loss associated with our business operations.

We have only taken out limited insurance for our business operations. However, we cannot guarantee that our insurance policies will provide adequate coverage should our Group face extraordinary occurrences that result in loss or damage. We do not maintain any insurance for business interruption or loss of profit arising from accidents at any of our production facilities, or insurance for other disruptions of our operations. In addition, accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of an uninsured loss or a loss in excess of our insured limits, our business, financial condition and results of operations could be materially adversely affected.

The recent global recession and the challenges the Chinese economy faces as a result could adversely affect the demand for our products and our results of operations.

The global recession in recent years has been characterised by a general slowing down of economic growth, higher unemployment rates and reduced demand for goods and services. It is difficult to predict how long these conditions will persist and when, how fast and where recoveries will take place. The Chinese economy also faces challenges. The stimulus plans and other measures implemented by the Chinese government in response to the global economic crisis may not work effectively or quickly enough to maintain economic growth in China or avert an economic downturn. During the Track Record Period, our results of operations had been affected by the global economic downturn. If economic growth slows down or an economic downturn occurs, the demand for our products and our results of operations could be materially and adversely affected.

Our non-compliance with social security fund contribution requirements under the PRC laws and regulations may subject us to fines and other penalties.

In accordance with relevant PRC laws and regulations, we are required to contribute to a number of employee social welfare schemes in respect of our employees. Such schemes include pension insurance, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance (together "**social insurance**") and housing fund contributions.

We did not make housing provident fund contributions for employees of Beijing Sunking and Jiashan Sunking until May 2008 and April 2010, respectively, or social insurance funds contributions, in full, for the employees of Tianjin Sunking from February 2008 to May 2008.

Under the relevant laws and regulations of the PRC, we may be ordered by the social insurance fund authorities to pay the outstanding contributions within a prescribed time limit. Fines that range from RMB10,000 to RMB50,00 and a late charge at a daily rate of 0.2% on the outstanding social insurance fund contributions may be imposed on us if such payment is not made within the prescribed time limit. We may also be ordered by the relevant housing fund authority to pay the outstanding housing fund contributions and a late charge at a daily rate of 0.1%. The housing authority may also impose fines on directly responsible person(s) that range from RMB1,000 to RMB10,000. If an employee of our Group succeeds in a labour dispute against us with respect to the outstanding social insurance and housing fund contributions, we may be required to make such outstanding contributions.

We registered with the relevant housing authority and have commenced payments of housing fund contributions for all eligible employees of Beijing Sunking and Jiashan Sunking as of May 2008 and April 2010, respectively. As of the Latest Practical Date, all of our subsidiaries which are required to open housing provident fund accounts have opened the requisite housing fund contribution accounts. We also have completed registration applications for the payment of social insurance contributions with the relevant social insurance authority in respect of all eligible employees of Tianjin Sunking.

In the event that we are deemed by the relevant authorities to have contravened the relevant laws and regulations, we estimate that our liability including the underpaid social security and housing provident fund contribution for our existing and former employees and the maximum penalty that might be imposed by the relevant PRC government authorities based on the rules described above is approximately RMB0.4 million. In the event that a penalty is imposed on us, our business and results of operation may be adversely affected.

RISKS RELATING TO OUR MANUFACTURING BUSINESS

The recent change of our business focus from a distribution business to manufacturing business has brought on a number of new challenges and risks in our operations, which include the following:

Our trade and note receivables from customers are subject to long collection cycles and may not be fully recoverable, which may adversely affect our cash flow, working capital, financial condition and results of operations.

During the Track Record Period, our trade receivables balance had increased significantly and at the same time our trade receivables turnover days had also increased. As of 31 December 2007, 2008 and 2009 and 31 May 2010, we had trade and note receivables of RMB30.7 million, RMB46.3 million, RMB153.7 million and RMB215.4 million, respectively. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our average trade and note receivables turnover days were 38.5 days, 56.3 days, 139.5 days and 235.0 days, respectively. The length of our average trade and note receivables turnover for the five months ended 31 May 2010 was longer than 180 days, which is the most favourable credit period we grant to our customers. This partly reflects the fact that some of our trade receivables balance were overdue as at 31 May 2010. The increase in our trade receivables and the duration of their turnover time has largely resulted from the growth in sales of our own manufactured products and longer payment cycle as a result of the longer credit period we granted customers and the retainer fee arrangement that we entered into with some of our customers. Our Directors believe that the longer trade and note receivables turnover period recorded in the first five months of 2010 was due to the increased sales to customers with longer credit periods starting from 2009, such as sales of IGBT power modules to the CNR Group. Also, a substantial portion of such trade receivables was due from a number of our largest customers who are state-owned or state-controlled enterprises, which tend to be slow in settlement of invoices. We do not hold any collateral over these balances. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, we recognised impairment loss on our trade receivable of RMB1.2 million, nil, nil and RMB1.5 million, respectively. The increased amount of our trade receivables and the longer turnover time has had, and will likely continue to have, an adverse impact on our working capital needs. Additionally, if we are unable to recover our trade receivables, which might be affected by factors beyond our customers' control, our financial condition and results of operations may be adversely affected.

As we experienced longer trade receivable cycle in the first five months of 2010, we have resorted to short term bank borrowings to fund our working capital needs and obtained a number of banking facilities from financial institutions. As a result, the balance of our secured short-term bank loans increased from RMB20.0 million as at 31 December 2009 to RMB92.3 million as at 31 May 2010. In the event that we encounter delays or defaults in the payments of our trade receivables by our customers in excess of our current expectations, our cash flows from operations may be inadequate to meet our working capital requirements, which would require us to fund such requirements through borrowings or other financing arrangements, which may not be available on commercially reasonable terms or at all.

Our manufacturing business is capital-intensive and any failure to obtain sufficient capital on acceptable terms, or at all, may adversely affect our expansion plans and growth prospects.

Our manufacturing business is generally capital-intensive as we require significant capital to construct our production facilities, to purchase production equipment, develop new products, and develop and implement new technologies. Our capital expenditures have increased significantly as a result of the ongoing expansion of our manufacturing business and our ongoing upgrades to our production facilities. Our capital expenditures for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were RMB9.4 million, RMB40.0 million, RMB60.9 million and RMB16.9 million, respectively. As of 31 May 2010, we had committed capital expenditures of RMB7.7 million. Our capital expenditures will continue to increase as a result of the ongoing expansion of our operations and our ongoing upgrades to our production facilities.

We have incurred and will continue to incur capital expenditures in advance of any revenue to be generated by new or upgraded production facilities or technology. We intend to fund near term expansion by using the proceeds from the Global Offering. As our manufacturing business continues to grow, we may require additional capital to fund our expansion plans or to purchase additional equipment. There can be no assurance that we will be able to obtain additional financing on reasonable terms or at all, due to various factors such as the general market conditions for financing activities, and the prevailing economic and political conditions. The tightening of credit markets worldwide and the global recession may make it more difficult and costly to obtain the capital or financing we require. If we are unable to obtain the necessary financing, our expansion plans or completion of new production facilities may be delayed, our proposed or potential projects may be hindered, and our growth, competitive position, financial position and results of operations may be adversely affected.

We may not generate sufficient cash from operations to meet our working capital requirements or repay bank loans as they become due.

We require a significant amount of working capital on a continuous basis to fund our manufacturing business. Several factors have had, and are expected to continue to have, a significant impact on the sufficiency of our cash flow and working capital, including the rapid growth of our manufacturing business, the procurement lead time of our products, required prepayments to our suppliers for certain raw materials and components and the long trade receivables turnover time. As a result of these factors, our cash inflow may not meet our working capital requirements.

Due to the nature of our customers' budgeting and order placement cycle, we tend to receive a higher proportion of orders during the fourth quarter of each year, often with limited or no initial payment. We make expenditures to fill these orders during the course of the following year and do not recognise revenue until delivery of the orders. This payment cycle puts us at greater risks of not being able to meet our working capital requirements at certain times of the year, especially when we are engaged in several long term projects at the same time. The combined effect of our rapid growth and the seasonality of our business have had, and will continue to have, a significant impact on our cash flow and working capital. For example, our net cash used in operating activities was RMB23.5 million and RMB62.4 million in 2009 and for the five months ended 31 May 2010, respectively, as compared to net cash generated by operating activities of RMB1.0 million in 2008.

Our sales contracts may provide a warranty to our customers pursuant to which we will be responsible for any defects in the products we provide and we agree to compensate our customers for any damages caused as a result of such product defects. In some cases, final payment of the total contract price may be subject to a retainer fee to be paid after the lapse of warranty period, ranging from 12 to 24 months from the delivery of our products. We do not make provisions for such warranty contingencies. Therefore, we may have trade receivables and warranty contingencies outstanding for a period of time after the completion of a specific project.

As a consequence of our working capital needs, our outstanding bank loans grew from RMB6.0 million as at 31 December 2008 to RMB20.0 million as at 31 December 2009 and further to RMB92.3 million as at 31 May 2010. If we are unable to internally generate funds or obtain external funding to meet our working capital requirements in a timely manner or at all or repay bank loans as they become due, our financial condition and growth prospects may be materially and adversely affected.

Our short operating history and the changing nature of our business provide limited insight to investors and make it difficult to evaluate our business and prospects.

We began our distribution business in 2002 as an authorised distributor of ABB Switzerland, and subsequently as distributor of Cooper Bussmann and a number of other leading global engineering companies for power electronic components in China. Although we began to manufacture products in 2007, we only started to generate significant revenue from our manufacturing business in 2008. Sales of our own manufactured products accounted for 1.5%, 27.1%, 46.8% and 61.4% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, respectively.

Due to the limited operating history of our manufacturing business, and the limited available financial data of our business, there may not be a sufficient basis on which potential investors in our Shares can evaluate our future business prospects and results of operations.

We rely heavily on a limited number of customers. Any significant reduction in sales to or the loss of any of our major customers could materially and adversely affect our profitability and results of operations.

We rely heavily on a limited number of customers. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, sales to our five largest customers accounted for 41.6%, 44.6%, 43.9% and 64.1% of our total revenue for the respective periods. Our largest customer for the year ended 31 December 2009 was the CNR Group, to whom we sold all of our own manufactured IGBT power modules during the Track Record Period. Any significant decline in the business and financial conditions of our major customers, the industries in which our major customers operate or the PRC economy in general, could adversely affect these customers' demand for our products. This could have a material adverse effect on our business, results of operations and financial condition.

For the year ended 31 December 2009 and the five months ended 31 May 2010, sales to the CNR Group accounted for approximately 17.5% and 33.9% of our total revenue, respectively. Our agreements with the CNR Group are subject to the continued existence of a separate agreement entered into between the CNR Group and its customer. If that agreement is terminated, our agreements with the CNR Group will be automatically terminated. If such an event happens, our business and financial condition would be materially adversely affected.

We have a competitive advantage from the "domestic" status of our technologies and products and benefit from the PRC government's policies that encourage the use of domestic products and support the development of the rail and power industries. A change in the domestic status of our products following the Global Offering or the PRC government's policies could materially and adversely affect our business and results of operations.

Our products are primarily used in the rail, power transmission and distribution, and other general industrial sectors. We have benefited from the PRC government's policy that encourages the use of domestic technology and products in major infrastructure projects within the rail and power industries. For more information about these policies, please refer to the paragraphs headed "Industry Overview – Overview of China's power electronic industry – Market drivers – The PRC government has encouraged Chinese companies to manufacture power electronic products domestically as opposed to importing such products, and has set a target that domestic products account for 70% Chinese market share by 2010" and "Business – Our competitive strengths – We believe we are well positioned to capture the growth opportunities presented by the convergence of two central policies of the PRC government" in this prospectus. Our business growth to a certain extent depends on the continuation of these policy. There is ambiguity as to whether we will continue to be considered a "domestic" company as our investors will become more global following the Global Offering. Moreover, there is no assurance that the PRC government will not change its policy that encourages the use of domestic products. Should we no longer be considered a "domestic" company, or should the policy change, we will lose an important competitive advantage and our business and results of operations may be adversely affected.

Similarly, any change in the PRC government's policies supporting the development of rail and power industries or changes in government policies on increasing public spending on railway and power infrastructure could reduce the market demand for our products and adversely affect our results of operations and financial condition. For more information of these policies, please refer to the paragraphs headed "Industry Overview – Overview of China's power electronic industry – Market drivers – China's high urbanisation rate has fuelled demand for rail transportation and locomotives, which creates significant demand for power electronic products" and "– Smart grid construction, including the development of HVDC power transmission systems, is a focus of the PRC government's development plans that will create significant development opportunity to power electronic industry" in this prospectus.

The fixed price nature of some of our contracts could adversely affect our business, cash flow and results of operations.

A significant portion of our revenue for our manufacturing business is generated from contracts that are structured as fixed price contracts. Our fixed price contracts include cost and risk estimates that take into consideration general economic conditions, the supply of materials, labour and appropriate technological requirements for each project at the time the contracts were made. We cannot guarantee that these estimates will prove to be accurate over the course of our projects due to inaccurate forecasts, unforeseen project difficulties, long development cycles and other unforeseeable problems. If we underbid our fixed price contracts or overrun the initial cost estimates, such under-bidding or significant cost overruns could have a material adverse effect on our business, cash flow and results of operations.

We may not successfully commercialise new products that we will develop in the future.

Part of our business strategy is to target selectively a limited number of products and systems for development due to the highly specialised nature of the products and systems our customers seek, the capital requirements of the research and development process, our relatively limited number of targeted customers for our manufactured products and the limited number of industries in which our customers operate. Our ability to successfully commercialise new products is subject to a number of risks and uncertainties, including our ability to effectively identify a product that satisfies our customers' requirements, our ability to successfully fund the development of our new product, our ability to maintain relationships with our customers during the development process, the success of the product in meeting our customers' rigorous quality and reliability tests and our ability to produce the product at a price that is acceptable to the customer and profitable for our business. The development process is costly, time-consuming and subject to unpredictable delays. There is no assurance that our new products will ultimately achieve commercialisation. If any of our products fail to achieve commercialisation, our growth prospects will be adversely affected.

We may pursue additional acquisitions, joint ventures or other alliances for the purpose of acquiring access to new products or systems for our customers. Such acquisitions, joint ventures and alliances may not be completed or yield a positive return on our investment, and may involve other risks and uncertainties, which are further discussed in the paragraph headed "Risks relating to our business – If we fail to successfully identify, acquire or complete acquisitions or form joint ventures or other alliances, our growth and prospects may be adversely affected." of this section in this prospectus.

Failure to adequately protect our technical knowhow and other intellectual property rights could adversely affect our business, financial condition and results of operations.

We primarily rely on technical knowhow and trade secret laws and, to a lesser degree, patent, trademark and other methods to protect our intellectual property rights. As at the Latest Practicable Date, we had one utility model patent in relation to our deionised water cooling systems registered under Tianjin Sunking in China. We also rely on trade secret rights to protect our business through non-disclosure provisions in employment agreements with our staff. However, we cannot assure you that these measures will be sufficient to prevent any misappropriation of our intellectual property, or that our competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on our knowhow. In particular, there may be less adequate protection of technical knowhow in the PRC. In addition, if our employees breach their non-disclosure obligations, we may not have adequate remedies in China, and our trade secrets may become known to our competitors.

If our products or research and development efforts lead to intellectual property disputes, our business and financial condition may be adversely affected.

Our products and research and development efforts may run the risk of infringing on already issued patents or pending patent applications by our competitors. We may be subject to legal proceedings and claims related to the intellectual property rights of third parties. Legal proceedings involving intellectual property rights can be expensive and time consuming. Successful infringement claims against our Group may result in substantial monetary liability and/or may materially affect our operations by potentially limiting our ability to offer new products. Furthermore, we may lose our customers as a result of infringement claims and our business reputation could also be adversely affected.

We are subject to risks related to the operation of our production facilities. Any breakdown or suspension of production could have a material adverse effect on our business, financial condition and results of operations.

In our production facilities, the risk of operational breakdowns cannot be excluded even if stringent technical and safety standards for the construction, operation and maintenance of such production facilities are met. Operation breakdowns can result from external factors beyond our control, such as natural disasters (including but not limited to flooding, cyclone, typhoon, earthquake, blizzard and snow storm), terrorism, third-party interference, or fire caused by accidents during the operating process. Any interruption in, or prolonged suspension of any part of production at, or any damage to or destruction of any of our production facilities arising from unexpected or catastrophic events may restrict us from meeting our production schedule. Sales of our own manufactured products accounted for 1.5%, 27.1%, 46.8% and 61.4% of our total revenue for the year ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010. Any breakdown or suspension of production or failure to deliver our own manufactured products to our customers according to the terms of our contracts may render us in breach of contract, cause us to lose revenue, and may expose us to liability under the contracts, lawsuits and damage to our reputation, each of which could have a material adverse effect on our business, financial condition and results of operations.

Any interruption to or instability in the supply of utilities that we require may prevent us from operating our production facilities, which could adversely affect our business and results of operations.

While our production process does not require supply of utilities, such as electricity and water, in large quantities, our production process will nevertheless be disrupted or may even stop if there is an insufficiency in or a suspension of such utilities. Although we have not experienced any major shortage of utility supply since we commenced our manufacturing business, there is no assurance that we can secure the level of utility supply that we require in the future. Any interruption or instability in utility supply will not only increase our costs of production, and adversely affect our financial condition and results of operations, but will also prevent us from producing and delivering our products to our customers as scheduled and may result in breach of contract and damage to our reputation.

RISKS RELATING TO OUR INDUSTRY

Any change in the PRC government's policies on enhancing the infrastructure in the rail and power industries or decrease in public spending in these industries, or regulatory reform of China's rail and power industries could impact our business and results of operations.

Our products are primarily used in the rail, power transmission and distribution, and other general industrial sectors. Accordingly, the business prospects of our Group are driven to a considerable extent by the PRC government's policies on enhancing the infrastructure in rail and power industries. Development of China's rail and power industries is also dependent upon factors such as the continued growth of China's economy and the extent of the public spending on the related infrastructure projects. Any change in the PRC government's policies supporting the development of rail or power infrastructure or changes in government policies affecting public spending on such infrastructure projects could reduce the market demand for our products and hence adversely affect our business and results of operations. We also benefit from PRC government's policies that encourage the use of domestic manufactured products and our business growth to a certain extent depends on the continuation of such policies. Should there be any change of the policies that favour domestic manufacturers, our business and results of operations may be adversely affected.

Further, the PRC rail and power industries have experienced and are expected to continue to experience ongoing regulatory reforms and structural reorganisation. There is no assurance that the PRC government will not make any further regulatory changes in the rail or power industry that may have a material adverse effect on our business. For example, if the PRC government decides to merge existing companies or further sub-divide existing companies, sales to major customers that are government owned entities may be significantly reduced or we may lose a major customer.

The cyclical nature of the railway sector may expose us to potentially significant fluctuations in our financial condition and results of operations.

Our largest customer in terms of sales 2009 was the CNR Group, which is a rolling stock manufacturer and accordingly a significant part of our business is dependent on the rolling stock and rail industries. Rapid growth in China's economy and a rising urbanisation rate could lead to increasing demand for railway and rapid transit transportation, which could in turn foster demand for our power electronic components such as IGBT power modules and deionised water cooling systems. On the other hand, an economic downturn could curtail demand for such products. Macroeconomic conditions, cyclical trends in the commuter markets, supply and demand imbalances, changes to the PRC government's policies and other factors beyond our control could have a major impact on the demand for our products and a substantial effect on our business, financial condition and results of operations.

The cyclical nature of the railway industry is often characterised, initially, by a period of high demand for locomotives, rail related products, higher capacity utilisation and increased operating margins that tend to result in greater investment and increased production in the overall rolling stock industry. However, such periods are often followed by periods of declining prices and declining capacity utilisation when supply exceeds demand. This cycle often repeats itself. Any of the cyclical factors characteristic of the railway industry may adversely impact our financial condition and results of operations.

A change in the demand for, or the selling prices of, the end applications of the imported power electronic components we distribute could adversely affect our business and results of operations.

We import power semiconductors and other power electronic components into China. A portion of these products are sold to customers in heavy industries equipment. Historically, these customers are prone to economic cyclicality. Changes in the end-market demand resulting from market downturns and inventory corrections may result in reduced demand for or lower selling prices of the power electronic components we distribute, which could in turn adversely affect our business and results of operations.

The power electronic component industry in which we operate is subject to potentially increasing competition.

We are subject to potential increasing competition in our industry. Our competitors include large overseas power electronic manufacturers or suppliers for the rail and power industries in China that may have strong competitive advantages over us. Our market position depends on our ability to anticipate and quickly respond to various competitive factors, including the introduction of new or improved products by our competitors, pricing strategies adopted by our competitors and changes in our customers' preferences and needs. We cannot assure you that our current and potential competitors will not offer products that are comparable or superior to our products, at the same or lower prices, or adapt more quickly to evolving industry trends or market requirements. We may lose customers to our competitors if, among other things, we are unable to differentiate ourselves from our competitors or we fail to keep our prices at competitive levels. Further, as our industry develops domestically from the continuation of the PRC government's policy of favouring domestic manufacturers, greater level of competition from domestic companies may emerge. Increased domestic competition may result in price reductions, lower gross profit margins and loss of our market share.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Any change in China's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on us.

Substantially all of our revenue is derived from China. As such, demand for our products and services depends, in large part, on economic conditions in China. The economy of China differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

China's economy has been in transition from a planned economy to a more market-oriented economy and the PRC government has implemented economic reform measures emphasising responsiveness to market forces. However, the PRC government exercises significant control over China's economic growth through the allocation of resources, setting monetary policy and providing preferential treatment to particular industries or companies. Changes in any of these policies, laws and regulations could adversely affect the overall economy in China and our industry. In addition, any sudden changes to China's political system, the occurrence of widespread social unrest or any deterioration of China's relationship with its neighbours could have negative effects on China's economy and hence our business, financial condition and results of operations.

Downturns in China's economy may adversely affect our business, financial condition and results of operations.

Substantially all of our revenue is derived from China. We therefore depend heavily on the general economic condition in China for our continued growth. Although the economy in China has grown significantly in recent years, we cannot assure you that the economy will continue to grow, or that its growth will be steady or occur in geographical regions or economic sectors from which we benefit. A downturn in China's economic growth or a decline in its economic condition may adversely affect our business, financial condition and results of operations.

The PRC legal system embodies uncertainties that could materially and adversely affect our business and results of operations.

Substantially all of our operations are conducted in the PRC and a significant number of our employees are PRC nationals. Our operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since the late 1970s, new legislation and regulations covering general economic matters have been enacted and promulgated in China. However, China's laws, regulations and legal requirements are still developing and are constantly changing. Their interpretation and enforcement involve legal uncertainties and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court in another jurisdiction. The PRC legal system is based on written statutes and their interpretation. Prior court decisions may be cited for reference but have limited weight as precedent. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, the interpretation of statutes and regulations may be subject to government policies that evolve with the political climate. These uncertainties could limit the legal protections available to us and our shareholders and could materially and adversely affect our business and results of operations.

Our expansion plans may be affected by PRC regulations relating to acquisitions of domestic companies by foreign entities.

Effective as of 8 September 2006, foreign investors must comply with the M&A Rules when they purchase the equity of a domestic company. The M&A Rules provide for the procedures of the approval process of foreign investment projects in China and state that the business scope of a foreign-invested enterprise must conform to the Foreign Investment Catalogue (《外商投資產業指導目錄》).

If any of our future acquisition targets is engaged in a business that is subject to the Foreign Investment Catalogue, we may be restricted from proceeding with the acquisition without obtaining certain required government approvals. We cannot assure you that we will be successful in obtaining such approvals or in carrying out all the relevant procedural requirements under the M&A Rules. In the event that a future acquisition target cannot be acquired, our business may be adversely affected.

There are significant uncertainties relating to our PRC enterprise income tax liabilities under the EIT Law.

We are a holding company incorporated in the Cayman Islands and our business operations are principally conducted through our PRC subsidiaries. Under the EIT Law, the profits of a foreign-invested enterprise made in 2008 and onwards, which are distributed to its immediate holding companies outside the PRC, will be subject to a withholding tax rate of 10.0%. However, pursuant to the Double Taxation Arrangement between the PRC and Hong Kong, the 10.0% tax rate is lowered to 5.0% if a Hong Kong resident enterprise directly owns over 25% equity of the PRC company. However, no similar tax treaty exists between the PRC and the Cayman Islands.

According to a circular released by the State Administration of Taxation on 27 October 2009 (Guoshuihan [2009] No. 601) ("**Circular 601**"), approvals from competent local tax authorities are required before an enterprise can enjoy the preferential tax treatments related to dividends under taxation treaties, such as the Double Tax Arrangement between the PRC and Hong Kong. If the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate of the relevant offshore entity. A preferential tax arrangement applies only if the company is the beneficial owner, which means that the company owns and controls an item of income, or property from which income is derived, and is normally engaged in substantive business activities such as manufacturing, sales and management.

Under the terms of the Double Taxation Arrangement between the PRC and Hong Kong, dividends paid by Wuxi Sunking and Jiashan Sunking to Sunking Pacific, our subsidiary in Hong Kong, are subject to a 5% PRC withholding tax, unless Sunking Pacific is deemed to be a PRC resident enterprise under the EIT Law. However, the PRC tax authorities may regard the main purpose of Sunking Pacific as obtaining a lower withholding tax rate. As a result, a higher withholding tax rate of 10% may apply to dividends paid by Wuxi Sunking or Jiashan Sunking to Sunking Pacific. A higher tax rate on dividends paid to us by our subsidiaries may materially and adversely affect our financial condition, your investment return in us and the value of your investment in us.

We may be deemed a PRC tax resident enterprise under the EIT Law and subject to PRC taxation on our worldwide income.

The EIT Law currently in force provides that if a non-PRC incorporated enterprise has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC resident enterprise and subject to an enterprise income tax at the rate of 25% on its worldwide income.

As most of the members of our management team are located in China, we cannot assure you that the non-PRC members of our Group will not be considered PRC resident enterprises under the EIT Law and subject to a tax rate of 25% on income generated both inside and outside the PRC. If the non-PRC members of our Group are subject to a tax rate of 25% on income generated both inside and outside the PRC, it could materially affect our financial condition.

The outbreak of any severe communicable disease in China, if uncontrolled, may materially and adversely affect our results of operations.

The outbreak of any severe communicable disease in China, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China, which in turn may have an adverse impact on domestic consumption and, possibly, on the overall GDP growth of China. Because substantially all of our revenue is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or in the growth of China's GDP may materially and adversely affect our financial condition, results of operations and future growth. In addition, if our employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease. Such measures may materially and adversely affect or disrupt our operations and have an adverse effect on our results of operations. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, which again, may have a potentially adverse effect on our financial condition and results of operations.

Restrictions on the payment of dividends under applicable PRC laws and regulations may limit our subsidiaries' ability to remit dividends to us, which could affect our liquidity and ability to pay dividends to our shareholders.

Our Company is a holding company incorporated in the Cayman Islands and our operations are conducted through our subsidiaries in the PRC. The availability of funds to pay dividends to our shareholders and to service our Company's indebtedness depends on dividends received from our subsidiaries. If our subsidiaries incur any debt or loss, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends or other distributions and to service our Company's indebtedness will be restricted.

Under the PRC law and regulations, dividends may be paid only out of distributable profits. Distributable profits refers to after tax profits as determined under the PRC accounting principles, less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of distributable profits under the PRC accounting principles differs in many aspects from the calculation under the IFRS. Our subsidiaries may not be able to pay dividends in a given year if they do not have distributable profits as determined under the PRC accounting principles even if they have sufficient profits as determined under the IFRS. Since we derive substantially all of our earnings and cash flows from dividends paid to us by our subsidiaries in the PRC, we may not have sufficient distributable profits to pay dividends to our shareholders.

The PRC government's currency control policy on conversion and future movements in foreign exchange rates may materially and adversely affect our financial condition, results of operations and ability to remit dividends.

Renminbi is not a freely convertible currency. We receive almost all of our revenue in RMB and will need to convert RMB into foreign currencies for payments to some of our suppliers and payments of dividends to our shareholders. The exchange rates of RMB against US dollar and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC government and changes in China's international, political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including US dollars, has been based on rates set by the PBOC. From 1994 to 20 July 2005, the official exchange rate for the conversion of RMB to US dollars was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against US dollar, Hong Kong dollar or other foreign currencies. We intend to convert part of the proceeds from the Global Offering and future financing into RMB for our operations. Appreciation of RMB against foreign currencies would reduce the RMB amount we would receive from such conversion. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will also increase the value of, and any dividends payable on, our Shares in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of, and any dividends payable on, our Shares in foreign currency terms.

In addition, the conversion of RMB into other currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the PRC government. In general, foreign investment enterprises are permitted to convert RMB into foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of RMB into foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. The requirement for us to pay dividends in a currency other than RMB to our shareholders may expose us to foreign exchange risk. Under the current foreign exchange control system, there is no assurance that we will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. As a result, our shareholders may not be able to sell their Shares at prices equal to or greater than the prices they paid for their Shares under the Global Offering.

The following factors could cause the market price of our Shares following the Global Offering to vary significantly from the Offer Price:

- variation in our revenue, earnings and cash flow;
- changes to the PRC government's policies that are unfavourable to us;
- inability to collect sufficient trade receivables or source other funding to finance our working capital;

- loss of any of major customers or significant reduction of purchase orders from our customers;
- our relationship with ABB deteriorates;
- our failure to execute our business strategies;
- our inability to successfully develop new technologies and to keep pace with advancements in technology to meet our customers' changing requirements;
- any major changes in our key personnel or senior management;
- political, economic, financial and social developments; and
- the materialisation of any other risk factors referred to in this section.

Shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past due to general economic and market conditions in Hong Kong and the PRC. There are no assurances that the price and trading volume of our Shares will not also be volatile.

Because the Offer Price of our Shares in the Global Offering is higher than the net tangible book value per Share, your shareholding will be subject to immediate dilution.

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, subscribers and purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma combined net tangible asset value to RMB0.51 per Share, based on the mid-point of the indicative offer price range set out in this prospectus. There is no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributable to our shareholders after the creditors' claims.

Shareholders' interest may be diluted as a result of our additional equity fund-raising.

In order to expand our business, we may consider offering and issuing additional Shares in the future to raise additional funds. We may also issue additional Shares pursuant to our Share Option Scheme. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing shareholders, the percentage of ownership of our shareholders may be reduced and the new securities may confer rights and privileges that take priority over those conferred by the Shares. Moreover, our shareholders may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Our controlling shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other shareholders.

Our controlling shareholders comprise Mr. Xiang Jie, our chairman and an executive Director and a company wholly owned by him, Max Vision. Our controlling shareholders have substantial influence over our business, including matters relating to our management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of our assets, election of our Directors and other significant corporate actions. Immediately following completion of the Global Offering (before exercise of the Over-allotment Option), Mr. Xiang Jie, through Max Vision, will hold 415,274,180 Shares representing 30.4% of the issued share capital of our Company.

This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our other shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other shareholders. In addition, the interests of our controlling shareholders may differ from the interests of our other shareholders. It is possible that our controlling shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, other actions or make decisions which conflict with the best interests of our other shareholders.

Substantial future sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of our Shares in the public market after the Global Offering, or the perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares. The Shares beneficially owned by our controlling shareholders and certain substantial shareholders are subject to certain lock-up periods. There is no assurance that our controlling shareholders and other substantial shareholders will not dispose of some or all of their Shares following the expiration of the lock-up periods. Substantial sales by our controlling shareholders or the perception of such sales are likely to make it more difficult for us to sell equity or equity-linked securities in the future at a time and price that we deem appropriate. We cannot make any prediction as to the effect, if any, sales of securities held by our significant shareholders or any other shareholders will have on the market price of our Shares.

We cannot assure you that we will declare dividends in the future.

Futech Group paid dividends in an aggregate amount of RMB66.8 million in 2008 to its then shareholder Sunking BVI. In addition, Futech Group made distributions to Mr. Xiang Jie of RMB1.8 million and RMB2.8 million in 2007 and 2008, respectively. Save for the above, our Group did not declare or pay any dividends during the Track Record Period. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earning, financial condition, cash requirements and availability, the Articles and applicable laws. Our ability to pay dividends is also affected by our PRC subsidiaries' ability to remit dividends to us. Please also refer to the paragraph headed "Risks relating to conducting business in China – Restrictions on the payment of dividends under applicable PRC laws and regulations may limit our subsidiaries' ability to remit dividends to us, which could affect our liquidity and ability to pay dividends to our shareholders" above.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from official governmental sources contained in this prospectus.

Statistical and forecast information relating to China, the PRC rail and power industries and power electronic market contained in this prospectus has been compiled from various publicly available official governmental sources. Statistics derived from such sources may not be prepared on a comparable basis. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Selling Shareholders, the Global Coordinator, the Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- future developments, trends and conditions in the rail and power industries in China and other countries into which we intend to develop our operations;
- our strategies, plans, objectives and goals;
- the regulatory environment and industry outlook in general for the industries discussed herein;
- general political and economic conditions in China;
- our dividend policy;
- projects under development;
- our future capital needs and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital markets developments;
- the competitive markets for our products and the actions and developments of our competitors;
- volumes, operations, margins, overall market trends, risk management and exchange rates;
- other statements in this prospectus that are not historical fact;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC and the industry and markets in which we operate;
- financial condition and performance;
- regulations and restrictions, including tariffs and environmental regulations;
- macroeconomic measures taken by the PRC to manage economic growth; and
- other factors beyond our control.

The words "aim," "anticipate," "believe," "could," "continue," "expect," "going forward," "intend," "may," "plan," "predict," "potential," "seek," "will," "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that an issuer must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, all of our executive Directors reside in China. As most of our operations will be in China, we will not, after Listing or in the foreseeable future, have sufficient management presence in Hong Kong. We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 8.12 of the Listing Rules.

The arrangements proposed by us for maintaining regular communication with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules are as follows:

1. We have appointed two authorised representatives, namely Mr. Yue Zhoumin, our executive Director, and Mr. Ngai Wai Fung, one of our joint company secretaries, pursuant to Rule 3.05 of the Listing Rules, who will act as our principal communication channels with the Stock Exchange. Mr. Ngai is ordinarily resident in Hong Kong. Each of the authorised representatives has been authorised to communicate on behalf of our Company with the Stock Exchange.

2. Each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period. The authorised representatives of the Company have the telephone and fax numbers and e-mail addresses of all the Directors and are able to contact all the Directors promptly at all times. When the Stock Exchange wishes to contact them on any matter, and in the event that a Director expects to travel and be out of office, he will have to provide phone number of the place of his accommodation or means of communication to the authorised representatives. All Directors will provide their mobile numbers, office telephone numbers, facsimile numbers and email addresses to the Stock Exchange.

3. The authorised representatives of the Company will act as the principal channel of communication between us and the Stock Exchange. Each of our Directors will be able to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange, if required. They will be readily contactable by telephone, facsimile and email by the Stock Exchange.

4. We have retained Taifook Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, for the period commencing on the Listing Date and ending on the day on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange.

JOINT COMPANY SECRETARIES

According to Rule 8.17 of the Listing Rules, our secretary must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of a secretary in a listed company and who:

1. is an Ordinary Member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or

2. is an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary of an issuer.

Ms. Huang Li is not ordinarily resident in Hong Kong and does not possess the specified qualification required by Rule 8.17(2) of the Listing Rules. It is proposed that we have the following arrangements in place:

1. Ms. Huang has been employed by our Group since 2005 and therefore has intimate knowledge about the business operations, internal control systems and corporate culture of our Group.

2. Ms. Huang has obtained preliminary knowledge of the relevant requirements under the Listing Rules and other applicable securities laws and regulations through active involvement in the preparation of the Listing.

3. In order to ensure that she could keep abreast with the Listing Rules, Ms. Huang will endeavour to attend the relevant training courses on a regular basis, including seminars on the latest changes to the Listing Rules organised by the Stock Exchange or other institutions, such as the Hong Kong Institute of Chartered Secretaries, for issuers from time to time.

4. We have appointed Mr. Ngai Wai Fung, who is ordinarily resident in Hong Kong and possesses the qualification under Rule 8.17(2) of the Listing Rules, as our joint company secretary to assist Ms. Huang, so as to enable her to acquire the relevant experience (as required under Rule 8.17(3) of the Listing Rules) to discharge the duties and responsibilities as our company secretary. As part of the proposed arrangement, Mr. Ngai will communicate regularly with Ms. Huang on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to us. Mr. Ngai will work closely with and provide assistance to Ms. Huang in the discharge of her duties as our company secretary. In addition, Mr. Ngai will also assist Ms. Huang in organising our Board meetings and shareholders' meetings. During the engagement of Mr. Ngai, he will ensure that at all times he will be available to provide the assistance as described above.

5. Ms. Huang will also be assisted by Taifook Capital Limited, the compliance adviser appointed by our Company pursuant to Rule 3A.19 of the Listing Rules, particularly in relation to Hong Kong corporate governance practices and compliance issues.

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements of Rule 8.17 of the Listing Rules. Upon the expiry of the three-year period from the Listing Date, we will re-evaluate the qualifications and experience of Ms. Huang and to determine whether she can satisfy the requirements as stipulated in Rule 8.17(3) of the Listing Rules. Further, the Stock Exchange will revisit the situation with the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Huang, having had the benefit of Mr. Ngai's assistance for three years, would have acquired the relevant experience within the meaning of Rule 8.17(3) of the Listing Rules so that a further waiver would not be necessary. In the event that Ms. Huang has obtained relevant experience under Rule 8.17(3) of the Listing Rules at the end of the three-year period, the above joint company secretaries arrangement will no longer be required.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Selling Shareholders, the Sponsor, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering," and the procedures for applying for Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" and in the relevant Application Forms.

SELLING RESTRICTIONS

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Shares to be issued under the Capitalisation Issue, the Offer Shares and any Shares to be issued pursuant to the exercise of any options that may be granted under our Share Option Scheme.

None of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal in such equity or debt securities is being or proposed to be sought in the near future.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on our register of members to be maintained in Hong Kong by the Hong Kong Share Registrar. Dealings in Shares registered in our register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing to, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached thereto). None of us, the Selling Shareholders, the Sponsor, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription to, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience of the reader at the following rates: Renminbi into HK dollars at the rate of RMB0.8629 to HK$1.0 and HK dollars into US dollars at the rate of HK$7.76 to US$1.0. The RMB:HK$ rate is quoted by the PBOC on 21 September 2010. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, HK$ or US$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

TRANSLATION

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus for which no official English translation exists are unofficial translation and for reference only.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Xiang Jie (項頡先生)	No. 4901, Building 49, Court 18 Hong Jun Ying East Road Chaoyang District Beijing PRC	Chinese
Mr. Gong Renyuan (龔任遠先生)	Unit 701, Unit 2, Building 7 Gan Lan Cheng Chaoyang District Beijing PRC	Chinese
Mr. Yue Zhoumin (岳周敏先生)	Unit 501, 40th Floor Jingjie Yizhuang Development Zone Beijing PRC	Chinese
Mr. Huang Xiangqian (黃向前先生)	No. 57-1002, C District Yangguangchengshi Garden Wuxi Jiangsu Province PRC	Chinese
Non-executive Directors		
Mr. Ye Weigang Greg (葉衛剛先生)	798 Alcosta Drive Milpitas CA 95035 USA	American
Mr. Wong Kun Kau (黃灌球先生)	1st Floor, House A22 88 Wong Ma Kok Road Regalia Bay Stanley Hong Kong	Chinese

Independent non-executive Directors

Mr. Wang Yi (王毅先生)	No. 211 No. 10 Chenguang Street Dongcheng District Beijing PRC	Chinese
Mr. Li Fengling (李鳳玲先生)	No. 302-105, Lane 3 Tianbao Garden Beijing Economic and Technology Development Zone Haidian District Beijing PRC	Chinese
Mr. Chen Shimin (陳世敏先生)	Room 2102, No. 8 Shimaohubin Garden Lane 188 Mingyue Road Pudong District Shanghai PRC	American

PARTIES INVOLVED

Sole Global Coordinator, Bookrunner, Lead Manager and Sole Sponsor	Deutsche Bank AG, Hong Kong Branch 48th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Hong Kong Underwriters	Deutsche Bank AG, Hong Kong Branch 48th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
	CCB International Capital Limited 34th Floor, Two Pacific Place 88 Queensway Hong Kong
Auditors and reporting accountants	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway Hong Kong
Legal advisers to the Company	*as to Hong Kong law:*
	Pang & Co. in association with Salans LLP Suite 7601A Level 76 International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
	as to United States law:
	Salans LLP Rockefeller Center 620 Fifth Avenue New York, NY 10020 USA

as to PRC law:

Commerce and Finance Law Offices
6F NCI Tower
A12 Jianguomenwai Avenue
Beijing 100022
PRC

as to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Underwriters

as to Hong Kong law:

Jackson Woo & Associates in association with Ashurst Hong Kong
16th Floor, ICBC Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

as to United States law:

Ashurst Hong Kong
16th Floor, ICBC Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

as to PRC law:

Jingtian & Gongcheng
34th Floor Tower 3
China Central Place
77 Jiangsu Road
Chaoyang District
Beijing 100025
PRC

Property valuer	Jones Lang LaSalle Sallmanns Limited 17th Floor, Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong
Receiving bankers	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road Central Hong Kong
	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters	Floor 16, No. 1 Building No. 66 Zhong Guan Cun East Road Haidian District Beijing PRC
Principle place of business in Hong Kong	8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 609, Grand Cayman KY1-1107 Cayman Islands
Hong Kong share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong
Joint company secretaries	Mr. Ngai Wai Fung (魏偉峰先生), *FCIS, FCS(PE), CPA, ACCA* Ms. Huang Li (黃麗女士)
Authorised representatives	Mr. Yue Zhoumin Unit 501, 40th Floor Jingjie Yizhuang Development Zone Beijing PRC Mr. Ngai Wai Fung 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

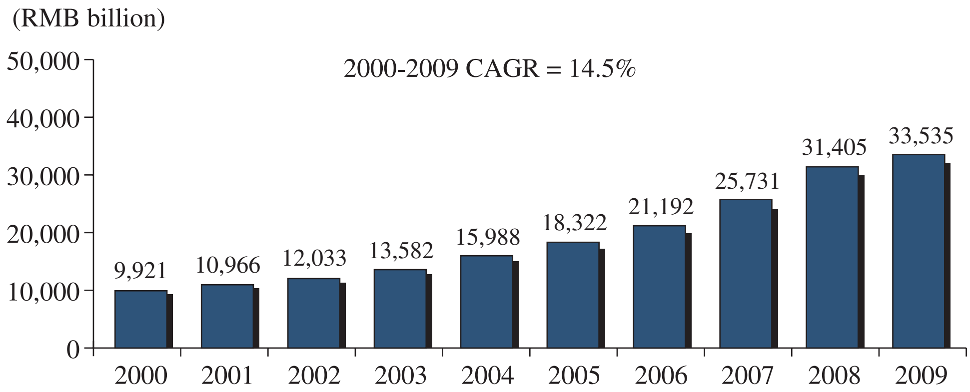
Audit committee members	Mr. Chen Shimin *(chairman)* Mr. Wang Yi Mr. Ye Weigang Greg
Remuneration committee members	Mr. Wong Kun Kau *(chairman)* Mr. Wang Yi Mr. Li Fengling
Nomination committee members	Mr. Li Fengling *(chairman)* Mr. Gong Renyuan Mr. Chen Shimin
Compliance adviser	Taifook Capital Limited 25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong
Principal bankers	Bank of China Limited, Jiashan branch No. 269 East Jiefang Road Weitang Town Jiashan County Zhejiang Province PRC
	China Construction Bank Corporation Jiashan branch No. 163 West Jiefang Road Weitang Town Jiashan County Zhejiang Province PRC
	China Construction Bank Corporation Wuxi Xishan sub-branch No. 31 Guangrui Road Wuxi Jiangsu Province PRC
Company's website	www.speg.hk (information on the website does not form part of this prospectus)

This section contains information and statistics relating to our industry and related industry sectors, some of which has been derived from official governmental sources and other industry sources as well as a report we commissioned from Frost & Sullivan, an independent third party. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Selling Shareholders, the Global Coordinator, the Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

OVERVIEW OF CHINA'S ECONOMY AND INFRASTRUCTURE DEVELOPMENT

China's economy experienced rapid growth in the last decade. The nominal GDP of China increased from approximately RMB9,921 billion in 2000 to approximately RMB33,535 billion in 2009, representing a CAGR of 14.5%. In 2009, due to the PRC government's aggressive fiscal policies and moderate monetary policies, including a stimulus package to reduce the negative impact from the international financial crisis GDP grew 8.7% from 2008. The following chart illustrates the growth of China's GDP in the periods indicated:

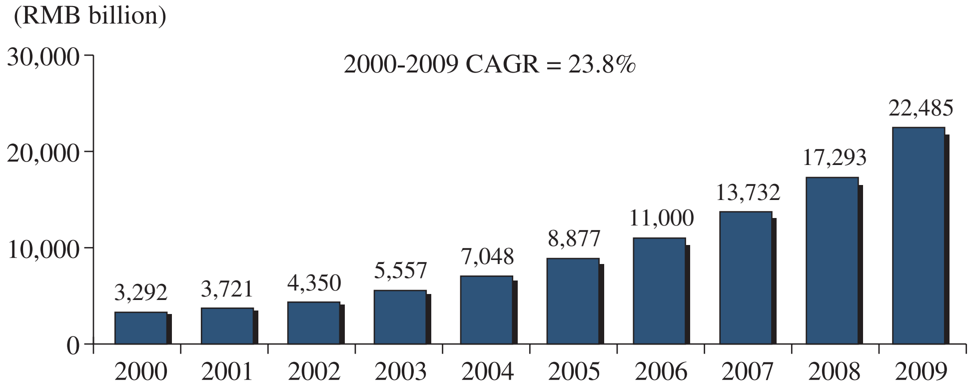
Nominal GDP in China from 2000-2009



Source: National Bureau of Statistics of China, Frost & Sullivan Report

In particular, a consistent and rapid growth in fixed asset investment was an important driver to China's economic growth. The total fixed asset investment in China increased from approximately RMB3,292 billion in 2000 to approximately RMB22,485 billion in 2009, representing a CAGR of 23.8%. The following chart illustrates the growth of China's fixed asset investment in the periods indicated:

Fixed asset investment in China from 2000-2009



Source: National Bureau of Statistics of China, Frost & Sullivan Report

The growth in fixed asset investment has led to significant infrastructure development such as railway construction, locomotive purchase, urban metro construction and power grid construction. Investment in China's power industry reached RMB755.8 billion in 2009, representing a growth of 19.9% from 2008. Investment in China's railway industry reached RMB701.3 billion in 2009, representing a 69.1% growth from 2008.

OVERVIEW OF CHINA'S POWER ELECTRONIC INDUSTRY

Definition and scope of power electronic components and systems

Our manufacturing business produces high-end, specialised electronic components and systems for use in the rail transportation, power transmission and distribution and other general industrial sectors. In addition, our distribution business imports power semiconductors and other power electronic components into China, which are part of the upstream and midstream of the power electronic industry chain.

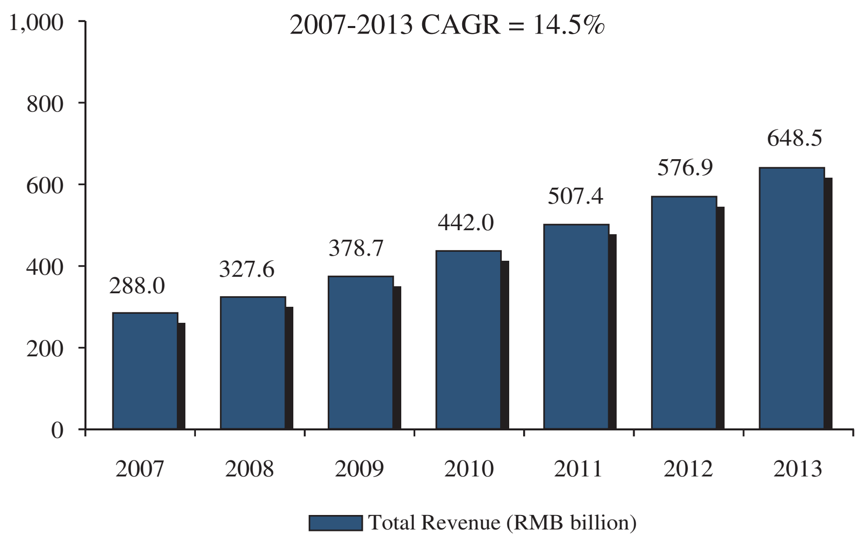
Power electronic products primarily cover: (i) power semiconductor components such as IGBTs, thyristors and diodes; (ii) power electronics systems such as general industrial converters, rectifiers traction convertors and HVDC convertor values; (iii) power semiconductor systems such as housing and discs; and (iv) equipment accessories such as busbars, capacitors, reactors and resisters.

Power electronic technology is used to efficiently transform an energy source into high-quality power and thus contribute to energy conservation and environmental protection. Power electronic technology is widely applied in electrified railway, electric vehicles, HVDC and flexible AC transmission systems ("**FACTS**") because such technology can transform energy at its source into high-quality power efficiently, contributing to energy conservation and environmental protection.

Market sizing and forecast of China's power electronic components and systems market

According to Frost & Sullivan, total sales revenue of power electronic devices and equipment amounted in 2009 to RMB378.7 billion in China and is expected to grow at a CAGR of 13.6% from 2010 to 2013. Such sales have been driven by growing demand of power conversion in various industries. The following chart illustrates the growth of China's power electronic components and systems market in the periods indicated:

Historical and forecast sales revenue of power electronic components and systems in China from 2007-2013



Source: Frost & Sullivan Report

Market drivers

- *The PRC government has encouraged Chinese companies to manufacture power electronic products domestically as opposed to importing such products, and has set a target that domestic products account for 70% Chinese market share by 2010*

In 2006, the State Council issued the National Guideline on Medium and Long-Term Programmes for Scientific and Technological Development (2006-2020) (《國家中長期科學和技術發展規劃綱要 (2006-2020年)》) ("**National Guideline for Scientific and Technological Development**") which stated that major national projects are an important means to encourage innovation, assimilate overseas advanced technologies, achieve technical breakthroughs and develop domestic intellectual properties. Further, in May 2009, the State Council issued the Equipment

Manufacturing Industry Adjustment and Revitalisation Plan (《裝備製造業調整和振興規劃》) ("**Revitalisation Plan**") for the period from 2009 to 2011, with the objectives of developing and improving the quality of power electronic components and systems in China and expanding the market of domestically produced product so that it will account for 70% market share by 2010.

In 2010, the NDRC issued the Notice Concerning Implementation of Special Projects for the Industrialisation of New Power Electronic Components in 2010 (《關於組織實施2010年新型電力電子器件產業化專項的通知》) with the objectives of developing new power electronic technologies, accelerating power electronic industry development, improving cooperation among domestic companies, universities, research institutes and end-users, promoting the use of domestically developed technologies and encouraging domestic companies to innovate.

- *The PRC government's policies to reduce carbon dioxide emission and promote energy efficiency have increased demand for power electronic products*

In recent years, the PRC government has launched a number of policies to support the development of energy-saving technologies. In the Outline of the Eleventh Five-year National Economic and Social Development Plan (《中華人民共和國國民經濟和社會發展第十一個五年規劃綱要》) issued in 2006, State Grid stated that total energy consumption should be reduced by approximately 20% per unit of GDP, and pollutant emission should be reduced by 10% during the Eleventh Five-year Plan period. Further, in November 2009, the Chinese Premier Mr. Wen Jiabao announced at an executive meeting of the State Council that China aims to reduce carbon dioxide emission per unit of GDP by 40% to 45% by 2020 compared with 2005 emission levels.

As power electronic products can transmit and transform power, they are widely applied in power grid and renewable power generation to improve energy efficiency and reduce carbon dioxide emission.

Electric power consumption today represents 55% of the total energy consumption and approximately 70% of the electric power consumed is processed by power electronics. With an expected increase from the current percentage of 70% to 95%, together with the PRC government's policies to enhance energy conservation and reduce carbon dioxide emissions, there is significant growth potential for the power electronic industry.

- *China's high urbanisation rate has fuelled demand for rail transportation and locomotives, which creates significant demand for power electronic products*

As important means of transportation, electric railway urban metro boast advantages like high capacity of transportation, low cost, limited land usage, high safety, fast speed, low pollution. Large-scale railway construction at high standards has led to a fast increase of locomotive investment. The PRC government has set forth its policy to accelerate railway development in various plans such as the Middle and Long-term Railway Network Plan (《中長期鐵路網規劃》) and the Railway Eleventh Five-year Plan (《鐵路「十一五」規劃》). In addition, in order to maintain a rapid economic growth in the midst of the global financial crisis in 2008, the PRC government launched a RMB4,000 billion economic stimulus package, in which railway infrastructure construction was one of the key investment areas. The Ministry of Railways, in response to the global financial crisis and the government's overall investment plan, also increased its budget in 2009 to fund more large scale electric railway construction projects. This in turn has increased demand for locomotives. According to the Railway Eleventh Five-year Plan, purchases of railway locomotives will amount to approximately RMB250 billion, representing an increase of more than 160% from RMB95 billion in the Tenth Five-year Plan. The Ministry of Railways announced in late 2008 that approximately RMB500 billion will be invested in locomotives from 2009 to 2013.

- *Smart grid construction, including the development of HVDC power transmission systems, is a focus of the PRC government's development plans that will create significant development opportunity to power electronic industry*

In March 2010, the Chinese Premier Mr. Wen Jiabao stated in the Report on the Government's Work (《政府工作報告》) that China will strive to research and develop low-carbon and energy-saving technologies, develop renewable energy and enhance smart grid construction. High-end specialised power electronic products are expected to be extensively applied in smart grid construction including FACTS, ultra-high-voltage transmission, electric driven technologies represented by high-voltage variable frequency, synchronous switching technologies represented by smart switches and user-side power technologies represented by static VAR generators (SVGs) and dynamic voltage restorers (DVRs). State Grid has already invested RMB305.9 billion in power grid construction in 2009, and is expected to invest RMB227.4 billion in 2010 and RMB3,000 to RMB4,000 billion from 2010 to 2020.

The PRC government has initiated several policies to support the development of HVDC power transmission systems. In the National Guideline on Scientific and Technological Development, the Notice on Implementing the Early-Stage Work for the Ultra-High-Voltage Power Transmission Technologies of One Million Volt AC and 800 Thousand Volt Positive and Negative DC (《關於開展百萬伏級交流、正負 80 萬伏級直流特高壓輸電技術前期工作的通知》) issued by NDRC in 2005 and the Notice on Distributing the Plan for National Key Technical Equipment Development and Key Industrial Technologies Development (《關於印發國家重大技術裝備研製和重大產業技術開發專項規劃的通知》) jointly issued by NDRC and the Ministry of Science and Technology in 2008, development of long-distance DC power transmission technology and HVDC power transmission systems were identified as key development areas. Similarly, in the Revitalisation Plan, ultra high-voltage power transmission and distribution was one of the ten identified development areas. The Revitalisation Plan also stated that the PRC government should refine its export tax return policy and increase the export tax return rate for certain high technology equipment products. Under a notice issued by the Ministry of Finance in 2008, import tariffs and import value-added taxes paid by domestic companies for the key parts imported for the development of ultra-high and very-high-voltage power transmission and distribution systems will be refunded to domestic companies.

All these policies and plans in favour of the power industry in China will lead to a significant increase in demand for power electronic products.

Market trends

- *Product and technology trends*

According to the Frost & Sullivan Report, power electronic technology is geared towards creating sustainable products that are high-voltage, capacity and frequency efficient, energy-saving and low cost. Therefore, energy-saving motor systems, permanent brushless motors and their DC variable-frequency speed regulators, electric vehicles and charging-station facilities, medium and HVDC transmission, automotive electronic systems, clean-energy power generation systems and energy storage systems are expected to be very popular power electronic systems in the future.

- *Demand trends*

As a result of the PRC government's policy supporting energy conservation and reducing carbon dioxide emissions, the demand for power electronic products is expected to increase. For example, demand for power in China is expected to reach 7.7 trillion kw by 2020 from 3.6 trillion kw in 2009. Currently, electric power transformed or controlled by power electronic systems represents 70% of all power consumed, which percentage is expected to increase in the future because of the advantages presented by power electronic systems. Based on the current use of power electronic systems, if the demand for power increases to 7.7 trillion kw in 2020, 5.4 trillion kw of electric power will be transformed or controlled by power electronic systems, which will significantly increase demand for power electronic products.

- *Price trends*

According to the Frost & Sullivan Report, prices of power electronic systems used in the rail and power industries will remain stable from a long-term perspective. Users in the rail and power industries have stringent requirements on product quality, safety and stability, that create high barriers of entry to new manufacturers. As a result, there are a limited number of suppliers of power electronic products and systems used for these industries. As it is extremely time consuming and costly for users to identify and switch to different supplier, users are less sensitive to rising prices, resulting in relatively stable demand in spite of price changes.

Competitive landscape

There are nearly 1,500 power electronic component and system manufacturers (including international and domestic companies and joint ventures) across China. European and U.S. manufacturers are currently the largest suppliers in the Chinese power electronic market, with Siemens, ABB and Areva being the leading companies. Taiwan and PRC-based companies are aggressively tapping into the market, with domestic manufacturers such as the China XD Group and XJ Group Corporation becoming increasingly significant suppliers in the market.

ANALYSIS OF POWER ELECTRONIC MARKET IN CHINA'S RAILWAY INDUSTRY

Analysis of China's market of electric locomotives, EMUs and urban metro

Definition and scope of electric locomotives, EMUs and urban metro

An electric locomotive is a railway locomotive driven by external power as its energy. Electric diesel locomotives and gas locomotives also use electric traction motors but are not considered electric locomotives. Today's advanced electric locomotives use brushless three-phase AC induction motors. These polyphase machines are powered from GTO-, IGCT- or IGBT-based inverters. The cost of electronic devices in a modern locomotive can be up to 50% of the total cost of the vehicle.

An EMU is a multi-unit train consisting of more than one passenger carriage, using electric power as the motive power. A distinguishing feature of an EMU is that power sources are distributed from multiple sources to achieve greater traction and flexible grouping.

An urban metro refers to electric locomotives running on an underground city rail system or an above-the-ground urban transit system.

Overview of China's railway industry (including electric locomotives, EMUs and urban metro)

China's railway network density was 8.96 km per 1,000 km^2, nearly one-sixth of the European Union's (including 27 member countries but excluding Russia), at the end of 2009. China's railway industry is currently underdeveloped and its share of both freight and passenger transportation, compared to other means of transportation in China, has been decreasing due to inadequate transportation capacity and low locomotive traction power. In 2008, China's railway industry accounted for 33.5% and 22.8% of the passenger and freight transportation, respectively, representing a decrease of 16.5% and 17.9%, respectively, from 1989. Among all different means of transportation, the growth of the railway passenger and freight transportation ranked the lowest in terms of CAGR from 1989 to 2008, with railway passenger turnover volume growing at a CAGR of 5.1% and railway freight turnover volume growing at a CAGR of 4.8%.

After ten years of zero-growth from 1995 to 2004, China's railway industry entered a new chapter in 2006, when railway construction was listed as one of the key industries in the economic stimulus plan. In the Railway Eleventh Five-year Plan, the Ministry of Railways increased the railway investment budget from RMB1.25 trillion to RMB1.75 trillion, representing a 40% increase. Also, in August 2009, the Vice Railway Minister stated that approximately RMB700 billion, RMB750 billion and RMB700 billion will be invested in infrastructure construction in 2010, 2011 and 2012, respectively. As shown in the table below, by 2012, the operating mileage of China's railway network is expected to reach 110,000 km, half of which will be double-tracked or electrified. The following table shows the expected railway construction in China in terms of km for the years indicated:

Overview of China Railway Industry (including electric locomotive, EMU, and urban metro): Plan of Railway Construction (Km) from 2008-2020

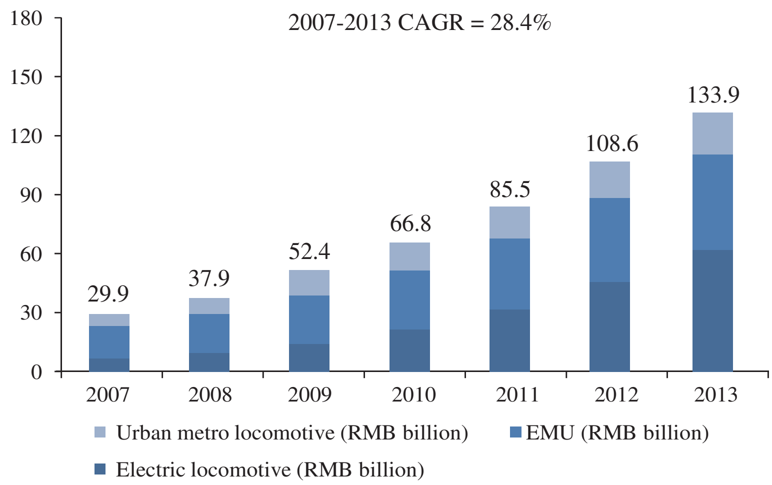
	2008	2010E	2012E	2020E
Mileage	80,000	92,000	110,000	120,000
Electrification	28,000	41,400	55,000	72,000
Electrification Rate	34.60%	45%	50%	60%
Double Track	29,000	41,400	55,000	60,000
Double Track Rate	36.20%	45%	50%	50%
New Line	12,000	17,000	16,000	41,000
High Speed Rail Mileage		7,000	13,000	16,000

Source: Ministry of Railways, Frost & Sullivan Report

Market sizing and forecast of China's electric locomotives, EMUs and urban metro market

In 2009, purchases of electric locomotives, EMUs and urban metro in China amounted to RMB14.4 billion, RMB24.9 billion and RMB13.1 billion, respectively. The total amount of these purchases in 2009 increased by 38.2% from 2008, and is expected to grow at a CAGR of 26.1% from 2010 to 2013. In particular, purchases of electric locomotives are expected to grow at a CAGR of 42.3% from 2010 to 2013. The following chart illustrates the growth of purchases of electric locomotives, EMUs and urban metro in China in the periods indicated:

Historical and forecast purchases of electric locomotives, EMUs and urban metro in China from 2007 to 2013



Source: Ministry of Railways, Frost & Sullivan Report

Market drivers

In order to meet the growing demand for railway transportation resulting from the rapid economic development and high urbanisation rate in China, the PRC government has established several policies and plans to accelerate railway development, which will significantly increase demand for locomotives in China. Please refer to the paragraph headed "Overview of China's power electronic industry – Market drivers – China's high urbanisation rate has fuelled demand for rail transportation and locomotives, which creates significant demand for power electronic products" of this section in this prospectus.

According to the Ministry of Railways' plan, by 2013, approximately RMB1,400 billion will be invested in a 13,020-km rapid passenger railway and approximately RMB700 billion will be invested in a 3,939-km inter-city railway, which will create more demand for EMUs. At the end of 2009, there were more than 30 lines in cities such as Beijing, Shanghai, Guangzhou and Shenzhen, with an operating mileage of 1,038.7 km. In addition, in 2009, the PRC government approved a plan to construct an urban metro network in 22 cities with a total of 79 lines. Accordingly, purchases of urban metro vehicles are estimated to reach RMB21.7 billion in 2013, representing a CAGR of 14.1% from 2010 to 2013.

Market trends

- *Increased need for electric locomotives that are energy efficient*

  As the PRC government intends to increase electrified railway mileage from 28,000 km at the end of 2008 to 55,000 km by the end of 2012, electric locomotives have become increasingly important in the railway industry. In 2009, the number of locomotives owned by the national railway was 18,922, 35% of which were electric locomotives.

  In addition, with continuously increasing energy prices, the development of energy efficient locomotives remains a focus of locomotive users. The Ministry of Railways also supports the development of AC driven locomotives with greater power, increased speed capabilities and heavier load capacities.

- *The rapid development of electric and power electronic technologies is contributing to improvements in electric locomotives*

  Development of electric and power electronic technologies has brought fundamental changes to the locomotive industry. For example, advances in the AC technology field have brought about the emergence of high power silicon rectification technology and high-voltage large power IGBT power module technology. These advances caused the traction motor of electric locomotives to change from DC-DC drive to a more efficient AC-DC drive, which greatly increases the power of electric locomotives up to 9,600kw. This evolution of electric technologies and the development of the locomotive industry in China has increased the need for high-end power electronic components.

Analysis of China's market of IGBT power modules in China's railway industry

Definition and scope of IGBT power modules applied in electric locomotives, EMUs and urban metro

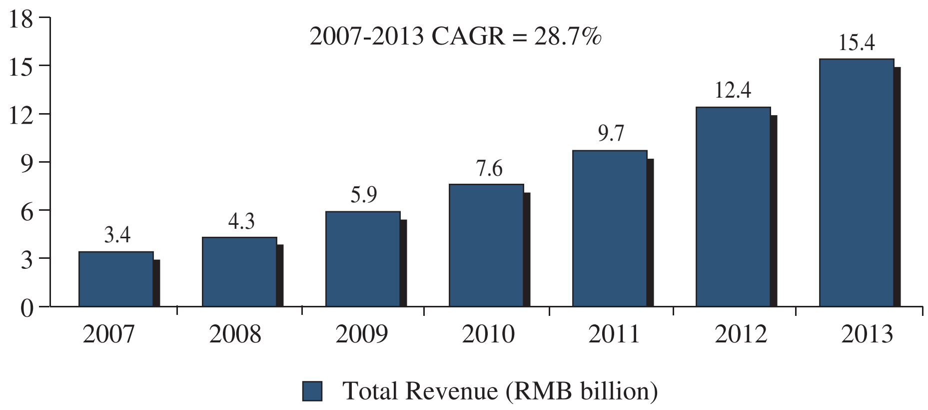
An IGBT power module is a device encapsulated within IC drives, various drive protection circuits, high performance IGBT devices and water cooling devices. IGBT is a type of compound controlled voltage-driven power semiconductor consisting of a bipolar junction transistor ("**BJT**") and a metallic oxide semiconductor field effect transistor ("**MOSFET**"). An IGBT power module has the advantage of high input resistance of MOSFET and the low spark-over voltage drop of a giant transistor (a type of BJT). The main advantage of IGBT technology is a significant reduction in power loss and the subsequent increase in convertor efficiency. Although the conduction loss when using IGBT technology is similar to GTO, the switching loss is considerably lower than the switched current.

IGBT technology is used in medium to high power applications such as switched-mode power supply and traction convertor. Large IGBT power modules typically consist of many devices being used in parallel and have very high current handling capabilities in the order of hundreds of amperes with blocking voltages up to 6,500V. Advances in semiconductors development have enabled the use of IGBT modules in a rectifier/inverter, which is an indispensable component that allows electric locomotives to transfer AC/DC to DC/AC.

Market sizing and forecast of China's market of IGBT power modules applied in electric locomotives, EMUs and urban metro

In 2009, the total sales revenue of IGBT power modules applied in electric locomotives, EMUs and urban metro in China was RMB5.9 billion. It is expected that this market size will grow at a CAGR of 26.5% from 2010 to 2013. The following chart illustrates the growth of China's market for IGBT power modules used in electric locomotives, EMUs and urban metro in the periods indicated:

Historical and forecasted sales revenue of IGBT power modules applied in electric locomotives, EMUs and urban metro in China from 2007 to 2013



Source: Ministry of Railways, Frost & Sullivan Report

In 2009, the CNR Group and the CSR Group purchased 48.6% and 51.4%, respectively, of all IGBT power modules used in electric locomotives, EMUs and urban metro.

Market drivers

- *The PRC government's policies on favouring energy-saving technologies, the development of an environmentally friendly economy and reducing carbon emissions has driven a rapid increase in investment in electric locomotives*

For more information on the PRC government's policies which promote energy-saving and reduction in carbon dioxide emission, please refer to the paragraph headed "Overview of China's power electronic industry – Market drivers – The PRC government's policies to reduce carbon dioxide emission and promote energy efficiency have increased demand for power electronic products" of this section in this prospectus.

Carbon dioxide emission from railway transportation is about 30% of that from civil aviation and 10% of that from highways for the same capacity. Therefore, railway transportation has become an important energy efficient means of transportation. Advantages of high power electric locomotives include high thermal efficiency, high speed, great overloading capacity, reliability and lower pollution output.

- *The PRC government supports and encourages domestic companies to be innovative and develop advanced technologies, and has set a target that domestic products account for 70% market share by 2010*

In the National Guideline for Scientific and Technological Development, the State Council identified urban metro transportation, express railway systems and efficient transportation technology and equipment as key development areas. The State Council has encouraged and supported domestic companies to innovate, research and develop technologies and equipment, and adopt overseas advanced technologies so as to bring the Chinese railway transportation manufacturing industry up to international standards. Further, in the Suggestions on Accelerating Revitalisation of Equipment Manufacturing Industry (《關於加快振興裝備製造業的若干意見》), the State Council encouraged competition in the manufacturing industry, improved manufacturing capability of high-tech equipment with domestic intellectual property rights, and proposed the establishment of state-level centres of high-tech equipment engineering.

The Ministry of Railways also highlighted the importance of developing internationally advanced and reliable technology, domestic research, design and manufacturing capabilities for high power equipment. The Ministry of Railways would like domestically produced power electronic products to represent 70% of the market in China by 2010.

Market trends

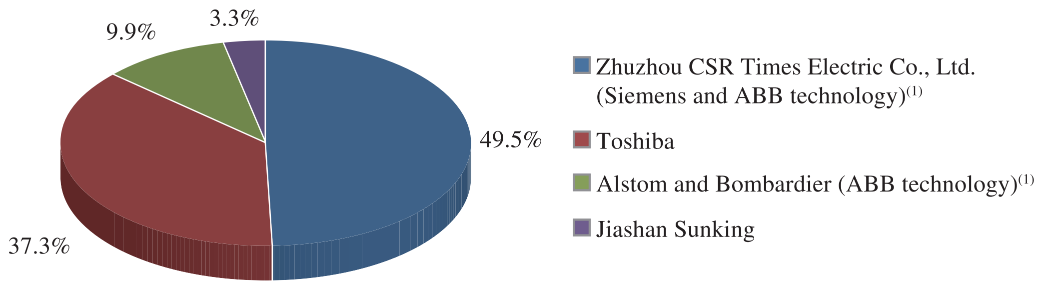
Advancements in technology are a key to modernising China's railway transportation systems and providing a promising future for high power electric locomotives. Express passenger transportation, quick and heavy haul freight transportation, systematic safety equipment and modernised traction drives are the key development areas in the railway industry. For example, traction drives of locomotives changed from DC driven to AC driven and geared toward high power; EMUs have become an important locomotive for passenger transportation, with their speed increasing from 160 km per hour to 350 km or above per hour; and high-speed inter-city railway lines and urban metro have been developed.

Competitive analysis

China's rolling stock manufacturing industry is dominated by two groups of companies, the CNR Group and the CSR Group. Both the CNR Group and the CSR Group are major purchasers of IGBT power modules in China, accounting for 48.6% and 51.4%, respectively, of all IGBT power modules used in electric locomotives, EMUs and urban metros in China in 2009. The CNR Group is the market leader in the high power electric locomotives and urban metro markets and the CSR Group is the market leader in the EMU market.

CNR Dalian Locomotive and Rolling Stock Co., Ltd., CNR Datong Electric Locomotive Co., Ltd., Zhuzhou CSR Times Electric Co., Ltd. and CSR Ziyang Co., Ltd. are the key domestic manufacturers of electric locomotives. Siemens, Toshiba, Alstom and Bombardier are the major suppliers in China of IGBT power modules, which are an essential component of electric locomotives and EMUs. The following chart illustrates the competitive landscape of China's market of IGBT power modules used in electric locomotives in 2009:

Market share of major competitors in China's market of IGBT power modules used in electric locomotives in 2009 (Total = RMB1.7 billion)



Source: Frost & Sullivan Report

Note:

(1) Zhuzhou CSR Times Electric Co., Ltd. and Alstom and Bombardier are not distributors of ABB Switzerland in the PRC.

The imported traction convertors of electric locomotives, EMUs and urban metro are typically supplied together with the body of the electric locomotive by overseas manufacturers. Therefore, IGBT power modules for imported traction convertors typically cannot be separately provided.

With continuous improvements in traction drive technology in China, the market share captured by domestically manufactured electric locomotives, EMUs and urban metro is increasing. From 2004 to 2008, the CNR Group purchased more than 90% of its IGBT power modules from overseas suppliers, such as Siemens and Toshiba. For high power electric locomotives, EMUs and urban metro it manufactures domestically, the CNR Group currently produces traction convertors through Yongji Xinshisu Electric Equipment Co., Ltd., a wholly owned subsidiary of CNR, which purchases IGBT power modules from Jiashan Sunking. According to the Frost & Sullivan Report, Jiashan Sunking is the sole domestic supplier of IGBT power modules applied in the 9,600kw electric locomotives produced by the CNR Group. In addition to being our customer, the CNR Group is also our strategic investor. In addition, we and

Construcciones y Auxiliar de Ferrocarriles (CAF), S.A., are exploring opportunities to establish a joint venture to develop IGBT power modules for urban metro projects.

ANALYSIS OF POWER ELECTRONIC MARKET IN CHINA'S POWER TRANSMISSION AND DISTRIBUTION INDUSTRY

Overview of China's HVDC power transmission and distribution industry

In China, regional distribution of power generating resources and load distribution are extremely unbalanced. About two-thirds of the country's available hydropower resources are in the Sichuan province, the Yunnan province and Tibet. About two-thirds of the available coal resources, the primary energy source for power plants in China, are in the Shanxi province, the Shaanxi province and Inner Mongolia. However, about two-thirds of the country's power consumption occurs in the eastern coastal cities and developed areas on the eastern side along the Beijing-Guangzhou railway, where there is a serious shortage of resources. In order to resolve the regional imbalance between energy supply and demand, to support electricity transmission from the western regions to the eastern regions, and to facilitate large-scale inter-regional flow of energy and electricity, the PRC government is developing HVDC and ultra-high-voltage DC ("**UHVDC**") power transmission technologies. HVDC power transmission systems can improve the performance and efficiency of the AC power grid and are more cost effective for long distance electricity transmission.

There are 12 HVDC power transmission projects completed in China with a total transmission capacity of 18.2 million kw. According to the Frost & Sullivan Report, five more HVDC and three UHVDC power transmission projects will be completed by 2010 with a total transmission capacity of 25.2 million kw. Among these 20 power transmission projects, 16 projects with a total transmission capacity of about 30.5 million kw belong to State Grid and the remaining four projects with a total transmission capacity of about 12.9 million kw belong to South Grid. From 2011 to 2020, State Grid plans to complete 25 more DC power transmission projects with a total transmission capacity of about 160.0 million kw.

Based on the average cost for every 10,000.0 kw of transmission capacity of the completed and ongoing DC power transmission projects, which is approximately RMB20.0 million to RMB27.0 million, investment by State Grid in the new DC power transmission projects will be approximately RMB350.0 billion.

In June 2006, NDRC issued a notice advocating the development of UHVDC power transmission technology by assimilating overseas technologies, conducting independent research and development and developing domestic manufacturers of power electronic components. Apart from certain key technologies provided by foreign companies, no foreign companies or joint ventures controlled by foreign companies are permitted by the PRC government to participate in the development of HVDC power transmission systems in China.

Analysis of China's market of anode saturable reactors applied in HVDC convertor valves

Definition and scope of anode saturable reactors applied in HVDC convertor valves

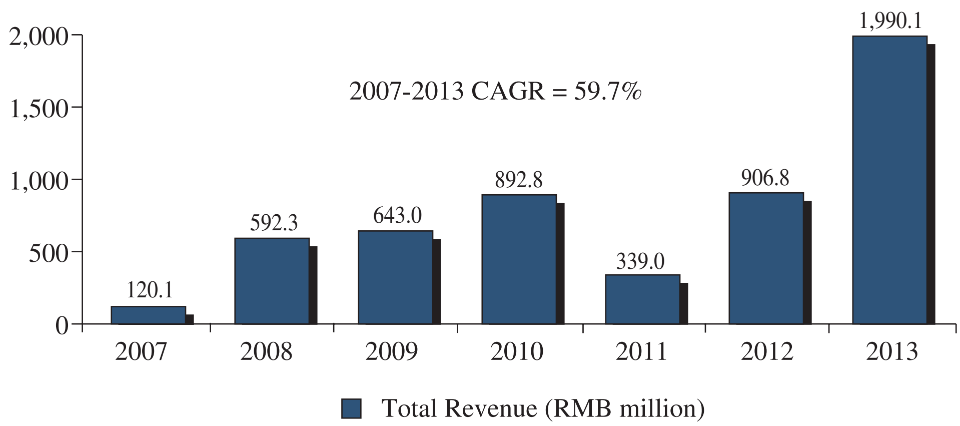
An anode saturable reactor is one of the most essential protective components integrated in HVDC convertor valves. It is used to limit the high rise rate of currents and protect against current surges, both of which would lead to the burn-out of a convertor thyristor while conducting electricity. They are also used to prevent an off-line convertor thyristor from opening in error which can be caused by a voltage surge triggered by a high rise rate of voltage.

An anode saturable reactor is the core part in the convertor valve of a HVDC power transmission system. The production of these reactors requires cross-disciplinary technologies including high-voltage device manufacturing technology, computer technology and new materials technology.

Market sizing and forecast of China's market for anode saturable reactors applied in HVDC convertor valves

In 2009, the total sales revenue of anode saturable reactors applied in HVDC convertor valves in China was RMB643 million. It is expected that the total sales revenue of anode saturable reactors will grow at a CAGR of 30.6% from 2010 to 2013. The following chart illustrates the growth of China's market of anode saturable reactors applied in HVDC convertor valves in the periods indicated:

Historical and forecast sales revenue of anode saturable reactors applied in HVDC convertor valves in China from 2007 to 2013



Source: State Grid, Frost & Sullivan Report

Market drivers

- *The PRC government's policies that support the development of HVDC power transmission systems are expected to create strong demand for anode saturable reactors*

Please refer to the paragraph headed "Overview of China's power electronic industry – Market drivers – Smart grid construction, including the development of HVDC power transmission systems, is a focus of the PRC government's development plans that will create significant development opportunity to power electronic industry" of this section in this prospectus.

- *Domestic companies benefit from the PRC policy to encourage the development and use of domestic technology and products*

As mentioned in the Eleventh Five-Year Plan, China aims to reach a 70% localisation rate in its DC power transmission projects, implying that most of the protection equipment and convertor valves used in these projects will be manufactured in China. In line with this localisation policy, in 2009, Ministry of Industry and Information Technology, Ministry of Science and Technology, Ministry of Finance and State-owned Assets Supervision and Administration Commission of the State Council jointly issued the notice entitled Guiding Catalogue of Major Technical Equipment for Independent Innovation (《重大技術裝備自主創新指導目錄》) (the "Guiding Catalogue"), stipulating that all products listed in the Guiding Catalogue should be included in the government's technology and product development programmes, and should receive preferential treatment in terms of financing support for commercialisation. Both 800,000 volt DC power transmission systems and convertor valves are included in the Guiding Catalogue.

Market trends

- *Anode saturable reactors are being developed for high current and high-voltage use*

Anode saturable reactors are mainly applied in ±500kV DC power transmission systems in China, whilst those applied in the ±800kV DC power transmission systems are being developed or are in trial operation. With a number of UHVDC power transmission projects to be carried out in the coming years, anode saturable reactor technologies need to be upgraded for high current and high-voltage. Companies need to continuously develop energy-efficient and environment-friendly high power transmission and distribution system, and control production cost through downsizing and compact design.

- *Price of anode saturable reactors will remain stable*

Supply and prices of raw materials used in the production of anode saturable reactors are expected to remain stable in the short term. On the other hand, demand for anode saturable reactors will increase with the development of HVDC power transmission systems in China. Even though there are a limited number of anode saturable reactor manufacturers in China due to high technical barriers of entry, the price of anode saturable reactors is expected to remain stable. In light of the high margins for anode saturable reactors, buyers in this market, such as State Grid, who have very strong bargaining power are not expected to accept a rapid increase in price of anode saturable reactors.

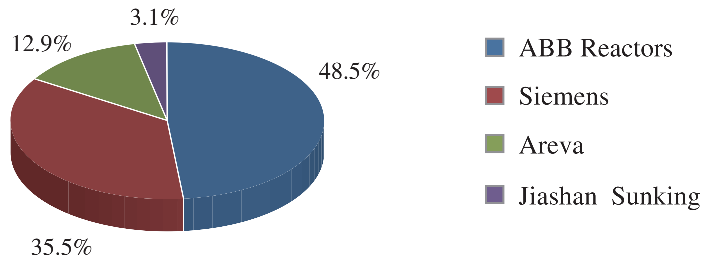
Competitive analysis

The PRC market for anode saturable reactors is relatively specialised and segmented. Its competitive landscape is relatively limited due to its high barriers of entry. In the power sector, customers have very high and rigid requirements on model selection and procurement of equipment so as to ensure the safety and stability of the power systems. Newly developed equipment must pass various tests administered by the authoritative national or industrial organisations, product appraisal and on-the-grid trials for six months to a year before being approved for use in the power systems. In addition, an anode saturable reactor manufacturer generally enters end users' systems through original equipment manufacturer (OEM) companies. All major manufacturers of anode saturable reactors have relatively stable partnering companies. Production of parts used for high-voltage and ultra-high-voltage power transmission and distribution systems is capital intensive and has a long cycle. All these factors contribute to the high barriers of entry for the anode saturable reactor market.

According to Frost & Sullivan, there are four major companies competing in this market: Siemens, ABB (through ABB Asea Brown Boveri Ltd.) ("**ABB Reactors**"), AREVA and Jiashan Sunking. According to its proprietary database, which consists of both primary and secondary research, Frost & Sullivan concludes that in China, only the China XD Group, XJ Group Corporation and CEPRI have the necessary technological capability to manufacture HVDC convertor valve through importing technology from ABB, Siemens and Areva. Through interviews conducted with the China XD Group, XJ Group Corporation and CEPRI, as well as with other market experts, Frost & Sullivan found no companies other than Jiashan Sunking that are currently supplying anode saturable reactors applied in HVDC convertor valves in meaningful quantities to any of these entities. Further, through interviews with ABB and Siemens, Frost & Sullivan understands that no other domestic companies in the PRC are capable of manufacturing anode saturable reactors due to technical barriers. In April 2010, anode saturable reactors of Jiashan Sunking used in HVDC convertor valves passed the appraisal of the National Energy Administration, meaning that (i) the products demonstrated superb electric performance and excellent fireproof capability, (ii) the products have reached and surpassed international standards of similar products in certain key technical aspects, and that Jiashan Sunking has the necessary technology and proper quality control system to manufacture such products in large quantities. On the above basis, Frost & Sullivan believes that Jiashan Sunking is the only domestic company capable of manufacturing anode saturable reactors applied in HVDC convertor valves in large quantities.

Jiashan Sunking signed research and development agreements for anode saturable reactors with the China XD Group and CEPRI, and Jiashan Sunking's electric trigger thyristor (ETT) products have been approved by State Grid. Both the China XD Group and CEPRI are the largest customers of anode saturable reactors in China, accounting for 38.7% and 12.9%, respectively, of the total sales of anode saturable reactors in China in 2009. Foreign manufacturers such as Siemens and ABB Reactors accounted for approximately 90% of the market share. The following chart illustrates the competitive landscape of China's market for anode saturable reactors applied in HVDC convertor valves in 2009:

Market share of major competitors in China's market of anode saturable reactors applied in HVDC convertor valves in 2009 (Total = RMB643 million)



Source: State Grid, Frost & Sullivan Report

Analysis of China's market of power capacitors

Definition and scope of power capacitors

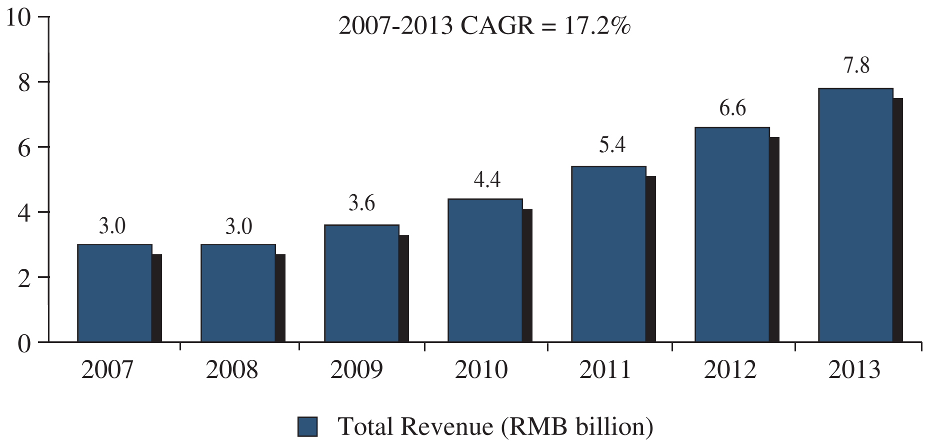
A capacitor is a passive electronic component consisting of a pair of conductors separated by a dielectric insulator. When a different voltage exists across the conductors, an electric field is present in the dielectric. This field stores energy and produces a mechanical force between the conductors. Power capacitors can be categorised according to voltage class and capacity. Power capacitors, whose rated voltage is higher than 6kV, are referred to as HV power capacitors.

A power capacitor is generally applied in power transmission and distribution systems and in power grid and industrial power systems to reduce electricity loss, to improve the quality of power supply and to increase usage life of equipment by improving voltage control.

Market sizing and forecast of China's market of power capacitors

In 2009, the total sales revenue of power capacitors in China amounted to RMB3.6 billion, 78% of which was accounted for by HV power capacitors. It is expected that the total market size will grow at a CAGR of 20.9% from 2010 to 2013. The following chart illustrates the growth of China's market of power capacitors in the periods indicated:

Historical and forecast sales revenue of power capacitors in China from 2007 to 2013



Source: Frost & Sullivan Report

Market drivers

- *The PRC government's initiatives boost growth of the power industry, which is expected to result in the rapid development of power capacitor industry*

In 2009, total power consumption across China grew approximately 6% from 2008, reaching 364.3 billion kwh. Investment in China's power industry also increased significantly in 2009, with growth of 19.9% or RMB755.8 billion from 2008. The total capacity of power generating equipment across China in 2009 reached 874.1 million kw, representing a growth of 10.2% from 2008. In 2008 and 2009, the PRC government limited the growth of the installed capacity of coal-fired and hydropower generators, whilst encouraging the development of new energy sources such as wind power. As coal-fired generated power represents a significant proportion of total power generated in China, a slowdown in the growth of its installed capacity led to a slowdown in the growth of total installed capacity. Nevertheless, the total installed capacity is still growing.

As discussed in the paragraph headed "Overview of China's power electronic industry – Market drivers – Smart grid construction including the development of HVDC power transmission systems, is a focus of the PRC government's development plans that will create significant development opportunity to power electronic industry" of this section in this prospectus, there will be significant development of power grids in China, which is expected to lead to significant growth opportunities to the power capacitor industry.

- *Power capacitors are identified as an energy-saving product by the PRC government*

Devices consisting of power capacitors are primarily used in industrial systems and power systems for reactive compensation to reduce energy consumption, improve efficiency and quality of power supply and consumption. In line with the PRC government's policies that support energy saving and reduction in carbon dioxide emission, development of energy-saving technologies such as reactive compensation technology is encouraged. As a result, China's market for reactive compensation devices and power capacitors is expanding.

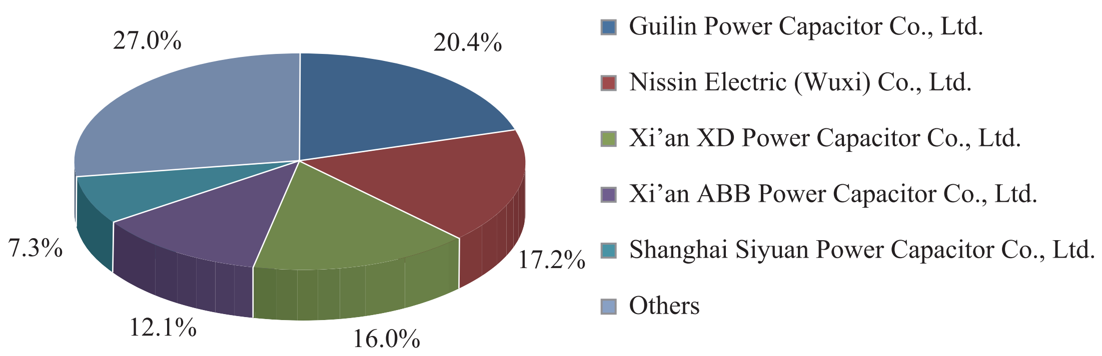
Market trends

Market demand for high-end products, including domestic power capacitors, has grown with the increasing investment in the power industry. Due to the high barriers of entry, the competitive landscape of the market for power capacitors in China, especially high-end products such as high-voltage power capacitors, is expected to remain relatively stable. Therefore, despite the increasing prices of raw materials, prices of HV power capacitors are expected to remain stable in the coming years.

Competitive analysis

According to Frost & Sullivan, there are more than 100 power capacitor manufacturers in China. However, only 20 of them are capable of manufacturing HV power capacitors. Out of these 20 companies, the top five companies accounted for over 70% of the market share in 2009. Two of the top five companies, namely Nissin Electric (Wuxi) Co., Ltd. and Xi'an ABB Power Capacitor Co., Ltd, represented approximately 30% of the market share and are both foreign-invested companies. Wuxi Sunking is one of the few domestic manufacturers capable of producing HV power capacitors in China. The following chart illustrates the competitive landscape of China's market of power capacitors in 2009:

Market share of major competitors in China's market of power capacitors in 2009 (Total = RMB3.6 billion)



Source: Frost & Sullivan Report

Since 2005, State Grid has implemented a centralised bidding system focusing on main equipment and materials of 220kV and 110kV systems, with a bidding management centre at its headquarters to regulate local bidding activities in different prefectures and counties. The implementation of this centralised bidding system has changed the market dynamics. Small and medium-sized domestic companies that relied primarily on individual provincial grid companies or county-level power supply bureaus in the past now face fierce competition.

Under favourable policies such as the Revitalisation Plan and the Guiding Catalogue, domestic power capacitor manufacturers put more emphasis on independent innovation and expanding their production capacities by developing technologies, building new factories and upgrading equipment. Compared to foreign or foreign-invested companies, domestic manufacturers have the advantage in pricing and provisions of localised services, which improves their competitiveness.

ANALYSIS OF CHINA'S MARKET OF DEIONISED WATER COOLING SYSTEMS APPLIED IN HDVC POWER TRANSMISSION PROJECTS AND ELECTRIC LOCOMOTIVES

Definition and scope of deionised water cooling system

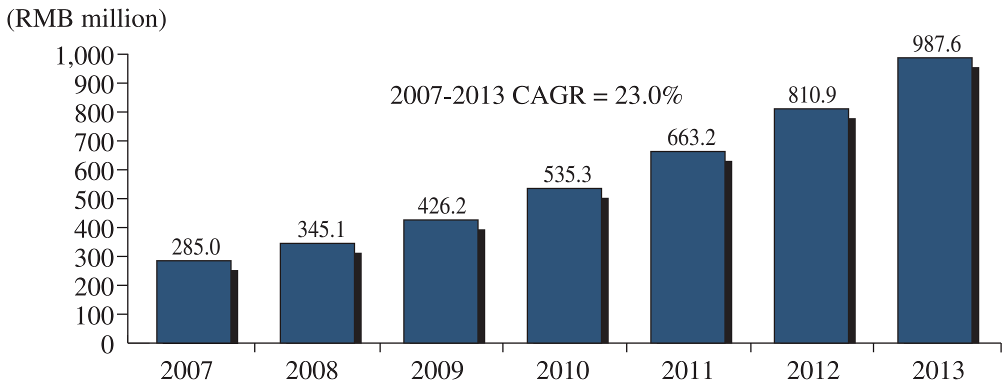
A deionised water cooling system is a system comprising of equipment and accessories that achieve cooling effects through circulation of deionised water. Generally, a deionised water cooling system is comprised of a reverse osmosis filter, heat exchanger or condenser, cooling device (cooling tower or air cooler), pump and pipe. Reverse osmosis is a technique for purifying water, in which pressure is applied to force liquid through a membrane in the opposite direction then in normal osmosis.

Deionised water cooling systems are mainly applied in HVDC power transmission projects, electric locomotives, wind and solar power generators and SVCs.

Market sizing and forecast of China's market of deionised water cooling systems applied in HVDC power transmission projects and electric locomotives

In 2009, the total sales revenue of deionised water cooling systems applied in HVDC power transmission projects and electric locomotives in China amounted to RMB426.2 million, and is expected to grow at a CAGR of 22.7% from 2010 to 2013. The following chart illustrates the growth of China's market of deionised water cooling systems applied in HVDC power transmission projects and electric locomotives in the periods indicated:

Historical and forecast sales revenue of deionised water cooling systems applied in HVDC power transmission projects and electric locomotives in China from 2007 to 2013



Source: Frost & Sullivan Report

Market drivers

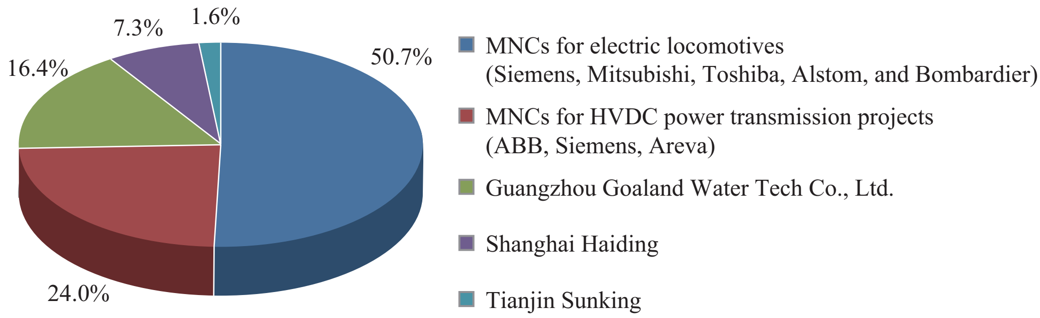
With the increasing investment in infrastructure by the PRC government in sectors such as railway transportation, power transmission, civil aviation, chemical and energy recovery, demand from these sectors for water-cooling systems will grow rapidly. In particular, water cooling systems traditionally applied in single cooling process are not suitable for cooling heat dissipated in HVDC transmission systems, which require both deionised water cooling systems and external water cooling systems.

Competitive analysis

The market of deionised water cooling systems applied in HVDC power transmission projects and electric locomotives is dominated by multi-national corporations such as Siemens, Mitsubishi, Toshiba and Alstom, whose deionised water cooling systems are generally used in electric locomotives or other power electronic equipment. These multi-national corporations collectively accounted for approximately 75% of the market share in 2009. There are also a few domestic corporations such as Guangzhou Goaland Water Tech Co., Ltd. ("**Goaland**"), Shanghai Haiding Industry Developing Co., Ltd. ("**Shanghai Haiding**") and Tianjin Sunking that are capable of producing high quality deionised water cooling systems for HVDC power transmission projects and electric locomotives.

Goaland has strong research capabilities, which led to its strong market position. Shanghai Haiding's products are widely used in non-ferrous metallurgical industry. Tianjin Sunking's deionised water cooling systems are mainly applied in HVDC power transmission projects and electric locomotives, and Tianjin Sunking currently explores wind and solar industries. The following chart illustrates the competitive landscape of China's market of deionised water cooling systems applied in HVDC power transmission projects and electric locomotives in 2009:

Market share of major competitors in China's market of deionised water cooling systems applied in HVDC power transmission projects and electric locomotives in 2009
(Total = RMB426 million)



Source: Frost & Sullivan Report

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to report on, China's markets for power electronic components and systems, IGBT power modules, anode saturable reactors, power capacitors and deionised water cooling systems, as well as railway and power transmission and distribution industries in China. The analysis and report cover historical data for the period mainly from 2000 to 2009 and forecast for the period from 2010 through 2013. The report commissioned has been prepared by Frost & Sullivan independent of our influence, and the fees we paid to Frost & Sullivan for the report commissioned reflect market rates.

According to the information provided by Frost & Sullivan, Frost & Sullivan is a global consulting company founded in 1961 and has 40 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. It has been in the Asia region for 20 years. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Based in the United States, it has been covering the Chinese market through its offices in China since the 1990's. According to Frost & Sullivan, it has direct access to the most knowledgeable experts and market participants in the power electronic research and its industry consultants, on average, have more than 10 years of experience. Its customers rely on its research and findings for their business planning purposes.

The Frost & Sullivan Report includes information on China's markets for power electronic components and systems, IGBT power modules, anode saturable reactors, power capacitors and deionised water cooling systems. It also includes certain information on railway and power transmission and distribution industries in China such as their respective market size and forecast, market drivers, market trends, competitive landscape and ranking of companies, definition of products, historical and forecasted sales data of products, and other industry related and economic data, which have been quoted in this prospectus where appropriate. The research was carried out through a blend of primary research and secondary research findings consummated by a team of Frost & Sullivan's in-house subject matter experts and industry leaders. The research encompassed a thorough assessment of the relevant markets and industries in China, which involved over 30 interviews with industry experts and participants like technical engineers and sales manager level staff in the China XD Group, the CSR Group, the CNR Group, leading power capacitor manufacturers, and power electronic components and systems selling agents. The primary research was backed by a comprehensive "bottom-up" data collection through secondary sources, involving government publications and publicly available statistical information. A significant contributor to the secondary research was Frost & Sullivan's proprietary decision support database, which covered typical information on market sizing of the relevant markets and industries in China.

ENERGY SAVING

The Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) (the "**Energy Conservation Law**") promulgated on 1 November 1997 was revised on 27 October 2007 and became effective on 1 April 2008. The Energy Conservation Law implements an energy saving appraisal and examination system with respect to fixed asset investment projects in the PRC. Where a particular project fails to comply with the compulsory energy saving standards, the authorities in charge of the examination will not approve or certify the project and will not permit construction to begin. If the construction has already been completed, any non-compliant facility shall be prohibited from commencing production or use. The Energy Conservation Law also requires mandatory retirement of superseded or outdated products, facilities and production techniques that consume excessive amount of energy.

PRODUCT QUALITY

The revised Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Revised Product Quality Law**") was promulgated on 8 July 2000 and became effective on 1 September 2000. The State Council's product quality supervision authority is in charge of the nationwide supervision of product quality, while the local product quality supervision authority at or above the county level is responsible for supervising the product quality within its respective administrative region. The Revised Product Quality Law requires manufacturers and vendors to establish internal quality management systems, implement strict job quality specifications and corresponding quality evaluation procedures. The State Council encourages enterprises to ensure that the quality of their products achieves and surpasses the industrial, national and international standards.

FOREIGN EXCHANGE CONTROL

Pursuant to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) which was promulgated on 29 January 1996 and became effective on 1 April 1996 and subsequently amended on 5 August 2008, payments made in the foreign currencies for international transactions, such as the sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organisations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorised to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approvals from the SAFE are required for the relevant capital account transactions, such as an overseas investment by a domestic company.

SAFE CIRCULAR 75

Pursuant to the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 75**"), which was promulgated on 21 October 2005 and became effective on 1 November 2005, (a) a PRC resident must register with the local SAFE branch before he or she can establish or control an overseas special purpose vehicle ("SPV") for the purpose of conducting overseas equity financing; (b) when a PRC resident contributes assets or equity interests to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC resident must register his or her interests in the overseas SPV or any change to his or her interests in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the PRC resident must, within 30 days after the occurrence of such event, register such change with the local SAFE branch. Pursuant to SAFE Circular 75, failure to comply with these registration procedures may result in imposition of restrictions on a PRC subsidiary's foreign exchange activities including its ability to distribute any dividends to its overseas affiliate companies and increase in registered capital, and the relevant PRC resident may be subject to penalties under the PRC foreign exchange administration regulations.

FOREIGN EXCHANGE RATE

On 21 July 2005, the PBOC issued the Public Announcement of the PBOC on Improving the Reform of the RMB Exchange Rate Regime, which announced that the PRC would reform the exchange rate regime by using a managed floating exchange rate, which is pegged to a basket of currencies, instead of being pegged to the US dollars. The closing price of foreign currencies, including the US dollars, is announced by the PBOC in the inter-bank foreign exchange market after the closing of the market on each working day and such closing price is the central parity for trading against RMB on the following working day. The daily trading price of the US dollars against RMB in the inter-bank foreign exchange market has been allowed to float within a band of 0.5% around the central parity published by the PBOC since 21 May 2007, whilst the trading price of non-US dollar currencies against RMB has been allowed to float within a band of 3.0% around the central parity published by the PBOC since 23 September 2005.

ENVIRONMENTAL PROTECTION

The PRC government has adopted extensive environmental laws and regulations. There are national and local standards applicable to land rehabilitation, reforestation, emission control, discharge to surface and subsurface water and the generation, handling, storage, transportation, treatment and disposal of waste materials. Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the State Environmental Protection Administration is empowered to formulate national environmental quality and discharge standards and monitor China's environmental system at the national level. The environmental protection bureau at the county level and above is responsible for environmental protection within its jurisdiction. Local environmental protection bureaus may set local standards that are stricter than the national standards, in which case enterprises are required to comply with the stricter of the two sets of standards.

The Environmental Impact Appraisal Law (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and became effective on 1 September 2003, the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and became effective on 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated by the State Environmental Protection Administration on 27 December 2001 and became effective on 1 February 2002, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work.

SAFETY AND LABOUR PROTECTION

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**") which was promulgated on 29 June 2002 and became effective on 1 November 2002 and amended by the Decision of the Standing Committee of the National People's Congress on Amending Some Laws (《全國人民代表大會常務委員會關於修改部分法律的決定》) on 27 August 2009, requires that we meet certain legal requirements such as providing production safety training and handbooks to our employees and safe working conditions as set out in the relevant laws, rules and regulations. Pursuant to the Production Safety Law, any production entity that cannot provide the required safe working conditions may not engage in production activities and that violation of the Production Safety Law may result in fines, penalties, suspension of operations, order to cease operations or even criminal liability in cases of serious violations.

The Employment Contract Law of the PRC (《中華人民共和國勞動合同法》) was promulgated on 29 June 2007 and became effective on 1 January 2008. This law governs the establishment of employment relationships between employers and employees, the conclusion, performance and termination of employment contracts and the amendment to employment contracts. To establish an employment relationship, a written employment contract must be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract shall be signed within one month after the date on which the employer first engages the employee.

The Regulations on Occupational Injury Insurance (《工傷保險條例》) was promulgated on 27 April 2003 and became effective on 1 January 2004 and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) were promulgated on 14 December 1994 and became effective on 1 January 1995. These regulations required us to make contributions to occupational injury insurance premiums and maternity insurance premiums for our employees.

The Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) was promulgated and became effective on 22 January 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) were promulgated and became effective on 19 March 1999. These regulations required us to take out social insurance policy for our employees, which includes basic pension insurance, medical insurance and unemployment insurance.

Pursuant to the Regulations on the Administration of Housing Fund (《住房公積金管理條例》), which was promulgated and became effective on 3 April 1999 and amended on 24 March 2002, we are required to register with the applicable housing fund management centre and establish a special housing fund account in a permissible bank. Both we and our employees are required to make contributions to the housing fund, which should not be less than 5% of an individual employee's monthly average wage during the preceding year.

ENTERPRISE INCOME TAX

The new PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which became effective on 1 January 2008, replaces the PRC Income Tax Law on Enterprises with Foreign Investment and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) and the PRC Provisional Regulations on Enterprise Income Tax (《中華人民共和國所得稅暫行條例》). The EIT Law imposes a single uniform tax rate of 25% on most domestic enterprises and foreign-invested enterprises and contemplates various transitional periods and procedures. The Notification of the State Council on Implementing the Transitional Preferential Policies concerning Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》) (the "**Notification**"), which was promulgated and became effective on 26 December 2007, states that from 1 January 2008, enterprises that enjoyed a "two year exemption and three year half payment" of enterprise income tax and other preferential treatment in the form of periodic tax deductions and exemptions according to the then applicable tax laws, administrative regulations and relevant documents may, after the enactment of the EIT Law, continue to enjoy such benefits until the expiration of the applicable period. Enterprises whose preferential treatment period has not commenced due to the fact that no profit was made in the previous years will enjoy such preferential tax treatment from 1 January 2008 until the expiration of such period.

Under the EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for PRC tax purpose and their global income will generally be subject to the uniform 25% enterprise income tax. Under the implementation regulations issued by the State Council relating to the EIT Law, a "de facto management body" is defined as a body in which there is significant and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders that are PRC enterprises. It remains unclear, however, how the tax authorities will treat a case such as ours, in which most of the members of our management team are located in China.

INTELLECTUAL PROPERTY

The revised Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated on 27 October 2001 and became effective on 1 December 2001. This law requires natural persons, legal persons, or other organisations that wish to obtain the exclusive right to use trademarks for the goods they produce, manufacture, process, select or distribute to apply to the Trademark Office for trademark registration. Trademarks that can be registered upon verification and approval of the Trademark Office are registered trademarks, including commodity trademarks, service marks, collective marks and certification marks. A trademark registrant shall be entitled to the exclusive right to use a registered trademark. A registered trademark is valid for ten years, commencing from the date of registration approval. If a trademark registrant wishes to use a trademark after the expiration of the ten-year period, a registration renewal application should be filed within six months prior to the expiration of the trademark's term. Each registration renewal is valid for a period of ten years. A trademark registrant may license its registered trademark to another party by entering into a trademark licence contract.

Under the revised Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**"), which was promulgated on 27 December 2008 and became effective on 1 October 2009, patent protection is divided into three categories, namely, invention patents, utility patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement. Utility patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or combination. Design patents are intended to protect new designs of a product's shape, graphic or colour with aesthetic and industrial application value.

An application for an invention patent, an utility patent or a design patent requires the submission of a written request, a written description and abstract and a written claim. After a patent right is granted, unless otherwise specified in the Patent Law, no organisation or individual may exploit the patent unless it/he/she has been licensed by the patentee, and it/he/she may not produce, use, offer to sell, sell or import the patented products, nor use the patented method or use, offer to sell, sell or import products that are acquired through a licence from the patentee. The duration of an invention patent right is 20 years and the duration of both utility and design patent rights is ten years, commencing from the date of the patent application.

Our PRC legal adviser has confirmed that it is not aware of any PRC laws, rules, regulations or policies in relation to the distribution of power electronic components in the PRC.

OVERVIEW

Our origin can be traced back to Beijing Sunking, a company founded by our chairman Mr. Xiang Jie, in 2002, to engage initially in the distribution of imported semiconductors. Before the establishment of Beijing Sunking, Mr. Xiang Jie worked at ABB Semiconductors AG as an engineer. Notwithstanding his resignation from ABB in 2001 to pursue his business, he continued to cooperate with ABB by distributing ABB's products in the PRC power electronic component market through Beijing Sunking. Shortly after the inception of Beijing Sunking, we managed to secure additional distribution rights and expanded the portfolio of the products we distributed. As we gained experience in the distribution of power electronic components, we began to build up our technological knowhow which led to the development of our own manufactured products, including IGBT power modules, anode saturable reactors, HV power capacitors and silicon rectifier valves.

In 2005, our Group began to leverage our relationships with global suppliers and major PRC infrastructure customers to selectively research and develop critical specialised power electronic components and systems that are tailored to our customers' needs. In 2007, our Group began to manufacture and sell power electronic systems by integrating our own manufactured or imported power electronic components into our customers' systems after a long research and development process and an extensive period of quality and reliability testing. For example, our Group began to research and develop the ultra high voltage ETT anode saturable reactors in 2006, the ultra high voltage LTT anode saturable reactors in 2007 and the H400 direct current alternate current anode saturable reactors in 2008.

The IGBT power modules manufactured by Jiashan Sunking are crucial to the operation of the electric locomotives and EMUs used in the PRC's railway and rapid transit systems and therefore require a significantly high level of product quality and reliability. We believe Jiashan Sunking is one of the few companies in China that have the proven capability to design highly specialised systems and manufacture IGBT power modules with the quality and reliability of international standards. When the CNR Group began to develop a series of new electric locomotive models in 2008, Jiashan Sunking participated in the collaboration on the development of IGBT power modules for the new high-speed trains. The IGBT power modules that we helped develop as a result of such initiative have subsequently been adopted by the CNR Group for use in their electric locomotives. According to Frost & Sullivan, we are currently the sole domestic supplier of IGBT power modules to the CNR Group for its 9,600kw electric locomotives.

Our Group began to design and develop high voltage filters for use in HVDC transmitting and transformer power stations in 2009 and designed and produced exported single capacitors (60Hz) in 2010.

In April 2010, our anode saturable reactors applied in HVDC convertor valves have passed the appraisal of the National Energy Administration, meaning that our products (i) demonstrated superb electric performance and excellent fireproof capability, (ii) have reached and surpassed international standards of similar products in certain key technical aspects, and (iii) that Jiashan Sunking has the necessary technology and proper quality control system to manufacture such products in large quantities. Having worked alongside the China XD Group and CEPRI for a number of years, our Group has now become their sole domestic supplier of anode saturable reactors in the PRC according to Frost & Sullivan.

In order to be qualified to supply our systems to our state-owned enterprise customers such as the CNR Group, the China XD Group and CEPRI, our Group underwent extensive testing and qualification processes. Notwithstanding the relatively short history of our Group's manufacturing business, we have managed to pass such tests and qualification processes. This illustrates our commitment and pursuit to provide customers with high quality and reliable products. As at the Latest Practicable Date, our customers for our own manufactured products included two major PRC rolling stock manufacturers (one of which is the CNR Group) and two PRC's state-owned power grid operators.

Beijing Sunking

Beijing Sunking was established in the PRC on 8 July 2002 and was owned as to 70% by Mr. Xiang Jie, 20% by Ms. Li Mei and 10% by Mr. Xu Nanping at the time of its establishment. On 22 January 2003, Ms. Li Mei transferred her 20% equity interest in Beijing Sunking to Mr. Xiang Jie for a consideration of RMB200,000.

Structure Contracts

At the time when NewMargin subscribed for the preference shares in Sunking BVI (as more particularly disclosed in the paragraph headed "Investments in our Group" below in this section), Jiashan Sunking entered into a series of contracts in respect of Beijing Sunking (the "**Structure Contracts**"), the purposes of which was to allow Jiashan Sunking to gain effective control over Beijing Sunking. As NewMargin's investment amount in Sunking BVI was determined by reference to the valuation of Sunking BVI's group of companies which included Beijing Sunking, it was necessary that Beijing Sunking should be under the control of Sunking BVI. On the basis of the following reasons, it was decided that the Structure Contracts would be a cost effective way to achieve the parties' objective:

(i) although Jiashan Sunking would not have any direct equity holding in Beijing Sunking, the Structure Contracts would allow Jiashan Sunking to maintain effective control over the financial and operational policies of Beijing Sunking and entitle Jiashan Sunking the economic benefits derived from the operations of Beijing Sunking;

(ii) if Beijing Sunking was directly transferred to Jiashan Sunking, Jiashan Sunking would have to pay consideration with reference to the net asset value of Beijing Sunking as appraised by an independent valuer in accordance with applicable laws and regulations in the PRC. However, NewMargin did not wish any funds to flow out of Jiashan Sunking; and

(iii) the time required for effecting the Structure Contracts would be shorter than that for transferring the equity interest in Beijing Sunking.

Our Directors have confirmed that the Structure Contracts were not adopted for the purpose of circumventing any PRC policies, laws, rules or regulations.

The following is a summary of the principal terms of the Structure Contracts:

(1) Exclusive Service Agreement

On 10 April 2008, Jiashan Sunking entered into an exclusive service agreement (the "**Exclusive Service Agreement**") with Beijing Sunking, pursuant to which Jiashan Sunking agreed to provide Beijing Sunking with services relating to (a) technical development, technical consultation, technical support, business support and marketing support; and (b) the grant by Jiashan Sunking to Beijing Sunking of a non-exclusive, revocable and non-assignable licence to (i) use the intellectual property and technology belonging to Jiashan Sunking to manufacture, use, sell, implement, display, duplicate and distribute products in Beijing and overseas; and (ii) use, display, duplicate and distribute the trademark(s), brand(s), service mark(s), client list(s) and sales information that belong to Jiashan Sunking in Beijing and overseas.

Under the Exclusive Service Agreement, Beijing Sunking shall pay Jiashan Sunking a quarterly service fee equal to the aggregate of 90% to 95% of the monthly profit before tax of Beijing Sunking during that quarterly period.

The Exclusive Service Agreement became effective from its date of signing until terminated by written agreement signed by both parties or upon notice of breach of the Exclusive Service Agreement being served on the party in breach.

(2) Option Agreement

On 10 April 2008, Jiashan Sunking, Beijing Sunking, Mr. Xiang Jie and Mr. Xu Nanping entered into an option agreement (the "**Option Agreement**"), pursuant to which Mr. Xiang Jie and Mr. Xu Nanping granted to Jiashan Sunking an exclusive right to acquire any or all of the equity interest in Beijing Sunking from Mr. Xiang Jie and Mr. Xu Nanping at a price to be agreed upon by the parties, which shall be the minimum price as permitted under the PRC laws.

Mr. Xiang Jie and Mr. Xu Nanping also agreed not to undertake any of the following actions, among others, without the prior written consent of Jiashan Sunking:

- sell or encumber any of Beijing Sunking's equity interest;
- change the registered capital structure of Beijing Sunking;
- distribute profits to the equity holders of Beijing Sunking; or
- liquidate or dissolve Beijing Sunking.

The Option Agreement became effective from its date of signing.

(3) Pledge Agreements

On 10 April 2008, Jiashan Sunking entered into two pledge agreements (the "**Pledge Agreements**") with Mr. Xiang Jie and Mr. Xu Nanping respectively, pursuant to which Mr. Xiang Jie and Mr. Xu Nanping granted to Jiashan Sunking a continuing first priority security interest over their respective equity interest in the registered capital of Beijing Sunking (the "**Pledged Securities**") to secure their own and Beijing Sunking's obligations, representations, warranties and undertakings given under the Structure Contracts. Under the Pledge Agreements, Jiashan Sunking was entitled to exercise its right to sell the Pledged Securities at an agreed price or sell the Pledged Securities through an auction or private sale as permitted under relevant PRC laws and regulations, on the occurrence of any breach of obligations under any Structure Contracts by any party other than itself.

The Pledge Agreements became effective from their date of signing, and expire on the date on which all the contractual and secured obligations under the Structure Contracts have been discharged. Although the relevant parties had not completed the registration procedure for the Pledged Securities under the Pledge Agreements until 11 August 2009, our PRC legal adviser is of the opinion that the effectiveness of the Pledge Agreements would not be impaired by the lack of or the delay in registration.

The Structure Contracts in substance enabled Jiashan Sunking to have effective control over Beijing Sunking and to be entitled to the economic benefits derived from the operations of Beijing Sunking through the Structure Contracts even though Jiashan Sunking was not the registered owner of the equity interest in Beijing Sunking. Therefore, the financial results of Beijing Sunking were combined into our financial results during the continuance of the Structure Contracts as if Beijing Sunking were our wholly-owned subsidiary.

Our PRC legal adviser is of the opinion that:

- each of the Structure Contracts is legal, valid, binding and enforceable on the contracting parties under PRC laws, rules and regulations; and

- neither the use of the Structure Contracts nor the arrangement made pursuant to the Structure Contracts contravenes any PRC laws, rules and regulations.

The registered capital of Beijing Sunking was fully contributed by its founding shareholders, namely Mr. Xiang Jie, Mr. Xu Nanping and Ms. Li Mei in accordance with the articles of association of Beijing Sunking and the applicable laws of the PRC, which contribution was verified by an independent third party. None of the investment of Mr. Xiang Jie and Mr. Xu Nanping in Beijing Sunking was funded by our Group.

The business operation of Beijing Sunking was funded by Mr. Xiang Jie and Mr. Xu Nanping until Jiashan Sunking took control over Beijing Sunking from them by virtue of the Structure Contracts in April 2008. From then on, the business operation of Beijing Sunking has been funded by our Group.

After launching the plan for the Listing, our Directors believed that Jiashan Sunking's direct acquisition of the entire equity interest in Beijing Sunking would be more beneficial to our minority shareholders than the Structure Contracts. As a result, Jiashan Sunking decided to acquire the entire equity interest in Beijing Sunking from Mr. Xiang Jie and Mr. Xu Nanping. On 10 April 2010, Jiashan Sunking and each of Mr. Xiang Jie and Mr. Xu Nanping entered into a capital contribution transfer agreement (which was supplemented by a supplemental agreement dated 15 April 2010 and entered into between the same parties), pursuant to which the entire equity interest in Beijing Sunking was transferred from Mr. Xiang Jie and Mr. Xu Nanping to Jiashan Sunking for a total consideration of RMB1,905,200. The amount of consideration was determined by reference to the net asset value of Beijing Sunking as appraised by an independent valuation report. The aforesaid transfer was approved by the Haidian branch of the Beijing Administration for Industry and Commerce upon the issuance of the new business licence of Beijing Sunking on 19 April 2010. From an accounting perspective, the transfer of Beijing Sunking to Jiashan Sunking in April 2010 did not require the payment of any consideration because Jiashan Sunking had acquired effective control over Beijing Sunking by virtue of the Structure Contracts in April 2008 even though Jiashan Sunking was not the registered owner of Beijing Sunking. This is also consistent with the understanding between Mr. Xiang Jie, Mr. Xu Nanping and NewMargin that no funds should flow out of Jiashan Sunking due to the acquisition of Beijing Sunking following NewMargin's investment. On the other hand, our PRC legal adviser is of the opinion that (i) the equity interest of Beijing Sunking should be transferred for a consideration to be determined by reference to the net asset value of Beijing Sunking as appraised by an independent valuation report in compliance with applicable PRC laws and regulations; and (ii) based on the Option Agreement and the Pledge Agreements, Jiashan Sunking (as the effective controller of Beijing Sunking based on the Structure Contracts) may request Mr. Xiang Jie and Mr. Xu Nanping to return such consideration to our Group. The consideration paid to Mr. Xiang Jie and Mr. Xu Nanping for the acquisition of the equity interest in Beijing Sunking was returned to our Group by Mr. Xiang Jie in August 2010 and by Mr. Xu in April and May 2010.

Following completion of the transfer of the equity interest in Beijing Sunking, agreements (the "**Termination Agreements**") were signed by the relevant parties on 1 July 2010 to terminate the Structure Contracts. None of the Structure Contracts and the Termination Agreements require our Group to repay the consideration returned by Mr. Xiang Jie and Mr. Xu Nanping or to pay any additional consideration to the two original shareholders as a result of the termination of the Structure Contracts.

Even if the Structure Contracts had not been in place or were considered invalid, Beijing Sunking would still be accounted for as a subsidiary of our Group for the purpose of the combined financial statements of our Group for the Track Record Period because the entire equity interest in Beijing Sunking was transferred from Mr. Xiang Jie and Mr. Xu Nanping to Jiashan Sunking on 10 April 2010. The principle of merger accounting for business combination under common control would apply throughout the Track Record Period as both Beijing Sunking and Jiashan Sunking are under the common control of Mr. Xiang Jie. However, under such circumstances, the 10% equity interest in Beijing Sunking attributable to Mr. Xu Nanping throughout the period commencing the beginning of the Track Record Period and up to 10 April 2010 would have been treated as non-controlling interest. The Directors consider that had there been a 10% non-controlling interest of Beijing Sunking throughout the Track Record Period, the impact to our results would not be material when compared to the total net profit attributable to the owners of our Company during the Track Record Period.

Acquisition and disposal of Xi'an Cando Industry and Commerce Limited ("Xi'an Cando")

Xi'an Cando was established in the PRC on 16 January 1997 and is engaged in the business of research and development, production and sale of equipment of power electronic industrial products and provision of related installation services. As Xi'an Cando lacked capital to fund its power electronic component business, our Group believed that it was a good opportunity to invest in Xi'an Cando for the purpose of mutual development of the IGBT business of both Xi'an Cando and ours. On 10 May 2008, Beijing Sunking entered into an agreement with Mr. Chen Ye, an independent third party, to acquire 20.7% equity interest in Xi'an Cando for a cash consideration of RMB504,200. At the time we invested in Xi'an Cando in May 2008, no contractual rights were granted to us as to board representation or participation in the operational or financial decisions of Xi'an Cando and accordingly we were not considered to have any significant influence over Xi'an Cando. On 27 November 2009, Beijing Sunking entered into an agreement with Rui Hua Ying to dispose of the 20.7% equity interest in Xi'an Cando for a consideration of RMB800,000. As at 30 November 2009, the net asset value of Xi'an Cando was approximately RMB2.5 million. At the time of the disposal of our interest in Xi'an Cando, Rui Hua Ying was an independent third party.

Since its establishment in 2002, Beijing Sunking has been engaged in the distribution of a range of high quality imported electronic components such as semiconductors, current/voltage sensors, heat sinks, fuses, IGBT drivers and other power electronic components in the PRC. The business of Beijing Sunking is not a restricted business under PRC laws, regulations or policies.

Jiashan Sunking

Jiashan Sunking was established in the PRC on 13 September 2004 by Sunking BVI. On 13 October 2008, Sunking Pacific acquired the entire equity interest in Jiashan Sunking from Sunking BVI (whose principal business remains to be investment holding after such transaction) for a consideration of US$12.5 million. Such consideration was determined by reference to the registered capital of Jiashan Sunking.

Jiashan Sunking is engaged in the business of design, production and sale of IGBT power modules, anode saturable reactors and other power electronic components.

Wuxi Sunking

Wuxi Sunking was established in the PRC on 4 May 2008 by Sunking Pacific. Wuxi Sunking is engaged in the business of design, production and sale of power capacitors.

OUR CORPORATE HISTORY

Save for the equity interest transactions disclosed in the paragraphs headed "Investments in our Group" and "Reorganisation" below, we set out below the corporate history and development of the principal operating entities of our Group and a predecessor entity:

Tianjin Sunking

Tianjin Sunking was established in the PRC on 12 January 2000 and was owned as to 66.7% by Mr. Shen Yingkui and 33.3% by Mr. Shen Yingli at the time of its establishment, both of whom are independent third parties. On 24 February 2008, Mr. Gong Renyuan and Ms. Ren Jie as agents of Jiashan Sunking acquired the entire equity interest in Tianjin Sunking from Mr. Shen Yingkui and Mr. Shen Yingli for a total consideration of RMB100,000. Mr. Shen Yingkui was paid a further sum of RMB200,000 for his services to be performed after the transfer of his equity interest in Tianjin Sunking. The consideration and the service fee paid to Mr. Shen Yingkui were determined by reference to the then registered capital of Tianjin Sunking.

Since becoming a subsidiary of Jiashan Sunking, Tianjin Sunking has been engaged in the business of design, production and sale of deionised water cooling systems.

Jiangsu Sunking

Jiangsu Sunking was established in the PRC on 5 November 2008 and is owned as to 76% by Beijing Sunking and 24% by Wuxi Sunking.

Jiangsu Sunking is engaged in the business of production and sale of power capacitors.

Jiashan Converter Technology

Jiashan Converter Technology was established in the PRC on 29 March 2010 and was owned as to 65% by Jiashan Sunking, 20% by Rui Hua Ying and 15% by Shanghai Mai Dier at the time of its establishment. On 5 July 2010, Jiashan Sunking entered into a share transfer agreement with Rui Hua Ying, pursuant to which Rui Hua Ying agreed to transfer its 20% equity interest in Jiashan Converter Technology to Jiashan Sunking in consideration of Jiashan Sunking injecting capital in the sum of RMB2,000,000 (being the portion of the capital otherwise required to be injected by Rui Hua Ying prior to such transfer) into Jiashan Converter Technology in accordance with the articles of association of Jiashan Converter Technology. Shanghai Mai Dier is a connected person of our Company solely for its equity interest in Jiashan Converter Technology.

Jiashan Converter Technology is currently owned as to 85% by Jiashan Sunking and 15% by Shanghai Mai Dier.

Shanghai Lang Zhi De and Wuhan Langde

On 18 June 2010, Jiashan Sunking entered into the SLZD Agreement with Shanghai Lang Zhi De (which owns the entire equity interest in Wuhan Langde), Mr. Zhu Xiaodong and Mr. Chen Yong (both of whom are independent third parties), pursuant to which Jiashan Sunking agreed to acquire 20% equity interest in Shanghai Lang Zhi De by injection of capital of RMB5 million into Shanghai Lang Zhi De. Completion of the acquisition of 20% equity interest in Shanghai Lang Zhi De took place following the lodgment of the relevant filings with Shanghai Administration of Industry and Commerce on 8 July 2010. Shanghai Lang Zhi De is owned as to 20% by Jiashan Sunking, 48% by Mr. Zhu Xiaodong and 32% by Mr. Chen Yong.

Jiujiang Rectifier

On 26 August 2010, Jiashan Sunking entered into the First Jiujiang Transfer Agreement with the Stated-owned Assets Supervision and Administration Commission of Jiujiang and Rui Hua Ying, pursuant to which the Stated-owned Assets Supervision and Administration Commission of Jiujiang agreed to transfer 34% interest in Jiujiang Rectifier to Jiashan Sunking and the remaining 66% to Rui Hua Ying (an independent third party) for a total consideration of RMB70,793,900, which represented the net asset value of Jiujiang Rectifier as at 31 March 2010 as appraised by an independent valuer in accordance with the applicable laws and regulations of the PRC. Such valuation is valid for a period of 12 months, which covers the time of completion on 31 August 2010. The aforesaid transfer was filed with the local Administration for Industry and Commerce on 9 September 2010. Jiujiang Rectifier is engaged in the manufacturing of electrical rectifier devices and low voltage electrical appliances and components, and trading of the complete set of related equipment. It was one of the top five customers of our Group throughout the Track Record Period.

As Jiashan Sunking is only a minority shareholder of Jiujiang Rectifier, Jiujiang Rectifier did not make available to Jiashan Sunking its accounting records for the past three years. Our Directors have serious concerns over not being able to gain access to the accounting records of Jiujiang Rectifier which seriously and adversely affect our Group's ability to understand the financial backgrounds of Jiujiang Rectifier as well as our Group's ability to fulfil its ongoing financial reporting and disclosure obligations under Listing Rules after the Listing. In view of the aforesaid, Jiashan Sunking entered into the Second Jiujiang Transfer Agreement on 10 September 2010, pursuant to which Jiashan Sunking agreed to transfer 29% interest in Jiujiang Rectifier to Rui Hua Ying. It is expressly stipulated in the Second Jiujiang Transfer Agreement that the time of transfer of the rights and obligations pertaining to the 34% interest in Jiujiang Rectifier by the Stated-owned Assets Supervision and Administration Commission of Jiujiang shall coincide with the time of transfer of the rights and obligations pertaining to the 29% interest in Jiujiang Rectifier by Jiashan Sunking.

Immediately following completion of the Second Jiujiang Transfer Agreement, Jiujiang Rectifier is owned as to 5% by Jiashan Sunking and 95% by Rui Hua Ying.

Futech Group

Futech Group was incorporated in the BVI on 19 December 2003. During the Track Record Period, Mr. Xiang Jie directly held the entire issued share capital of Futech Group from 1 January 2007 up to 31 March 2008, the date on which Mr. Xiang Jie transferred the entire issued share capital of Futech Group to Sunking BVI for a consideration of US$1.0. Sunking BVI directly held Futech Group up to 30 November 2008, the date on which Futech Group was disposed of by Sunking BVI to SSL&SCL Limited, a company incorporated in the BVI, for a nominal consideration of US$1. Ms. Ren Lei is the sole director and sole shareholder of SSL&SCL Limited. Both SSL&SCL Limited and Ms. Ren Lei are independent third parties. During the period from 1 January 2007 to 30 November 2008, Futech Group acted as a purchasing agent, along side with Jiashan Sunking and Beijing Sunking, for certain entities now comprising our Group (the "**Futech Business**"). To streamline the operation of our Group, with the aim of improving cost effectiveness, we decided that only Jiashan Sunking and Beijing Sunking should continue to act as the purchasing agents. All the assets and liabilities of Futech Group were transferred to other companies of the Group.

Following the transfer of such assets and liabilities, Futech Group was in essence a shell company and to save the administrative and maintenance costs and expenses of keeping such a company (which include licence fee, service fee to the company secretarial service company and such other governmental fees payable from time to time), Sunking BVI considered that it would be beneficial that the entire equity interest of Futech Group be disposed of to SSL&SCL Limited at a nominal consideration. The directors of Sunking BVI have confirmed that Futech Group (i) was not subject to any dispute, claims, legal proceedings or investigation; and (ii) had no business other than the Futech Business, at the time of disposal by Sunking BVI. Save for the contracts entered into before the disposal and the balance incurred as a result of the continuous performance of the previous contracts, we have no other transaction nor any other balance with Futech Group after its disposal.

The M&A Rules regulate acquisition of a related PRC domestic company by an overseas company controlled by a domestic individual/entity. Because Futech Group, the subject of the transfer, is not a PRC domestic company and does not hold any domestic equity interests, the M&A Rules are not applicable to the transfer. Our Directors confirm that such transfer was not implemented with a view to circumvent the M&A Rules.

INVESTMENTS IN OUR GROUP

1. Investment by NewMargin

On 27 February 2008, NewMargin entered into an agreement with Sunking BVI and Mr. Xiang Jie (the "**Series A Preference Share Purchase Agreement**") for the subscription of 12,000,000 preference shares with a par value of US$0.0005 each in Sunking BVI for a total consideration of US$12,146,530 in cash. Such consideration was arrived at after arms-length's negotiations between the parties involved and was paid in March 2008. After completion of the above subscription, Sunking BVI was owned by Mr. Xiang Jie as to approximately 55%, NewMargin as to approximately 30% and the Other Shareholders as to approximately 15%.

Based on the indicative offer price range set out in this prospectus of HK$1.45 to HK$1.93 per Share, and taking into account the Capitalisation Issue, the investment cost per Share for NewMargin is HK$0.39, representing a discount of approximately 73.1% to the Offer Price of HK$1.45 and 79.8% to the Offer Price of HK$1.93.

NewMargin is an exempted limited partnership registered in the Cayman Islands and is principally engaged in capital investments in the fields of environment, energy and resources, high margin manufacturing, information technology and health care as well as other high growth sectors in the PRC. According to information provided by NewMargin, NewMargin is a private equity fund and an investment entity of NewMargin Growth Ventures, LLC which is a venture capital management company in the Cayman Islands. Also, NewMargin Growth Ventures LLC has about US$520 million under management and invests in a variety of industry sectors in the PRC such as information technology, clean technology, high margin manufacturing, natural resources, consumer products and services. According to NewMargin, it identified our Group as a suitable investment target for our potential growth prospect.

Sunking BVI and Mr. Xiang Jie agreed that they shall cause Jiashan Sunking to ensure that all proceeds from the investment by NewMargin are used for the working capital and business expansion of Jiashan Sunking and Beijing Sunking.

2. Investment by Common Goal

On 26 May 2009, Common Goal entered into an agreement with Sunking BVI, its then subsidiaries, Mr. Xiang Jie and NewMargin (the "**Series B Preference Share Purchase Agreement**") for the subscription of 6,667,000 preference shares of US$0.0005 each in Sunking BVI for a total consideration of US$10 million in cash. Such consideration was arrived at after arms-length's negotiations between the parties involved and was paid in June 2009. After completion of the above subscription, Sunking BVI was owned by Mr. Xiang Jie as to approximately 47.2%, NewMargin as to approximately 25.7%, Common Goal as to approximately 14.3% and the Other Shareholders as to approximately 12.8%.

Based on the indicative offer price range set out in this prospectus of HK$1.45 to HK$1.93 per Offer Share, and taking into account the Capitalisation Issue, the investment cost per Share for Common Goal is HK$0.58, representing a discount of approximately 60.0% to the Offer Price of HK$1.45 and 69.9% to the Offer Price of HK$1.93.

Common Goal is a company incorporated in the BVI. It is an investment entity of Peregrine Greater China Capital Appreciation Fund L.P., an exempted limited partnership registered in the Cayman Islands and managed by Bull Capital Partners Ltd. According to information provided by Common Goal, Peregrine Greater China Capital Appreciation Fund, L.P. is a private equity fund dedicated to direct investment primarily in high growth companies based or operating in the Greater China Region, including China, Hong Kong, Macau and Taiwan with particular emphasis on consumption, retail, manufacturing, technology and environmental-related industries with a fund size of approximately US$200 million. According to Common Goal, our business fits its investment scope. Prior to Common Goal's subscription for the preference shares in Sunking BVI, Peregrine Greater China Capital Appreciation Fund, L.P. was an independent third party.

Sunking BVI and Mr. Xiang Jie agreed that they shall ensure that all proceeds from the investment by Common Goal are used for the business of Wuxi Sunking or for such other reasonable uses of Sunking BVI, Sunking Pacific, Jiashan Sunking, Beijing Sunking, Tianjin Sunking and Jiangsu Sunking and their respective subsidiaries and affiliates (if any) after the review and approval by the board of directors of Sunking BVI which includes the nominee of Common Goal.

3. Investment by CIAM

On 31 August 2009, CIAM entered into an agreement with Sunking BVI and its then subsidiaries, Mr. Xiang Jie, NewMargin and Common Goal (the "**Series C Preference Share Purchase Agreement**") for the subscription of 2,000,000 preference shares of US$0.0005 each in Sunking BVI for a total consideration of US$3 million in cash. Such consideration was arrived at after arms-length's negotiations between the parties involved and was paid in September 2009. After completion of the above subscription, Sunking BVI was owned by Mr. Xiang Jie as to approximately 45.3%, NewMargin as to approximately 24.6%, Common Goal as to approximately 13.7%, CIAM as to approximately 4.1% and the Other Shareholders as to approximately 12.3%.

Based on the indicative offer price range set out in this prospectus of HK$1.45 to HK$1.93 per Offer Share, and taking into account the Capitalisation Issue, the investment cost per Share for CIAM is HK$0.58, representing a discount of approximately 60.0% to the Offer Price of HK$1.45 and 69.9% to the Offer Price of HK$1.93.

CIAM is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 378). CIAM is an indirectly owned subsidiary of CITIC International Assets Management Limited, an affiliated company of CITIC International Financial Holdings Limited which is a member of the CITIC Group, a state-owned enterprise incorporated in the PRC. The core businesses of CIAM are private equity investments and fund management. According to information provided by CIAM, it endeavours to source "Green" related investments with sustainable growth in China. We believe our business fits into CIAM's investment strategy.

Sunking BVI and Mr. Xiang Jie agreed that they shall ensure that all proceeds from the investment by CIAM are used for the business of Wuxi Sunking or for such other reasonable uses of Sunking BVI, Sunking Pacific, Jiashan Sunking, Beijing Sunking, Tianjin Sunking and Jiangsu Sunking and their respective subsidiaries and affiliates (if any) after the review and approval by the board of directors of Sunking BVI.

4. Investment by CNR (HK)

On 19 June 2010, CNR entered into a subscription agreement (the "**Series D Preference Share Purchase Agreement**") with Sunking BVI, Mr. Xiang Jie, NewMargin, Common Goal and CIAM for the subscription by CNR or a subsidiary nominated by CNR of 2,560,000 preference shares of US$0.0005 each in Sunking BVI for a total consideration of US$4,096,000 in cash. Such consideration was arrived at after arms-length's negotiations between the parties involved and was received by Sunking BVI on 2 September 2010. Completion of the above subscription took place on 1 September 2010 and CNR nominated CNR (HK) as the investor. After completion of the above subscription, Sunking BVI was owned by Mr. Xiang Jie as to approximately 42.1%, NewMargin as to approximately 23.4%, Common Goal as to approximately 13.0%, CIAM as to approximately 3.9%, CNR (HK) as to approximately 5.0% and the Other Shareholders as to approximately 12.6%.

Based on the indicative offer price range set out in this prospectus of HK$1.45 to HK$1.93 per Offer Share, and taking into account the Capitalisation Issue, the investment cost per Share for CNR (HK) is HK$0.62, representing a discount of approximately 57.2% to the Offer Price of HK$1.45 and 67.9% to the Offer Price of HK$1.93.

CNR (HK), the Strategic Investor, is a company incorporated in Hong Kong with limited liability and wholly-owned by CNR. According to information provided by CNR (HK), the principal business of CNR (HK) includes the development, manufacturing, leasing, provision of maintenance and technical services in respect of rolling stocks (including EMUs), transit vehicles, machinery, electrical equipment, environmental protection equipment and other components, and the conducting of related investments, merger and acquisition and other capital markets activities.

CNR is a state-controlled enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, and has completed the listing on the Shanghai Stock Exchange (stock code: 601299) in 2009. According to CNR's website, CNR is a leading provider in the field of locomotive and rolling stock and its markets cover China, Australia, Asia and Africa. CNR's business includes the design, manufacturing, refurbishment, overhaul and maintenance of electric locomotives, diesel locomotives, passenger coaches and freight wagons, electric and diesel multiple units, traction motors and rolling stock.

Our Directors believe that the discrepancy between the Offer Price and the investment cost of HK$0.62 per Offer Share paid by CNR (HK) is justified by the potential benefits that our Group will receive through the strengthening of our established long-term strategic partnership with the CNR Group, the largest customer of our Group based on 2009 sales revenue, and the further business opportunities fostered by such strategic relationship. Our Directors believe that the investment by CNR (HK) will enhance the shareholders' profile of our Company and that following CNR (HK)'s subscription of the preference shares in Sunking BVI (and ultimately in our Group upon completion of the Reorganisation), it will be of mutual benefits for both our Group and the CNR Group to cooperate more closely together in the development of our Company's business in the PRC rolling stock industry, which is in the best interest of our Company and our shareholders in the long run. Through such investment, both the CNR Group and our Group wish to further strengthen the established strategic partnership which will be mutually beneficial to the long-term prospects of both sides. The objectives of such strategic partnership are as follows:

- to strengthen our cooperation in the development of IGBT power modules for electric locomotives and light railway locomotives;

- to expand our cooperation on the development of other power electronic application areas such as power equipment and electric cars;

- to tap into the CNR Group's resources for the purpose of assisting us in the pre-testing and testing phases for new products; and

- to explore further cooperation opportunities and exchange general information on the PRC's traction, electric locomotives and railway industry.

Further, the fact that CNR (HK) has agreed to be subject to a lock-up period of 12 months, a more stringent restriction than that stipulated in the Listing Rules applicable to our controlling shareholders while a shorter lock-up period has been imposed on the Financial Investors, can also justify the disparity between the Offer Price and the investment cost paid by CNR (HK) and the proximity in its time of investment to the Listing.

Sunking BVI and Mr. Xiang Jie agreed that they shall ensure that all proceeds from the investment by CNR (HK) are used for the business of Wuxi Sunking or for such other reasonable uses of Sunking BVI, Sunking Pacific, Jiashan Sunking, Beijing Sunking, Tianjin Sunking, Jiangsu Sunking and Jiashan Converter Technology and their respective subsidiaries and affiliates (if any) after the review and approval by the board of directors of Sunking BVI.

RIGHTS OF INVESTORS

(1) The rights of NewMargin under the Series A Preference Share Purchase Agreement, the Third Amended and Restated Shareholders' Agreement and the Fourth Amended and Restated Memorandum and Articles (collectively, the "**Series A Pre-IPO Agreements**") include certain information rights, board representation right, right of first refusal, co-sale right, anti-dilution right, other minority protection rights, preferred right to dividends, and a profit commitment given by Sunking BVI, its subsidiaries and their respective affiliates (if any), and Mr. Xiang Jie that if (i) the aggregate after-tax net profit of Sunking BVI is less than RMB130 million for the three years ended 31 December 2009; and (ii) Sunking BVI has not been listed on a recognised stock exchange by 31 December 2010, then subject to compliance with applicable laws, Sunking BVI shall at the written request of NewMargin, either procure Mr. Xiang Jie to transfer to NewMargin certain number of ordinary shares to adjust the shareholding ratio of NewMargin or return the surplus investment to NewMargin by way of dividend according to a formula based on the difference between the actual after-tax net profit for such period and the profit target. In a board meeting of Sunking BVI held on 18 January 2010 (in which the directors nominated by NewMargin were present), a resolution was passed such that in determining whether the profit commitments given to NewMargin, Common Goal and CIAM (as mentioned below) have been fulfilled, the shares issued to employees and consultants of our Group under the Sunking BVI Share Award Scheme, any interest, compensation and profit and loss items resulted from the redemption of the preference shares and the profit and loss arising from the valuation of the preference shares should be disregarded. According to the aforesaid profit computation, the profit commitment given to NewMargin has been fulfilled. As a result, no dividend/compensation has been paid or payable to NewMargin in connection with the aforesaid profit commitment. In addition, (i) if the after-tax net profit of Sunking BVI for the year ended 31 December 2008 exceeds RMB40 million, Sunking BVI shall, subject to applicable law, pay a dividend to the holders of ordinary shares of Sunking BVI of no more than half of such excess subject to a cap of RMB3 million; and (ii) if the after-tax net profit of Sunking BVI for the year ended 31 December 2009 exceeds RMB60 million, Sunking BVI shall, subject to applicable law, pay a dividend to the holders of ordinary shares of Sunking BVI of no more than half of such excess subject to a cap of RMB5 million.

(2) The rights of Common Goal under the Series B Preference Share Purchase Agreement, the Third Amended and Restated Shareholders' Agreement and the Fourth Amended and Restated Memorandum and Articles (collectively, the "**Series B Pre-IPO Agreements**") include certain information rights, board representation right, right of first refusal, co-sale right, anti-dilution right, other minority protection rights, preferred right to dividends, and a profit commitment given by Sunking BVI, its subsidiaries and their respective affiliates (if any), and Mr. Xiang Jie that if (i) the aggregate after-tax net profit of Sunking BVI is less than RMB140 million for the two years ended 31 December 2010; and (ii) Sunking BVI has not been listed on a recognised stock exchange by 31 December 2010, then subject to compliance with applicable laws, Sunking BVI shall at the written request of Common Goal, either procure Mr. Xiang Jie to transfer to Common Goal a certain number of ordinary shares to adjust the shareholding ratio of Common Goal or return the surplus investment to Common Goal by way of dividend according to a formula based on the difference between the actual after-tax net profit for such period and the profit target.

(3) The rights of CIAM under the Series C Preference Share Purchase Agreement, the Third Amended and Restated Shareholders' Agreement and the Fourth Amended and Restated Memorandum and Articles (collectively, the "**Series C Pre-IPO Agreements**") include certain information rights, right to appoint an observer, right of first refusal, co-sale right, anti-dilution right, other minority protection rights, preferred right to dividends, and a profit commitment given by Sunking BVI, its subsidiaries and their respective affiliates (if any), and Mr. Xiang Jie that if (i) the aggregate after-tax net profit of Sunking BVI is less than RMB140 million for the two years ending 31 December 2010; and (ii) Sunking BVI has not been listed on a recognised stock exchange by 31 December 2010, then subject to compliance with applicable laws, Sunking BVI shall at the written request of CIAM, either cause Mr. Xiang Jie to transfer to CIAM a certain number of ordinary shares to adjust the shareholding ratio of CIAM or return the surplus investment to CIAM by way of dividend according to a formula based on the difference between the actual after-tax net profit for such period and the respective profit target committed.

(4) The rights of CNR (HK) under the Series D Preference Share Purchase Agreement, the Third Amended and Restated Shareholders' Agreement and the Fourth Amended and Restated Memorandum and Articles (collectively, the "**Series D Pre-IPO Agreements**") include certain information rights, right to appoint an observer, a right of first refusal, a co-sale right, an anti-dilution right, other minority protection rights, preferred right to dividends, and a profit commitment given by Sunking BVI and Mr. Xiang Jie that if (i) the aggregate after-tax net profit of Sunking BVI is less than RMB200 million for the two years ending 31 December 2011; and (ii) Sunking BVI has not been listed on a recognised stock exchange by 31 December 2010, then CNR (HK) shall have the right to require Sunking BVI to redeem all, but not less than all, of its preference shares after 26 February 2012, or to make adjustment in the way that subject to compliance with applicable laws, Sunking BVI shall at the written request of CNR (HK), either procure Mr. Xiang Jie to transfer to CNR (HK) certain number of ordinary shares to adjust the shareholding ratio of CNR (HK) or return the surplus investment to CNR (HK) by way of dividend according to a formula based on the difference between the actual after-tax net profit for such period and the profit target.

Each of the Financial Investors and the Strategic Investor should have the right, at its sole discretion, to convert all or any portion of its preference shares into ordinary shares of Sunking BVI at any time. The initial conversion ratio for the preference shares of Sunking BVI to the ordinary shares of Sunking BVI is 1:1, subject to adjustments to the conversion price. To facilitate the Listing, Sunking BVI has the right to request that the Financial Investors and the Strategic Investor convert all their preference shares at any time prior to the Listing. In any event, all preference shares of Sunking BVI should be automatically converted into ordinary shares prior to the Listing.

If the shares of our Company are not listed on any domestic or overseas capital market by 26 February 2012, or the relevant shares held by the Financial Investors or the Strategic Investor can not be transferred in the market after the listing at a price not lower than 1.2 times the respective issue price for the preference shares of the Financial Investors and the Strategic Investor (other than any normal lock-up period in the relevant market), then after 26 February 2012, the relevant Financial Investor or Strategic Investor shall have the right to require Sunking BVI to redeem all, but not less than all, of its preference shares. In view of the aforesaid, Sunking BVI and our controlling shareholders have given an indemnity in favour of our Company for all losses, damages, liabilities, claims, proceedings, costs and expenses, suffered or incurred by our Company as a result of or in connection with the Reorganisation (including the aforesaid right of redemption of the Financial Investors and Strategic Investor).

If Sunking BVI incurs losses representing 20% or more of its net asset value as at the end of the financial year prior to the Financial Investor's or Strategic Investor's original investment in Sunking BVI; or Sunking BVI's management commits a material violation of law, such as embezzlement and off-the-book transactions without informing the Financial Investors or the Strategic Investor, then each holder of the preference shares shall have the right to require Sunking BVI to redeem all its preference shares. If Sunking BVI is not able to or refuses to effect such redemption, the shareholders or the board of directors of Sunking BVI shall liquidate Sunking BVI in accordance with applicable laws.

All of the above preferential treatment and special rights (including the profit commitment) given to the Financial Investors and the Strategic Investor shall lapse upon the Listing.

As mentioned above, Sunking BVI shall at the request of the Financial Investors or Strategic Investor (as the case may be) procure Mr. Xiang Jie to transfer a certain number of ordinary shares to adjust the shareholding ratio or return the surplus investment by way of dividend when (a) the relevant profit commitment is not fulfilled and (b) Sunking BVI has not been listed on the Stock Exchange by 31 December 2010.

Our Directors confirm that so long as our Company is listed on the Stock Exchange by 31 December 2010, we will not be subject to the profit commitments stipulated in the Series A Pre-IPO Agreements, the Series B Pre-IPO Agreements, the Series C Pre-IPO Agreements and the Series D Pre-IPO Agreements after the Listing as these commitments shall, as with other preferential treatment and special rights, lapse upon the Listing. Our Directors further confirm that our Company has not given any profit commitment that will continue after the Listing.

Except where CNR (HK) was subject to a lock-up period of 12 months pursuant to the Series D Preference Share Agreement, there was no lock-up arrangement for any of the Financial Investors pursuant to the Series A Preference Share Purchase Agreement, the Series B Preference Share Purchase Agreement and the Series C Preference Share Purchase Agreement respectively. Nevertheless, each of the Financial Investors and CNR (HK) agreed to certain lock-up period under the Hong Kong Underwriting Agreement, details of which are set out under the section headed "Underwriting" in this prospectus.

JOINT VENTURE

Jiashan Sunking entered into the SLZD Agreement with Shanghai Lang Zhi De (which owns the entire equity interest in Wuhan Langde, a company engaging in the on-line monitoring of smart grid), Mr. Zhu Xiaodong and Mr. Chen Yong (each of whom is a shareholder of Shanghai Lang Zhi De) on 18 June 2010, pursuant to which Jiashan Sunking agreed to acquire 20% equity interest in Shanghai Lang Zhi De by injection of capital of RMB5 million (the "**1st Capital Contribution**") into Shanghai Lang Zhi De. Under the SLZD Agreement, Jiashan Sunking has an option to increase its shareholding in Shanghai Lang Zhi De to 40% of the increased registered capital by injecting capital of RMB10 million (the "**2nd Capital Contribution**") into Shanghai Lang Zhi De, provided that Shanghai Lang Zhi De meets certain minimum amount of sales and that approval from the relevant PRC government authorities is obtained.

It is further stipulated that Jiashan Sunking will have an option to acquire a further 15% equity interest in Shanghai Lang Zhi De from Mr. Zhu Xiaodong and Mr. Chen Yong in proportion to their shareholding for a total consideration of RMB20 million within one year from the 2nd Capital Contribution. If Shanghai Lang Zhi De achieves certain target after-tax profit for each of the years 2012 and 2013, Jiashan Sunking will have options to acquire further 10% and another 10% equity interest in Shanghai Lang Zhi De from Mr. Zhu Xiaodong and Mr. Chen Yong in proportion to their then shareholding for a total consideration of RMB20 million and RMB40 million, respectively.

If (i) Shanghai Lang Zhi De incurs losses representing 20% or more of its net assets after the 1st Capital Contribution; or (ii) Mr. Zhu Xiaodong, Mr. Chen Yong or the management of Shanghai Lang Zhi De commits a breach of law, such as embezzlement and off-the-book transactions without informing Jiashan Sunking, Jiashan Sunking shall have the right to require Shanghai Lang Zhi De to redeem all its capital contribution or shareholding in Shanghai Lang Zhi De at a price being the higher of 110% of Jiashan Sunking's capital contribution and Jiashan Sunking's proportional share of net assets of Shanghai Lang Zhi De when such redemption occurs. Further, if (i) the total revenue of Shanghai Lang Zhi De for the ten months from the 1st Capital Contribution is less than RMB20 million; or (ii) the total amount received by Shanghai Lang Zhi De under the purchase orders is less than RMB20 million for the 16 months from the 1st Capital Contribution, Shanghai Lang Zhi De, Mr. Zhu Xiaodong and Mr. Chen Yong shall, at the request of Jiashan Sunking, either procure Mr. Zhu Xiaodong and Mr. Chen Yong to transfer certain amount of shareholding to adjust the shareholding ratio of Jiashan Sunking or return the surplus investment to Jiashan Sunking according to a formula based on the difference between the actual amount received under the purchase orders for such period and the sales target.

The board of directors of Shanghai Lang Zhi De consists of five members, three of whom will be nominated by Mr. Zhu Xiaodong and Mr. Chen Yong, and the other two will be nominated by Jiashan Sunking. Besides, the financial controller of Shanghai Lang Zhi De will be nominated by Jiashan Sunking.

The SLZD Agreement may be terminated upon the occurrence of a force majeure event, a serious breach by any party or by mutual agreement.

We expect that the lst Capital Contribution made by our Group will be used by Shanghai Lang Zhi De as working capital to finance the operation of Wuhan Langde.

REORGANISATION

In preparation of the Listing, our Group underwent the Reorganisation which included the following major steps:

Step 1: Incorporation of our Company

Our Company was incorporated as a limited liability company under the laws of the Cayman Islands on 19 March 2010 and acts as the ultimate holding company of our Group. The authorised share capital of our Company as at the date of incorporation was HK$380,000 divided into 3,800,000 Shares, of which one Share was initially allotted and issued to Codan Trust Company (Cayman) Limited and was then transferred to Mr. Xiang Jie on 19 March 2010.

Step 2: Acquisition of the entire equity interest in Beijing Sunking by Jiashan Sunking

On 10 April 2010, the entire equity interest in Beijing Sunking was transferred from Mr. Xiang Jie and Mr. Xu Nanping (an independent third party) to Jiashan Sunking for a total consideration of RMB1,905,200. Such consideration was determined by reference to an independent valuation report.

Step 3: Acquisitions of 21,563,709 shares of Sunking BVI and the entire issued share capital of our Company by Max Vision

On 19 August 2010, Max Vision acquired 21,563,709 shares of Sunking BVI and the then entire issued share capital of our Company (being one Share) from Mr. Xiang Jie, in consideration of which Max Vision paid an aggregate nominal value of HK$1.00 to Mr. Xiang Jie.

Step 4: Increase in authorised share capital of our Company

The authorised share capital of our Company was increased from HK$380,000 to HK$200,000,000 by the creation of an additional 1,996,200,000 Shares of par value of HK$0.1 each in the capital of our Company by the shareholder's written resolution dated 19 August 2010.

Step 5: Incorporation of New Excel

On 9 July 2010, New Excel was incorporated under the laws of the BVI and our Company subscribed for, and New Excel allotted and issued, one nil paid share in New Excel (the "**Subscribed Share**").

Step 6: Acquisition of the entire issued share capital of Sunking Pacific by New Excel

On 23 September 2010, New Excel, at the direction of our Company, acquired the entire issued share capital of Sunking Pacific from Sunking BVI, in consideration of which New Excel credited the Subscribed Share as fully paid at a premium, and our Company allotted and issued, credited as fully paid at par, an aggregate of 51,226,999 new Shares to Sunking BVI.

Step 7: Conversion of preference shares by the Financial Investors and CNR (HK) into ordinary shares

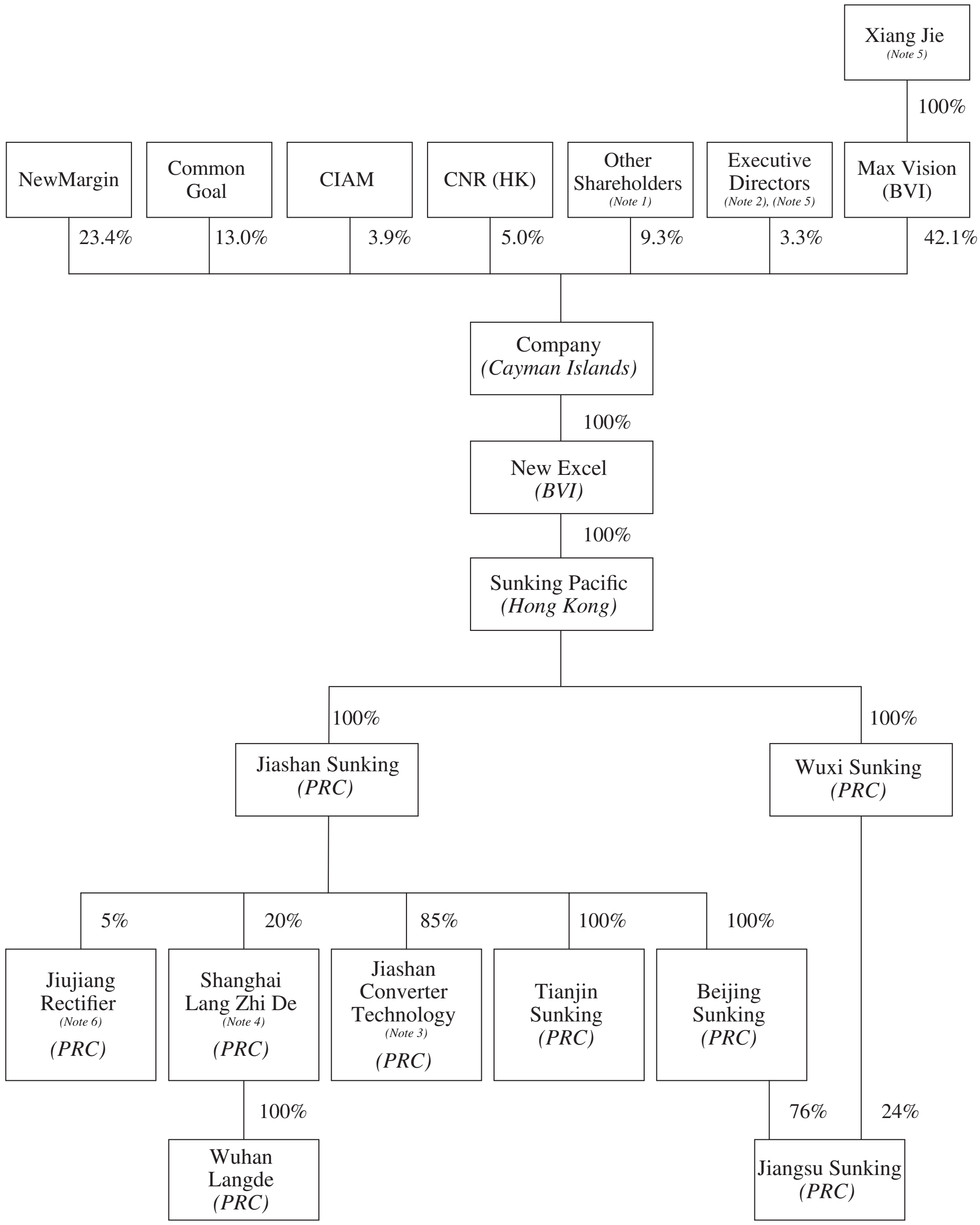
Each of the Financial Investors and CNR (HK) has, at the request of Sunking BVI, converted its outstanding preference shares into ordinary shares of Sunking BVI by surrendering the preference share certificates and giving notice requiring Sunking BVI to redeem such outstanding preference shares. Ordinary shares in Sunking BVI were then issued to each of the Financial Investors and CNR (HK).

Step 8: Declaration of dividend by Sunking BVI by way of distribution in specie of the Shares

On 23 September 2010, Sunking BVI declared dividends by way of distributing all the Shares it held to its shareholders in proportion to their ordinary shareholdings, i.e. 21,563,708 Shares to Max Vision, 12,000,000 Shares to NewMargin, 6,667,000 Shares to Common Goal, 2,000,000 Shares to CIAM, 2,560,000 Shares to CNR (HK), an aggregate of 4,736,291 Shares to the Other Shareholders, 1,200,000 Shares to Mr. Gong Renyuan, 200,000 Shares to Mr. Yue Zhoumin and 300,000 Shares to Mr. Huang Xianqian. As a result, our Company ceased to be a subsidiary of Sunking BVI and has become the ultimate holding company of our Group.

GROUP STRUCTURE

The following diagram depicts the shareholding structure of our Group immediately after the Reorganisation:



Notes:

1. These Shares consist of:

(i) an aggregate of 4,036,291 Shares held by 37 individuals or entitles. These 4,036,291 Shares were distributed to them as dividend by Sunking BVI in proportion to the ordinary shares in Sunking BVI issued to them pursuant to the board resolutions of Sunking BVI passed on 30 June 2008 and the Sunking BVI Share Award Scheme as employees of or as consultants to Sunking BVI, Jiashan Sunking or Beijing Sunking or transferred from other employees/ consultants of shares in Sunking BVI issued under the Sunking BVI Share Award Scheme; and

(ii) an aggregate of 700,000 Shares held by 4 individuals (all of which are independent third parties). These 700,000 Shares were distributed to them as dividend by Sunking BVI in proportion to the ordinary shares in Sunking BVI transferred from Mr. Xiang Jie.

Details of the Sunking BVI Share Award Scheme are as follows:

In 2008, Sunking BVI adopted the Sunking BVI Share Award Scheme for the primary purpose of providing incentives to officers, directors, consultants and employees of Sunking BVI, Jiashan Sunking and Beijing Sunking. Under the Sunking BVI Share Award Scheme, Sunking BVI may issue up to 6,000,000 ordinary shares in Sunking BVI to officers, directors, consultants and employees of Sunking BVI, Jiashan Sunking and Beijing Sunking. All shares which may be issued under the Sunking BVI Share Award Scheme have been issued and below is a list of the beneficiaries of the shares in Sunking BVI granted under the Sunking BVI Share Award Scheme:

Beneficiary	Relationship with our Group according to the categorisations under the Sunking BVI Share Award Scheme	Number of shares in Sunking BVI issued to the beneficiary under Sunking BVI Share Award Scheme	Number of shares in Sunking BVI held (including those granted under the Sunking BVI Share Award Scheme) prior to the distribution of the Shares by Sunking BVI	Approximate percentage shareholding in our Company represented by the Shares attributable to the shares granted to the beneficiary under the Sunking BVI Share Award Scheme (%)	Approximate percentage shareholding in our Company immediately after the Reorganisation (%)
Xiang Jie (項頡)	Employee (and an executive Director)	233,709	21,563,709 (held through Max Vision)	0.5	42.1
Hou Libo (侯麗波)*	Consultant	600,000	650,000	1.2	1.3
Sun Chaohui (孫朝暉)	Consultant	300,000	0	N/A	N/A
Zhang Qi (張琪)	Consultant	210,000	210,000	0.4	0.4
Xia Xiaoming (夏曉明)	Consultant	200,000	0	N/A	N/A
Simon Schoner	Consultant	200,000	0	N/A	N/A
Chen Haitao (陳海濤)	Consultant	100,000	0	N/A	N/A
Gao Hongmei (高鴻梅)	Consultant	100,000	120,000	0.2	0.2
Wang Jing (王晶)	Consultant	100,000	0	N/A	N/A
Shen Yingkui (沈英魁)	Consultant	30,000	49,000	0.1	0.1
	Employee	19,000			
Gong Renyuan (龔任遠)**	Employee (and an executive Director)	1,200,000	1,200,000	2.3	2.3
Ren Shuo (任碩)	Employee	300,000	300,000	0.6	0.6

Beneficiary	Relationship with our Group according to the categorisations under the Sunking BVI Share Award Scheme	Number of shares in Sunking BVI issued to the beneficiary under Sunking BVI Share Award Scheme	Number of shares in Sunking BVI held (including those granted under the Sunking BVI Share Award Scheme) prior to the distribution of the Shares by Sunking BVI	Approximate percentage shareholding in our Company represented by the Shares attributable to the shares granted to the beneficiary under the Sunking BVI Share Award Scheme (%)	Approximate percentage shareholding in our Company immediately after the Reorganisation (%)
Jin Jiafeng (金嘉峰)***	Employee (and a senior management personnel of the Company)	400,000	400,000	0.8	0.8
Huang Xiangqian (黃向前)	Employee (and an executive Director)	300,000	300,000	0.6	0.6
Li Jinyan (李金燕)	Employee (and a senior management personnel of our Company)	150,000	150,000	0.3	0.3
Ren Jie (任潔)	Employee (and a senior management personnel of our Company)	100,000	100,000	0.2	0.2
Bai Xing (白星)	Employee (and a senior management personnel of our Company)	100,000	100,000	0.2	0.2
Jin Xiu (金秀)	Employee	100,000	100,000	0.2	0.2
He Wenbo (何文博)	Employee	80,000	80,000	0.2	0.2
Wang Deli (汪得利)	Employee	80,000	80,000	0.2	0.2
Han Xibing (韓西冰)	Employee	50,000	50,000	0.1	0.1
Ma Haiping (馬海平)	Employee	50,000 (29,167 of which were returned to Sunking BVI as unvested shares)	20,833	<0.1	<0.1
Xie Wenliang (謝文良)	Employee	50,000	50,000	0.1	0.1
Zhang Shunde (張順德)	Employee	50,000 (29,167 of which were returned to Sunking BVI as unvested shares)	20,833	<0.1	<0.1
Wu Xinfeng (吳新峰)	Employee	40,000 (25,833 of which were returned to Sunking BVI as unvested shares)	14,167	<0.1	<0.1
Huang Li (黃麗)	Employee	60,000	60,000	0.1	0.1
Huang Ju (黃菊)	Employee	40,000 (22,500 of which were returned to Sunking BVI as unvested shares)	17,500	<0.1	<0.1
Lv Wentian (呂文添)	Employee	30,000	30,000	<0.1	<0.1

Beneficiary	Relationship with our Group according to the categorisations under the Sunking BVI Share Award Scheme	Number of shares in Sunking BVI issued to the beneficiary under Sunking BVI Share Award Scheme	Number of shares in Sunking BVI held (including those granted under the Sunking BVI Share Award Scheme) prior to the distribution of the Shares by Sunking BVI	Approximate percentage shareholding in our Company represented by the Shares attributable to the shares granted to the beneficiary under the Sunking BVI Share Award Scheme (%)	Approximate percentage shareholding in our Company immediately after the Reorganisation (%)
Wang Maochen (王懋晨)	Employee	20,000 (all of which were returned to Sunking BVI as unvested shares)	0	N/A	N/A
Qiao Na (喬娜)	Employee	20,000	20,000	<0.1	<0.1
Cong Jinhong (叢金紅)	Employee	20,000	20,000	<0.1	<0.1
Li Xiaotao (李小桃)	Employee	60,000	60,000	0.1	0.1
Wang Bin (王斌)	Employee	20,000	20,000	<0.1	<0.1
Yun Ting (貟挺)	Employee	20,000	20,000	<0.1	<0.1
Huang Jianyu (黃建宇)	Employee	20,000	20,000	<0.1	<0.1
Guan Yue (關越)	Employee	10,000 (6,042 of which were returned to Sunking BVI as unvested shares)	3,958	<0.1	<0.1
Shi Caowei (施曹偉)	Employee	10,000	10,000	<0.1	<0.1
Cui Enming (崔恩明)	Employee	10,000 (all of which were returned to Sunking BVI as unvested shares)	0	0	0
Zhang Yanxing (張彥醒)	Employee	10,000	10,000	<0.1	<0.1
Michael Simon Geissmann	Employee (and a senior management personnel of our Company)	200,000	200,000	0.4	0.4
Yue Zhoumin (岳周敏)	Employee (and an executive Director)	200,000	200,000	0.4	0.4
Wang Huixin (王慧新)	Consultant	150,000	150,000	0.3	0.3
Zhang Shuxin (張樹新)	Employee	50,000	50,000	0.1	0.1
Wang Yu (汪愚)	Consultant	50,000	50,000	0.1	0.1
Total		**6,142,709 (including an aggregate of 142,709 unvested shares returned to Sunking BVI as indicated)**			

* Ms. Hou Libo, being an Option Selling Shareholder, will hold 13,000,000 Shares immediately after the Reorganisation and the Capitalisation Issue.

** Mr. Gong Renyuan, being an Initial Selling Shareholder, will hold 24,000,000 Shares after the Reorganisation and the Capitalisation Issue.

*** Mr. Jin Jiafeng, being an Initial Selling Shareholder, will hold 8,000,000 Shares after the Reorganisation and the Capitalisation Issue.

The approximate percentages of the Shares (which were distributed by Sunking BVI as dividend in proportion to the ordinary shares in Sunking BVI issued pursuant to the board resolutions of Sunking BVI passed on 30 June 2008 and the Sunking BVI Share Award Scheme) held by (i) our Directors, (ii) our senior management, (iii) other employees of Sunking BVI, Jiashan Sunking and Beijing Sunking and (iv) consultants of Sunking BVI, Jiashan Sunking and Beijing Sunking were 3.8%, 1.9%, 1.7% and 2.3% respectively immediately after the Reorganisation.

The directors of Sunking BVI have confirmed that there will be no further issue of shares in Sunking BVI (including any unvested shares returned to Sunking BVI) under the Sunking BVI Share Award Scheme.

2. These Shares consist of 1,200,000 Shares held by Mr. Gong Renyuan, an executive Director, 200,000 Shares held by Mr. Yue Zhoumin, an executive Director and 300,000 Shares held by Mr. Huang Xianqian, an executive Director as distributed to them as dividend by Sunking BVI in proportion to the ordinary shares in Sunking BVI granted to them under the Sunking BVI Share Award Scheme as employees.

3. The remaining 15% equity interest in Jiashan Converter Technology is owned by Shanghai Mai Dier, a connected person of our Company solely for its equity interest in Jiashan Converter Technology.

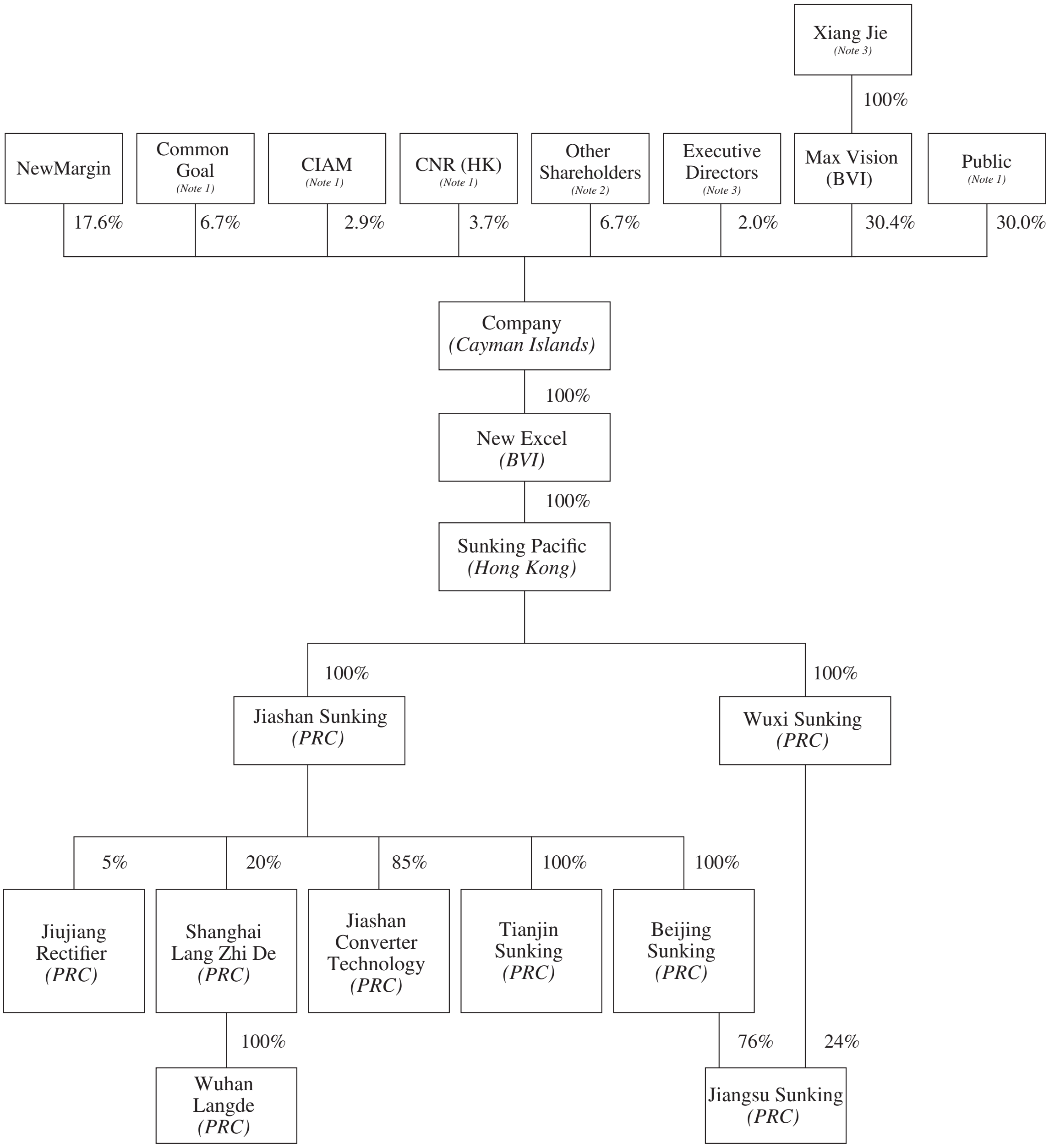
4. The remaining 80% equity interest in Shanghai Lang Zhi De is owned as to 48% by Mr. Zhu Xiaodong and 32% by Mr. Chen Yong, each an independent third party.

5. The respective approximate shareholdings of our Directors immediately after the Reorganisation were as follows:

   Mr. Xiang Jie – 42.1% through his 100% shareholding in Max Vision
   Mr. Gong Renyuan – 2.3%
   Mr. Yue Zhoumin – 0.4%
   Mr. Huang Xianqian – 0.6%
   Mr. Ye Weigang Greg – Nil
   Mr. Wong Kun Kau – Nil
   Mr. Wang Yi – Nil
   Mr. Li Fengling – Nil
   Mr. Chen Shimin – Nil

6. The remaining 95% equity interest in Jiujiang Rectifier is owned by Rui Hua Ying, an independent third party.

The following diagram depicts the shareholding structure of our Group immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be sold by the Option Selling Shareholders pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



Notes:

1. The Shares held by Common Goal, CIAM and CNR (HK) will also be counted towards the public float under the Listing Rules.

2. Save for the Shares held by Ms. Hou Libo, Ms. Gao Hongmei, Mr. Wang Jing, Mr. Han Xibing, Ms. Ren Jie and Mr. Shen Yingkui (being directors of our subsidiaries), the Shares held by the Other Shareholders will be counted towards the public float.

3. The respective shareholdings of our Directors immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be sold by the Option Selling Shareholders pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be as follows:

   Mr. Xiang Jie – 30.4% through his 100% shareholding in Max Vision
   Mr. Gong Renyuan – 1.3%
   Mr. Yue Zhoumin – 0.3%
   Mr. Huang Xianqian – 0.4%
   Mr. Ye Weigang Greg – Nil
   Mr. Wong Kun Kau – Nil
   Mr. Wang Yi – Nil
   Mr. Li Fengling – Nil
   Mr. Chen Shimin – Nil

REGULATION ON THE ACQUISITION OF PRC DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On 8 August 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the M&A Rules, which became effective on 8 September 2006 (the "**Effective Date**"). Article 11 of the M&A Rules regulates "affiliated mergers". Where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from Ministry of Commerce is required. The M&A Rules also stipulate that an offshore SPV formed for listing purpose and controlled, directly or indirectly, by PRC companies or individuals, such as our Company, shall obtain approval from the CSRC prior to the listing and trading of its securities on an overseas stock exchange.

As advised by our PRC legal adviser, Mr. Xiang Jie had obtained the foreign shareholding in Jiashan Sunking prior to the Effective Date. Although Wuxi Sunking was established after the Effective Date, it was not set up by way of merger and acquisition by foreign investors. After the Reorganisation, our shareholders include 42 PRC residents (not including Mr. Xiang Jie) who hold an aggregate of approximately 11.6% of the issued share capital of our Company. The aforesaid 42 PRC residents comprise employees and consultants of our PRC subsidiaries as well as transferees of the shares in Sunking BVI. The Shares held by the aforesaid 42 PRC residents were distributed to them as dividend by Sunking BVI in proportion to the ordinary shares in Sunking BVI and there has been no acquisition of domestic company by offshore company involved. Therefore, our PRC legal adviser is of the opinion that the aforesaid PRC residents' holding of the Shares is not subject to the M&A Rules.

Based on the aforesaid, it is the view of our PRC legal adviser that (i) all the requisite approvals from the relevant competent PRC regulatory authorities in respect of the Reorganisation carried out in the PRC have been obtained, the Reorganisation does not fall under Article 11 of the M&A Rules and Article 11 of the M&A Rules does not apply to the Reorganisation; and (ii) the Listing does not require the approval from the CSRC or any other PRC governmental authorities under PRC laws, regulations and rules.

FOREIGN EXCHANGE CONTROL REGISTRATION BY OUR CONTROLLING SHAREHOLDERS AND OUR OTHER SHAREHOLDERS

As mentioned in the section headed "Regulatory Overview – SAFE Circular 75" in this prospectus, according to the SAFE Circular 75, PRC residents establishing or taking control of a SPV abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by PRC residents are required to effect foreign exchange registration with the local foreign exchange bureau.

As advised by our PRC legal adviser, the Reorganisation and the Global Offering are subject to the SAFE Circular 75 as one of our controlling shareholders, Mr. Xiang Jie, and 42 other shareholders, who hold our Shares pursuant to the Sunking BVI Share Award Scheme and the Reorganisation, are considered to be PRC residents. Mr. Xiang has completed the formalities required by the SAFE Circular 75 for the registration and filing of the information on an overseas investment by a PRC resident with the Zhejiang Provincial Bureau of SAFE in respect of his investment holding in Sunking BVI, Sunking Pacific and our Company. As advised by our PRC legal adviser, the aforesaid other shareholders have completed the formalities required by the SAFE Circular 75 for the filing of the information on their investment holding in our Company with Zhejiang Provincial Bureau of SAFE. Mr. Xiang Jie and the aforesaid other shareholders will apply for the relevant amendment procedure to their SAFE registration or filing after completion of the Reorganisation. Our PRC legal adviser has confirmed that there is no legal impediment for Mr. Xiang Jie or the aforesaid other shareholders to complete such application.

THE CORNERSTONE PLACING

In September 2010, as part of the International Offering, the Company entered into cornerstone investor agreements with two cornerstone investors (the "**Cornerstone Investors**") who in aggregate have agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with an aggregate amount of US$16 million (equivalent to approximately HK$124.2 million). Assuming an Offer Price of HK$1.69 (being the mid-point of the indicative offer price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors would be approximately 73,464,000 Shares, which represent approximately 5.4% of the Shares issued and outstanding immediately upon completion of the Global Offering and approximately 17.9% of the number of the Offer Shares available under the Global Offering (excluding any Shares which may be sold under the Over-allotment Option), respectively. Each of the Cornerstone Investors is not related to each other and is an independent third party, and has confirmed that it is not an existing shareholder of our Company. None of the Cornerstone Investors will subscribe for any offer Shares under the Global Offering other than pursuant to the respective cornerstone investor agreement. Immediately following the completion of the Global Offering, no Cornerstone Investor will have any board representation in the Company, nor will any Cornerstone Investor become a substantial shareholder of the Company. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the "Structure of the Global Offering – The Hong Kong Public Offering". The Offer Shares to be subscribed by the Cornerstone Investors will count as part of the public float following the Listing.

THE CORNERSTONE INVESTORS

A brief description of the Cornerstone Investors is as follows:

- China Alpha II Fund Ltd ("**CAII Fund**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$8 million (equivalent to approximately HK$62.1 million) at the Offer Price. Assuming an Offer Price of HK$1.69 (being the mid-point of the indicative offer price range set out in this prospectus), CAII Fund will purchase 36,732,000 Shares, which represent approximately 2.7% of the Shares issued and outstanding immediately upon completion of the Global Offering and approximately 9.0% of the number of the Offer Shares available under the Global Offering (excluding any Shares which may be sold under the Over-allotment Option), respectively. CAII Fund is an exempted company incorporated in the Cayman Islands with limited liability. CAII Fund is fundamentally an equity long/short fund which invests primarily in Greater China securities of companies listed on the stock exchanges of Hong Kong, Shanghai, Shenzhen, Singapore and New York and in their derivative products and related instruments. CAII Fund has more than an 8-year track record.

- Gaoling Fund, L.P. and Gaoling Yali Fund, L.P. have agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$7.6 million (equivalent to approximately HK$59.0 million) and US$0.4 million (equivalent to approximately HK$3.1 million), respectively, at the Offer Price. Assuming an Offer Price of HK$1.69 (being the mid-point of the indicative offer price range set out in this prospectus), (i) Gaoling Fund, L.P. will purchase 34,896,000 Shares which represent approximately 2.6% of the number of the Shares issued and outstanding immediately upon completion of the Global

Offering and approximately 8.5% of the number of the Offer Shares available under the Global Offering (excluding any Shares which may be sold under the Over-allotment Option), respectively; and (ii) Gaoling Yali Fund, L.P. will purchase 1,836,000 Shares, which represent approximately 0.1% of the Shares issued and outstanding immediately upon completion of the Global Offering and approximately 0.4% of the number of the Offer Shares available under the Global Offering (excluding any Shares which may be sold under the Over-allotment Option), respectively. Gaoling Fund, L.P. and Gaoling Yali Fund, L.P. are Asia focused funds managed by Hillhouse Capital Management, Ltd. ("**Hillhouse**"). Hillhouse manages capital for world-class institutional investors, concentrating on making equity investments over a long term investment horizon. Hillhouse takes a research intensive, bottoms-up approach to investing that is highly focused on business fundamentals. As of 1 September 2010, Hillhouse had approximately US$4 billion in invested and committed capital under management.

CONDITION PRECEDENT

The subscription obligation of each Cornerstone Investor is conditional upon the Underwriting Agreements being entered into and having become effective and unconditional and not having been terminated.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any Shares subscribed pursuant to the respective cornerstone investor agreement, save that Cornerstone Investors may transfer the Shares to or an affiliate of such Cornerstone Investor, and such transfer can only be made where the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

OVERVIEW

We are a leading domestic manufacturer of high-end, specialised power electronic components and systems for use in the rail transportation, power transmission and distribution, and other general industrial sectors in China. According to Frost & Sullivan, we are also a leading distributor for the import of power semiconductors and other power electronic components into China. Our business can be generally categorised into the following two business segments:

- *Distribution business* – distribution of imported power electronic components such as semiconductors, current/voltage sensors, heat sinks, fuses, IGBT drivers and other power electronic components sourced from leading international engineering companies, including ABB Switzerland and Cooper Bussmann. We do not manufacture any of these products.

- *Manufacturing business* – design, manufacture and sale of our own manufactured products including IGBT power modules, anode saturable reactors, HV power capacitors, silicon rectifier valves, deionised water cooling systems and others. Some of these products apply certain imported power electronic components that we distribute.

We have over 600 customers, a number of whom are both customers of our distribution business and of our manufacturing business. Our distribution business customers include the CSR Group, CEPRI, NARI Group Corporation and other key players in various industries. Our manufacturing business customers include the CNR Group, the China XD Group, CEPRI and the CSR Group. Set forth below is an overview of our distribution business and manufacturing business.

Distribution business

Mr. Xiang Jie, our Chairman, started our business in 2002 when he established Beijing Sunking to engage in the distribution of imported semiconductors and other power electronic components in China. Prior to that, Mr. Xiang Jie worked at ABB Semiconductors AG as an engineer where he acquired product knowledge on ABB's semiconductors and gained useful insights into the PRC power electronic market. Notwithstanding his resignation from ABB in 2001 to pursue his business, Mr. Xiang has continued his business relationship with ABB and started distributing ABB's power electronic components in China through Beijing Sunking. We are currently an authorised distributor of ABB Switzerland, Cooper Bussmann and a number of other leading global engineering companies for power electronic components in China. According to ABB, we have generated the highest sales volume in power semiconductors of any ABB Switzerland's authorised distributor on a global basis since 2006. The imported power electronic components that we sell are used in power transmission and distribution, electric rail transportation and a broad range of other industries, including mining and non-ferrous metals and steel production.

The business model of our distribution business is relatively straightforward compared with our manufacturing business. We buy our imported power electronic components from our suppliers and sell them to our customers. Our imported power electronic products are mainly applied in locomotives and other traditional industrial applications such as inverters, power supply, reactive power compensation, voltage soft start and rectifiers. While we do not manufacture the types of products that we distribute, we apply some of our imported power electronic components from our key suppliers for the manufacture of our manufactured products such as IGBT power modules and silicon rectifier valves. Normally, we do not maintain any significant level of inventory for our distribution business. For our larger customers, we place advance orders with our suppliers based on the customers' annual purchase plans. In other cases, we place purchase orders with our suppliers upon receipt of our customers' specific orders. The credit period with our suppliers varies and ranges from 30 to 180 days. We have over 600 customers for our distribution business, a small portion of whom are also customers of our manufacturing business. Almost all of our imported power electronic components are sold to domestic companies. Key customers of our distribution business include the CSR Group, CEPRI and NARI Group Corporation. For our distribution business, we generally do not enter into long-term purchase agreements with our customers. The credit period we grant to our customers ranges from 0 day (payment upon delivery) to 180 days depending on factors such as our relationship with the customer, the customer's credit record and market practice. The length of the credit period we grant to each customer is not affected by whether the customer buys our distribution products or our manufactured products. As is typical with any trading businesses, capital requirements for our distribution business are significantly less than they are for our manufacturing business. Similarly, research and development capabilities are not critical to the success of our distribution business.

Our distribution business is conducted through Beijing Sunking and Jiashan Sunking. Revenue for the sale of our distribution products is recognised when goods are delivered and title has passed. We adopt the same revenue recognition policy for both our manufacturing business and distribution business. The following table sets forth (i) the amount of revenue contributed by our distribution business and as a percentage of our total revenue, and (ii) the gross profit margin of our distribution business, for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Sales of imported power electronic components										
Revenue	185,485	98.5	181,818	72.9	139,140	53.2	33,570	65.7	45,767	38.6
Gross profit margin	–	24.1	–	27.3	–	27.0	–	34.5	–	25.8

The following table sets forth the amount of our trade receivables attributable to our distribution business and as a percentage of our total trade receivables outstanding as at the dates indicated:

	As at 31 December						As at 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Trade receivables attributable to sales of imported power electronic components	11,264	100.0	13,280	36.4	31,388	25.1	31,698	18.0

As at 31 August 2010, 67.5% of our trade receivables attributable to our distribution business outstanding as at 31 May 2010 had been settled.

Manufacturing business

After carrying on our distribution business for several years, we began leveraging our relationships with global suppliers and major PRC infrastructure customers to selectively research and develop critical specialised power electronic components and systems that are tailored to our customers' needs. In 2007, we began to manufacture and sell power electronic systems. This was after a long research and development process and an extensive period of quality and reliability testing and trial operation. Customers of our manufactured products include both of the major PRC rolling stock manufacturers, including the CNR Group, which is our largest customer in terms of our 2009 revenue, and both of the PRC's state-owned power grid operators.

Within the rail transportation sector, we produce and sell IGBT power modules and deionised water cooling systems that are crucial to the operation of electric locomotives and EMUs used in China's railway and rapid transit systems. The crucial nature of the rail infrastructure systems, into which our products are installed, demands the highest level of product quality and reliability. We believe we are one of the few domestic companies in China that have the proven capability to design and manufacture highly specialised power electronic systems with the quality and reliability of international standards. Our rail sector products are tailored for use in the electric rail systems that are favoured by PRC policies and global trends. Power electronic technology is employed in electric locomotives to transform the energy source into high-quality power efficiently, thereby achieving energy conservation. IGBT power modules are a critical component in electric locomotives that reduce power loss and increase power conversion efficiency. The reliability of an IGBT power module is imperative to its end users, as its failure may lead to a sudden loss of power that may result in a long transportation delay and substantial economic loss. Therefore, our products are subject to extensive testing to earn the trust of our customers.

We produce and sell a range of high-end power electronic components such as anode saturable reactors and HV power capacitors that are critical to the continuous, safe and reliable operation of China's power grids. Anode saturable reactors are one of the essential protective components integrated in HVDC convertor valves of HVDC power transmission. Anode saturable reactors protect thyristor in the HVDC convertor valves from being damaged. Our power sector products are tailored for use in the energy efficient HVDC power transmission systems that are favoured by PRC policies and global trends.

The following table sets forth the relevant market size and market forecast for our key manufactured products and our market share in 2009:

Product	Market size	Our market share
IGBT power modules	Frost & Sullivan estimates that the total sales of IGBT power modules applied in electric locomotives in China were RMB1.7 billion in 2009.	3.3%(1)
Anode saturable reactors	Frost & Sullivan estimates that the total sales of anode saturable reactors applied in HVDC convertor valves in China were RMB643 million in 2009 and that this market will grow at a CAGR of 30.6% from 2010 to 2013.	3.1%(2)

Source: Ministry of Railways, State Grid, Frost & Sullivan Report

Notes:

(1) According to Frost & Sullivan, the key players in the market of IGBT power modules applied in electric locomotives in China in 2009 were Zhuzhou CSR Times Electric Co., Ltd., Toshiba and Alstom & Bombardier whose market shares were 49.5%, 37.3% and 9.9%, respectively.

(2) According to Frost & Sullivan, the key players in the market of anode saturable reactors applied in HVDC convertor valves in China in 2009 were ABB Asea Brown Boveri Ltd., Siemens and Areva whose market shares were 48.5%, 35.5% and 12.9%, respectively.

We believe that we are well positioned to capture the growth opportunities presented by the convergence of two central policies of the PRC government – its commitment to significantly enhance the country's rail and power grid infrastructure and its policies to encourage the use of domestic technology and products in major infrastructure projects, as well as the global trend to reduce overall carbon emissions through the use of energy efficient technology and infrastructure.

The raw materials that we require for the production of our manufactured products include various domestic and imported power electronic components. In particular, production of our IGBT power modules and some models of our silicon rectifier valves require ABB Switzerland's semiconductors. Therefore, some of the suppliers of our manufacturing business are also the suppliers of our distribution business. We also require domestically produced power electronic components and other raw materials such as iron core, stainless steel pipe and benzyl-toluene insulating oil which we source from other suppliers. Except for some basic raw materials and components which are commonly applicable to most of our products, we only maintain a minimum level of inventory in respect of a majority of our raw materials. The credit period with our suppliers varies and ranges from 30 to 180 days.

Due to the nature of our manufactured products, the largest customers of our manufacturing business are primarily state-owned enterprises in the PRC. We are typically required by these customers to pass an extensive period of quality and reliability testing and trial operation. No similar testing process is required for the sale of our imported power electronic components.

Our manufactured products are generally customised and tailored to suit customers' specifications. Therefore the terms of our sales contracts for our own manufactured products vary from case to case. In some cases, customers of our own manufactured products make their purchases through tender processes. Typically, all the major terms of the contract, such as design and technical specifications, price, delivery schedule, technical requirements, payment terms, freight cost allocation, liability for breach of contract and dispute resolution, etc. will be included in the bid letter that we prepare to compete for the project. If we are selected, we will enter into a formal agreement with our customers incorporating the terms agreed. In most other cases, customers place orders with us because we have passed their stringent quality testing processes. We have about 80 customers for our manufacturing business, some of whom are also customers of our distribution business.

Naturally, capital requirements for our manufacturing business are significantly higher than our distribution business. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our capital expenditures were RMB9.4 million, RMB40.0 million, RMB60.9 million and RMB16.9 million, respectively. Almost all of our capital expenditures incurred during the Track Record Period were in relation to the acquisition of land use rights, construction of production facilities and purchases of property, plant and equipment for our production plants at Jiashan Sunking and Wuxi Sunking. Jiashan Sunking, Wuxi Sunking together with Tianjin Sunking carry on our manufacturing business. We expect to spend approximately RMB200 million in the near future primarily for upgrading our production facility at Jiashan Sunking for the production of IGBT power modules and the construction of phase II of our production facility at Wuxi Sunking. We expect to finance such capital expenditures primarily using the net proceeds from the Global Offering. We also expect to incur capital expenditures in relation to our research and development activities, please see the paragraph below.

In addition to capital expenditures, we also require funding to finance our research and development activities. Our Directors believe that research and development is essential for our manufacturing business in order to assist us in achieving our goal to maintain our position as a leading domestic power electronic product provider that offers high-quality advanced power electronic products to customers. Our research and development expenses for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were RMB4.5 million, RMB0.3 million, RMB0.6 million and RMB0.9 million, respectively. We intend to consolidate our various research and development capabilities currently installed at different lines of business by setting up a centralised research and development department, to be operated under Jiangsu Sunking, with the aim of optimising our research efforts. In particular, we plan to construct a laboratory at Jiangsu Sunking to focus on the research and development of power electronic components. The current plan is to develop in-house research and development capabilities for reactors, inverters and technology on power efficiency improvement. It is estimated that we would require approximately RMB140 million in aggregate for the construction of the laboratory building and for the procurement of various laboratory testing equipment and systems. We expect to fund the required costs partly by using the net proceeds from the Global Offering and partly by bank borrowings.

We adopt the same revenue recognition policy for our manufacturing and distribution businesses, i.e. revenue is recognised when goods are delivered and title has passed. Although our manufactured products are often subject to extensive quality and reliability testing by our customers, such testing is carried out prior to any sale of such products to the customer. After we sell our manufactured products, they are not subject to quality and reliability testing other than the standard warranty we provide to customers. On that basis, we recognise revenue when goods are delivered and title has passed. The following tables set forth (i) the amount of revenue contributed by our manufacturing business and as a percentage of our total revenue, and (ii) the gross profit margin of our manufacturing business by product line, for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Revenue from sales of manufactured products										
IGBT power modules	–	–	–	–	45,904	17.5	–	–	39,932	33.7
Anode saturable reactors	1,590	0.8	260	0.1	11,759	4.5	–	–	1,790	1.5
HV power capacitors	–	–	–	–	–	–	–	–	2,063	1.7
Silicon rectifier valves and others	1,221	0.7	61,807	24.8	58,061	22.2	16,817	32.9	27,215	23.0
Deionised water cooling systems	–	–	5,636	2.2	6,840	2.6	686	1.4	1,796	1.5
Total	2,811	1.5	67,703	27.1	122,564	46.8	17,503	34.3	72,796	61.4

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	%	%	%	%	%
				(unaudited)	
Gross profit margin					
Manufacturing business	41.3	31.1	34.5	44.8	26.4
IGBT power modules	–	–	27.0	–	27.0
Anode saturable reactors	54.5	75.0	61.7	–	49.8
HV power capacitors	–	–	–	–	57.3
Silicon rectifier valves and others	24.0	32.5	38.2	45.5	22.9
Deionised water cooling systems	–	13.9	7.0	27.6	9.2

The following table sets forth the amount of our trade receivables attributable to our manufacturing business and as a percentage of our total trade receivables outstanding as at the dates indicated:

	As at 31 December						As at 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Trade receivables attributable to our manufacturing business	–	–	23,230	63.6	93,464	74.9	143,968	82.0

As at 31 August 2010, 27.1% of our trade receivables attributable to our manufacturing business outstanding as at 31 May 2010 has been settled.

While we plan to further develop our manufacturing business, it is our intention to continue our distribution business to complement our manufacturing business. Our distribution business generated stable revenue and profit over the Track Record Period and allowed us to gain insights into the product requirements of our customers. Further, our bulk purchases with our key suppliers for our distribution business have enabled us to source raw materials for our own manufactured products, i.e. imported power electronic components, at competitive pricing. As our two business segments present us with different sets of opportunities and risks, operating and maintaining our two businesses allow us to diversify the risks while at the same time capitalise on the opportunities in the growing rail and power sectors in China. While we incorporate certain imported power electronic components that we distribute into some of the products we manufacture, the end products of our manufacturing business have different functionalities and industrial applications than our unmodified imported products. Accordingly, our Directors are of the view that there is no direct competition between our distribution business and our manufacturing business.

Historical financial highlights

Our total revenue was RMB188.3 million, RMB249.5 million, RMB261.7 million and RMB118.6 million for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, respectively, representing a CAGR of 17.9% over the three years from 2007 to 2009. Our profit attributed to owners of our Company was RMB22.0 million, RMB45.0 million, RMB38.9 million and RMB9.4 million for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, respectively, representing a CAGR of 32.9% over the three years from 2007 to 2009.

The following table sets forth a breakdown of our revenue by business segment and as a percentage of our total revenue for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Sales of imported power electronic components ..	185,485	98.5	181,818	72.9	139,140	53.2	33,570	65.7	45,767	38.6
Sales of manufactured products										
IGBT power modules	–	–	–	–	45,904	17.5	–	–	39,932	33.7
Anode saturable reactors	1,590	0.8	260	0.1	11,759	4.5	–	–	1,790	1.5
HV power capacitors	–	–	–	–	–	–	–	–	2,063	1.7
Silicon rectifier valves and others	1,221	0.7	61,807	24.8	58,061	22.2	16,817	32.9	27,215	23.0
Deionised water cooling systems	–	–	5,636	2.2	6,840	2.6	686	1.4	1,796	1.5
Sub-total	2,811	1.5	67,703	27.1	122,564	46.8	17,503	34.3	72,796	61.4
Total	188,296	100.0	249,521	100.0	261,704	100.0	51,073	100.0	118,563	100.0

RECENT CHANGE IN OUR BUSINESS FOCUS

Our manufacturing business has a short history. We started to selectively research and develop power electronic components and systems that are tailored to our customers' needs in 2005, and did not generate any revenue from the sale of our own manufactured products until 2007. The proportion of our revenue attributable to our manufacturing business accounted for 1.5% of our total revenue in 2007 and increased to 46.8% in 2009 and further to 61.4% for the five months ended 31 May 2010. The change in our business focus has brought on a number of new challenges and risks in our operations and represents risks to investors in our Shares, which are summarised as follows:

Increase in trade receivables and longer collection cycle – During the Track Record Period, our trade receivables balance increased significantly and at the same time our trade receivables turnover days also became longer. As of 31 December 2007, 2008 and 2009 and 31 May 2010, we had trade and note receivables of RMB30.7 million, RMB46.3 million, RMB153.7 million and RMB215.4 million, respectively. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our average trade and note receivables turnover days were 38.5 days, 56.3 days, 139.5 days and 235.0 days, respectively. The length of our average trade and note receivables turnover for the five months ended 31 May 2010 was longer than 180 days, which is the most favourable credit period we grant to our customers. This partly reflects the fact that some of our trade receivables balance were overdue as at 31 May 2010. The increased amount of our trade receivables and the longer collection cycle has, and will likely continue to have, an adverse impact on our working capital needs. Additionally, if we are unable to recover our trade receivables, our results of operations and financial condition may be adversely affected.

In view of the increasing trade receivables, our management has been exploring ways to improve our collection cycle. Our management and sales team hold regular meetings to review status of the collection process and devise specific plans to accelerate collection. With respect to those customers who have large overdue trade receivables, we may delay or consider rejecting their new orders. For such customers, we will endeavour to procure their written acknowledgement of the overdue amount and where appropriate, agree on a payment schedule with them. As a result of our increased effort in debt collection, settlement of our trade receivables has improved. As at 31 August 2010, 34.4% of our trade receivables outstanding as at 31 May 2010 had been settled. In particular, 26.8% of our trade receivables due from the CNR Group outstanding as at 31 May 2010 had been settled as at 31 August 2010. Further, the CNR Group has confirmed to us in writing that it will settle all of its remaining balance with us as at 31 May 2010 by the end of 2010, by way of three installments payable in the amounts of RMB20.0 million in October 2010, RMB20.0 million in November 2010 and the balance in December 2010.

Capital-intensive nature of our manufacturing business – Our manufacturing business is generally capital-intensive as we require significant amount of capital to construct our production facilities, purchase production equipment, develop new products, and develop and implement new technologies. Our capital expenditures for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were RMB9.4 million, RMB40.0 million, RMB60.9 million and RMB16.9 million, respectively and almost all of which were incurred in relation to our manufacturing business. As of 31 May 2010, we had committed capital expenditures of RMB7.7 million. We expect that our capital expenditures will continue to increase as a result of the ongoing expansion of our operations and further upgrades of our production facilities. If we are unable to obtain the necessary financing, our expansion plans or completion of new production facilities may be delayed, our proposed or potential projects may be hindered, and our financial position and results of operations may be adversely affected.

Insufficient working capital – We require a significant amount of working capital on a continuous basis to fund our manufacturing business. Several factors have had, and are expected to continue to have, a significant impact on the sufficiency of our cash flow and working capital, including the rapid growth of our manufacturing business, the procurement lead time of our products, the required prepayments to our suppliers for certain raw materials and components and the long trade receivables turnover time. As a result of these factors, our cash inflow may not be able to meet our working capital requirements. Recently, we have increased our reliance on bank borrowings to fund our working capital. Our secured short-term bank loans increased from RMB20.0 million as at 31 December 2009 to RMB92.3 million as at 31 May 2010 and further increased to RMB118.1 million as at 30 June 2010. As at 31 August 2010, we had secured short-term bank loans in an aggregate amount of RMB174.6 million outstanding.

Short operating history – We began our business in 2002 as an authorised distributor of ABB Switzerland, and subsequently as distributor of Cooper Bussmann and a number of other leading global engineering companies for power electronic components in China. Although we began to manufacture products in 2007, we only started to generate significant revenue from our manufacturing business in 2008. Sales of our own manufactured products accounted for 1.5%, 27.1%, 46.8% and 61.4% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, respectively. Due to the limited operating history of our manufacturing business, and the limited availability of financial data of our business, there may not be a sufficiently adequate basis on which potential investors in our Shares can evaluate our future business prospects and results of operations.

For a further discussion of the above risks, please refer to the section headed "Risk Factors – Risks relating to our manufacturing business" of this prospectus.

Notwithstanding the new challenges and risks resulting from our change of business focus to our manufacturing business, our manufacturing business has grown significantly over our short history of operation. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, revenue generated from our manufacturing business amounted to RMB2.8 million, RMB67.7 million, RMB122.6 million and RMB72.8 million, respectively, representing a CAGR of 560.3% from 2007 to 2009. For the year ended 31 December 2009 and the five months ended 31 May 2010, revenue generated from sales of IGBT power modules amounted to RMB45.9 million and RMB39.9 million, respectively, representing 17.5% and 33.7% of our total revenue for the respective periods. Although, the gross profit margin of IGBT power modules was at a level similar to that of our distribution business during the Track Record Period, we generated substantial revenue and profit from sales of IGBT power modules which we believe we would otherwise have not been able to achieve by merely conducting our distribution business. Our manufacturing business is targeted at customers in the PRC railway and power transmission and distribution sectors. In view of the PRC government's continued investment in building and upgrading the national railway infrastructure, and its continued public spending in the national power transmission and distribution systems, our Directors believe that our manufacturing business will benefit from the growth opportunities brought by such expansion plans.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our success has been, and will continue to be, attributable to, among other things, the following competitive strengths:

We believe we are well positioned to capture the growth opportunities presented by the convergence of two central policies of the PRC government – its commitment to significantly enhance the country's rail and power grid infrastructure and its policies encouraging the use of domestic technology and products in major infrastructure projects, as well as the global trend to reduce overall carbon emissions through the use of energy efficient technology and infrastructure.

The PRC's commitment to significantly enhance the country's rail and power grid infrastructure.

We are well positioned to benefit from the PRC government's current macro infrastructure development plans, which were formulated to support China's rapid economic growth.

China's railway industry is undergoing rapid development. At the end of 2008, railway construction was listed as one of the key areas in the economy stimulus plan of China. According to the Eleventh Five-year Plan, the Ministry of Railways lifted its capital assets from RMB1.25 trillion to RMB1.75 trillion, representing a 40% increase. The total investment in purchasing and upgrading railway locomotives is planned to be RMB250 billion, increasing by more than 160% from the amount of RMB95 billion stated in the Tenth Five-year Plan. We expect demand for our rail sector products and systems to dramatically increase as a result of a number of initiatives under the Middle to Long-term Transportation Network Development Plan, which provides a blueprint for enhancing the PRC's national transportation infrastructure by extending its railway network, and increasing its overall capacity in terms of speed and passenger and freight volume. The scheduled increase in the total national railway mileage, additions of tracks to existing railways, and the introduction of metro cars and light rail systems for intra-city and inter-cities commuting is expected to provide significant opportunities for growth for suppliers to the railway industry. We believe the PRC government's continued investment in building and upgrading the national railway infrastructure will benefit our rail-related business.

Similarly, China's power sector is expected to benefit from significantly increased investment. There are 12 HVDC power transmission projects completed in China with a total transmission capacity of 18.2 million kw. According to the Frost & Sullivan Report, five more HVDC and three UHVDC power transmission projects will be completed by 2010 with a total transmission capacity of 25.2 million kw. Among these 20 power transmission projects, 16 projects with a total transmission capacity of about 30.5 million kw belong to State Grid and the remaining four projects with a total transmission capacity of about 12.9 million kw belong to South Grid. Besides, State Grid plans to build 25 DC transmission projects with a total transmission capacity of about 160.0 million kw from 2011 to 2020. The average cost for every 10,000 kw transmission capacity of the current completed DC transmission projects or projects under construction is approximately RMB20 million to RMB27 million. Therefore, investment from State Grid in the new DC transmission projects is projected to be approximately RMB350 billion. The continued public spending in the national power transmission and distribution systems encouraged by the government policy is expected to increase the demand for HVDC power transmission and distribution systems, which in turn will benefit our business.

The PRC's policies encourage the use of domestic technology and products in major infrastructure projects within the rail transportation and power grid sectors.

The PRC government has a number of formal policies to encourage the use of domestically produced technologies and products, and these policies specifically extend to the rail transportation and power grid sectors. In 2009, the PRC government initiated a formal policy to revitalise the domestic equipment manufacturing industry through the use of domestically produced products.

Within the rail transportation sector, the State Council has defined its corresponding policy as "introducing advanced technology from overseas, and conducting research and manufacturing jointly to build the Chinese brand" for technological introduction of railway transportation system. In the Suggestions on Accelerating Revitalisation of Equipment Manufacturing Industry (《關於加快振興裝備製造業的若干意見》), the State Council proposed to develop a group of competitive large-scale system manufacturing enterprises in 2010, improve manufacturing capability of important high-tech equipment with independent intellectual property rights, and establish and improve a group of internationally advanced state-level major high-tech equipment engineering centres.

Within the power transmission and distribution sector, in both the Notice on Implementing the Early-Stage Work for the Ultra-High-Voltage Power Transmission Technologies of One Million Volt AC and 800 Thousand Volt Positive & Negative DC (《關於開展百萬伏級交流、 正負80萬伏級直流特高壓輸電技術前期工作的通知》) issued by NDRC and the Notice on Distributing the Plan for National Key Technical Equipment Development and Key Industrial Technologies Development (《關於印發國家重大技術裝備研製和重大產業技術開發專項規劃的通知》) jointly issued by NDRC and the Ministry of Science and Technology, development of HVDC power transmission system suites was identified as a key technical equipment development programme. In 2009, Ministry of Industry and Information Technology, Ministry of Science and Technology, Ministry of Finance and State-owned Assets Supervision and Administration Commission of the State Council jointly issued the notice entitled Guiding Catalogue of Major Technical

Equipment for Independent Innovation (the "**Guiding Catalogue**"), stipulating that: all products listed in the Guiding Catalogue should be included in the government's related technology and product development programmes and should receive preferential treatment in terms of financing support for commercialisation. According to Frost & Sullivan, we are the only domestic company that is able to manufacture anode saturable reactors applied in HVDC convertor valves in large quantities. HVDC convertor valves are listed on the Guiding Catalogue. We have conducted technical research for a few years and now cover key product types provided by our competitors like ABB. Besides, we signed research and development agreements with China XD Group and CEPRI, a comprehensive scientific research institution directly under State Grid, responsible for the research and development and manufacturing of reactors. In April 2010, our anode saturable reactors applied in HVDC convertor valves have passed the appraisal of the National Energy Administration, meaning that our products (i) demonstrated superb electric performance and excellent fireproof capability, (ii) have reached and surpassed international standards of similar products in certain key technical aspects, and that Jiashan Sunking has the necessary technology and proper quality control system to manufacture such products in large quantities.

As advised by our PRC legal adviser, there were no PRC laws, rules or regulations which set out a specific definition or qualifications as to what constitute "domestic" companies up to the Latest Practicable Date. Our Directors believe that, based on past experience, as a result of being a "domestic" company we may be viewed more favourably than foreign companies when bidding on power electronic contracts related to the government policies set out above. Upon consultation with NDRC, our PRC legal adviser is of the opinion that, after the Global Offering, our subsidiaries established in the PRC will continue to be considered as "domestic" companies for the purposes of the industry policies encouraging the production of power electronic components domestically as mentioned above.

We believe we are well positioned to capture the growth opportunities presented by the global trend to reduce carbon emissions through the use of energy efficient technology and infrastructure.

Policies characteristic of the global trend advocating the reduction of carbon emissions through the use of energy efficient technology and infrastructure have since 2005, been increasingly adopted in the PRC. The PRC government has identified the use of more energy efficient railways and power transmission systems as a key aspect of its efforts to encourage energy savings, environmental protection and better resource utilisation. The PRC government has targeted a reduction in carbon emissions at the rates ranging from 40% to 45% by 2020.

Within the rail sector, government plans emphasise new investment in, and the trend towards the adoption of, electrified railways and electric rapid transit systems, as a means of long-term sustainable mass transportation. This creates a favourable environment to develop our manufacturing business of IGBT power modules. An IGBT power module is the device encapsulated within IC drives, various drive protection circuits, high performance IGBT and water cooling devices. The main advantage of IGBT technology is that it significantly reduces power loss and the increase in convertor efficiency.

Within the power transmission and distribution sector, the government intends to encourage the development of low carbon emission, energy efficient technology to meet the energy needs of the growing economy, and to establish the smart grid. This provides market growth potential for two of our key products, anode saturable reactors and HV power capacitors. The primary functions of anode saturable reactors are to protect electric power transmission and distribution systems from over-current and to allow the systems, which are usually situated outdoor, to continue to operate under extreme weather conditions. This technology considerably reduces power losses during power transmission and distribution and therefore provides significant value-add to power grid companies. Power capacitors are generally applied in power transmission and distribution systems in power grid and industrial power systems to reduce electricity losses, to improve quality of power supply and to increase usage life of equipment by regulating the power factor.

Our power electronic components distribution business generated stable revenue and profit over the Track Record Period, allowed us to gain insights into the needs of our key customers, enabled us to source key components of our own manufactured products at competitive pricing and hence, improved our cost base.

We began our distribution business in 2002 and are currently an authorised distributor of ABB Switzerland, Cooper Bussmann and a number of other leading global engineering companies for power electronic components in China. According to ABB Switzerland, we have generated the highest sales volume in power semiconductors of any ABB Switzerland authorised distributor on a global basis since 2006. The imported power electronic components that we sell are used in power transmission and distribution, electric rail transportation and a broad range of other industries, including mining, non-ferrous metals and steel production.

For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, our distribution business has generated sales revenue of RMB185.5 million, RMB181.8 million, RMB139.1 million and RMB45.8 million, respectively, and has significantly contributed to our profitability in each of these periods. In addition, our distribution business requires significantly less capital investment, compared to our manufacturing business, thus providing us with the liquidity and cash flow to help develop and expand our own manufacturing business. Our long-term partnerships with manufacturers such as ABB Switzerland and Cooper Bussmann through our distribution business have given us unique access to both our suppliers and our customers. These relationships have enabled, and are expected to continue to enable us, to keep abreast of new product development, expand our own manufactured products, understand our customers' needs and improve our ability to provide after-sales services to our customers who place reliance on suppliers for product installation and on-going maintenance support.

In addition, our power electronic components distribution business has enabled us to source key components of our own manufactured products at competitive pricing, and has given us a competitive advantage of a lower cost base.

We have well established partnerships with the major players that dominate the PRC rail and power grid sectors and are well positioned to continue to provide products and systems for their specialised development requirements.

The industries we selectively target are dominated by a very limited number of major players, a number of which we have well established partnerships with. Within the railway industry, each of the only two rolling stock manufacturers in China is among our customers, and within the power grid sector, we are a supplier of the only two state-owned grid companies in China, State Grid and South Grid, as well as both of the two major power transmission and distribution system manufacturers in China, the China XD Group and CEPRI.

A number of such partnerships originated from the time at which we commenced our power electronic components distribution business. We have invested, and will continue to invest, substantial time and effort to understand our customers' requirements in order to enhance our manufacturing business. For example, in 2008, when the CNR Group began to develop a series of new electric locomotive models, we participated in the collaboration on the development of IGBT power modules for the new high-speed trains. The IGBT power module that we helped develop as a result of such initiatives has been adopted by the CNR Group for their electric locomotives. Since then, we have entered into several supply contracts with the CNR Group for our IGBT power modules. According to Frost & Sullivan, we are currently the sole domestic supplier of IGBT power module to the CNR Group for its 9,600kw electric locomotives. Similarly, having worked alongside the China XD Group and CEPRI for a number of years, according to Frost & Sullivan, we have now become their sole domestic supplier of anode saturable reactors in China. In order to be a supplier of state-owned enterprises such as CNR, the China XD Group and CEPRI, we underwent extensive testing and qualification processes. In view of our experience and expertise in power semiconductors, we were engaged by our customers to carry out extensive research and development on their product requirements. The customers then conducted a series of quality and reliability tests on our products. Only after we have completed these lengthy processes, we may then sell our products to these state-owned enterprise customers.

In June 2010, the CNR Group agreed to a strategic investment that will provide them with an approximate 5.0% equity interest in our Company following the Reorganisation. We intend to strengthen our strategic partnership with the CNR Group and enhance the potential of our business relationship through this strategic investment. The objectives of such strategic partnership are as follows:

- to strengthen our cooperation in the development of IGBT power modules for electric locomotives and light railway locomotives;

- to expand our cooperation on the development of other power electronic application areas such as power equipment and electric cars;

- to tap into the CNR Group's resources for the purpose of assisting us in the pre-testing and testing phases for new products; and

- to explore further cooperation opportunities and exchange general information on the PRC's traction, electric locomotives and railway industry.

Our partnerships with our customers and our understanding of their technical requirements enable us to develop and deliver suitable power efficient solutions that can add value to our customers' businesses. The products and systems we develop for our customers are integral to the overall design and function of their systems. The duration and the intense nature of the product development and testing process in the rail and power grid sectors provides us with a detailed understanding of our customers' needs, which enables us to selectively target future products for development. To help ensure the strength of our partnerships and continuously improve our product quality, we regularly obtain feedback from customers and proactively participate in their development plans. We also believe that building a strong working relationship will increase customer's loyalty to our products.

Through our distribution business, we have established a broad customer base comprising over 600 industrial players spreading across various regions in China. This pool of customers represents potential customers for our manufacturing business.

Our technical knowhow and our customers' rigorous requirements on suppliers for the rail and power grid sectors create barriers of entry to potential competitors.

The IGBT power modules, anode saturable reactors, HV power capacitors and deionised water cooling systems that we produce are highly technical products and require advanced knowhow. Our customers, particularly rolling stock manufacturers and power grid operators, typically set stringent quality requirements and detailed testing and inspection procedures for these products. Not very often will a new supplier be admitted to conduct trial operation due to the cost and potential risk involved. Since these products are technically complicated and require highly-skilled technicians to assemble and maintain, customers place heavy reliance on suppliers for the product installation and on-going maintenance. This means suppliers are required to be equipped with, among other things, a network of experienced technicians who possess a thorough understanding of the customers' system requirements and who are able to provide on-the-ground, timely and responsive technical support. As a result, our customers are very selective of their key component suppliers. To be a supplier of rolling stock and HVDC power systems, a potential supplier must satisfy the stringent quality requirements and qualification process. The entire qualification process could be extensive.

We are a supplier of the CNR Group, the China XD Group and CEPRI. We have developed our proprietary technology on anode saturable reactors which provide significant value to power grid companies and power transmission and distribution system manufacturers by effectively protecting the thyristors in the HVDC convertor valves. As a result of our substantial investment in this development process, we believe we have established a significant technological barrier of entry and dominant position in this market. We have also developed an IGBT power module for the CNR Group. We believe our proprietary technology coupled with our experienced and qualified workforce has created significant barriers of entry to our potential competitors.

In addition, as an existing supplier, we believe we will receive stable business from rolling stock and power transmission and distribution system application areas where only a limited number of suppliers, who have met the qualification process, have experience providing the necessary consistency and reliability.

We have a proven track record of commercialisation of our proprietary technology.

Since we operate in highly technical industries, we place emphasis on research and development. The primary objectives of our research and development initiatives are to develop and introduce new power efficient products and solutions that cater to our customers' needs, to keep abreast of the latest developments in technology and to remain competitive. We have research and development personnel who possess knowhow developed and accumulated since we commenced operations, including technical knowhow and proprietary knowledge in the areas of power electronic engineering, power electronic components, rail transportation and power transmission and distribution. Various members of our sales team are also involved in researching new products and improvements to our existing technology by procuring customers' feedback on our products. Our research and development efforts are market-driven and focus on addressing customers' requirements. Accordingly, our research and development efforts have resulted in successful commercialisation of our products in a cost efficient manner.

As of the Latest Practicable Date, our research and development team comprised 33 staff, among whom 17 hold bachelor or higher degrees and nine possess professional qualifications. Our research staff members have diversified professional background with experience in areas such as mechanical engineering, electrical engineering, power electronic components and water cooling systems. Amongst our research and development staff, nine of whom have over ten years of research and development experience.

Throughout our operating history, we have demonstrated our research and development capabilities and a track record of successful commercialisation of our proprietary technology. For example, according to Frost & Sullivan, we are the only domestic company that is able to manufacture anode saturable reactors applied in HVDC convertor valves in large quantities. This technology considerably reduces power losses during power transmission and therefore helps power grid operators improve their transmission efficiency. In addition, we have successfully developed our IGBT power module based on the specifications required by the CNR Group.

Our Directors believe that our continuous technical advancement in terms of proprietary technology and product development has contributed and will continue to contribute to our success. We believe that as a result of our efforts in research and development, we are well positioned to further expand our market share and widen our customer base by continuing to provide our customers with innovative technology and products.

We have a seasoned and energetic management team that is committed to our long-term success.

We have a seasoned and energetic management team that combines extensive experience in the power electronic industry, an in-depth understanding of our key markets and a track record of managing and growing our business, including successful commercialisation of our research and development efforts. In particular, Mr. Xiang Jie, our founder, chairman and chief executive officer, and other members of our core management team have worked for global leaders in the power electronic and other industries, and have rich work experience. With an average age of 35, our core management team is energetic and adaptable to challenges. Our core management team is committed to the long-term prospects of our Group as exemplified by our management ownership structure and the adoption of the Sunking BVI Share Award Scheme.

OUR BUSINESS STRATEGIES

Our vision is to become a leading enabler of power efficiency and emission reduction in China by providing a comprehensive range of power electronic components, integrated systems and technology solutions in China and abroad. To achieve our goal, we intend to implement the following business strategies.

To further capitalise on the rapid growth of power electronic market and favourable PRC macro policies that encourage the continued development of rail transportation and power infrastructure.

We intend to maintain our focus on the PRC rail transportation and power distribution and transmission sectors, which we expect will benefit from the continued public investments encouraged by the PRC government's policies. The continued investment by the PRC government in these sectors and the government's commitment to reduce carbon emissions present significant opportunities for power electronic component suppliers such as ourselves. We will continue to work closely with our customers to develop innovative solutions that are tailor made to suit their needs. We believe the technology barrier of entry, coupled with our established and close working relationships with key players in these industries places us in an advantageous position to capture substantial growth opportunities. We intend to leverage on our competitive strengths, reinforce our leading position and capture greater market share in the rail and power sectors. In addition, our deep understanding of the requirements of our customers within the rail and power sectors will enable us to selectively identify areas for new product development.

To expand our product offerings and further develop products and systems based on our proprietary technology.

As the power electronic component industries further develop in China, we intend to ensure that our product offerings evolve to meet or exceed the technological and design requirements sought by our customers. To better service our customers, we will endeavour to offer additional products and solutions by expanding our product portfolio. We recognise that in order to remain competitive and to stay at the technological forefront of the industry, it is vital that we continue to develop our proprietary technology. We intend to focus on the development of our proprietary technology and new product offerings by increasing our research and development capabilities. We intend to upgrade and expand the existing production facilities of Jiashan Sunking and Wuxi Sunking to provide additional capacity for the production of new products. By expanding our product offerings and production capacity, our Directors believe that we should be able to further strengthen our market-leading position in China while enhancing our market share.

To seek growth through strategic alliances, joint ventures and acquisitions.

In addition to organic growth, we will explore opportunities to collaborate with suitable partners in related fields through strategic alliances, joint ventures or acquisitions that provide operational synergies, enhance our technological capabilities and knowhow or otherwise strengthen our current market-leading position. We believe there are potential acquisition investment opportunities in regional domestic companies that manufacture other energy-saving products, or vertical integration opportunities with our suppliers or customers. Our objectives are to expand our product range and revenue base, seek cross-selling opportunities across different product lines, and strengthen our pool of technology specialists in power electronic. We believe that our market-leading position enables us to attract potential partnership candidates. Furthermore, our successful history of identifying and integrating acquisition and joint venture targets, including the acquisition of Tianjin Sunking and the establishment of Jiashan Converter Technology, will facilitate the execution of our plan to grow through strategic alliances and acquisitions. More recently in June 2010, Jiashan Sunking acquired a 20% interest in Shanghai Lang Zhi De which, through its subsidiary Wuhan Langde, is engaged in the on-line monitoring of smart grid. We plan to develop online capacitor solutions for smart grids together with Wuhan Langde. We also plan to expand our business into the smart grid market as smart grids deliver electricity from suppliers to consumers in an energy-saving, cost-effective and reliable way, which is in line with our general objective of providing energy efficient solutions and energy-saving products to our customers. We are also seeking to establish a joint venture with Trainelec, a subsidiary of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A., a leading international supplier of equipment and components for railway systems whose shares are listed on the Madrid Stock Exchange, for the production of IGBT power modules. From time to time, we have discussions with a number of acquisition or alliance targets to explore possible ways of cooperation or alliances. Save as disclosed above, these discussions were still at a preliminary stage and no concrete agreement with any such potential acquisition or alliance targets was close to materialisation as at the Latest Practicable Date.

We also believe forming suitable strategic alliances and acquisitions would enable us to tap into the scarce human resources talent pool for power electronic market. To retain, attract and develop a qualified and professional workforce to support our long-term business growth, we intend to adopt a comprehensive human resources strategy, will continue to place emphasis on cultivating a strong corporate culture that focuses on teamwork, professionalism and innovation and will offer our key personnel competitive remuneration packages linked to our Group’s performance.

To explore overseas markets through our strategic cooperation with international companies or our customers.

While we have established our market-leading position in the PRC power electronic component industry by supplying to China’s leading rolling stock and power grid companies, we plan to broaden our geographical coverage to increase our sources of revenue by forming strategic cooperation with international engineering companies and our customers. Further, we may work with our existing customers to seek cooperation opportunities to jointly develop possible overseas markets or sales channels for their products that incorporate our products as components or parts of their systems. In particular, we seek to collaborate with our customers in the PRC power sector to jointly develop potential overseas markets. In this regard, we are exploring opportunities to participate in overseas HVDC projects. However, these discussions are still at a preliminary stage. We believe that we can compete effectively in overseas markets in terms of product quality and pricing.

To increase our research and development capabilities.

In order to reinforce our market-leading position as a domestic provider of high-quality advanced power electronic products, we intend to increase our investment in research and development and recruit additional expertise to enhance our research and development capabilities. We believe our research and development strategy of creating innovative solutions tailor made to suit our customers’ requirements have been one of the keys to our success and will continue to be an important factor in our continued success and growth. In addition to strengthening our research and development capabilities, we intend to consolidate our existing knowledge and capabilities in different lines of business by establishing a centralised research and development department, to be operated under Jiangsu Sunking, to optimise our research efforts.

OUR BUSINESS

We generate our revenue from two business segments:

- *Distribution business* – we distribute imported power electronic components such as semiconductors, current/voltage sensors, heat sinks, fuses, IGBT drivers and other power electronic components sourced from leading international engineering companies.

- *Manufacturing business* – we design, manufacture and sell our own manufactured products including IGBT power modules, anode saturable reactors, HV power capacitors, silicon rectifier valves, deionised water cooling systems and others.

The following is a breakdown of our revenue by business segment and the percentage contribution by each segment to our total revenue for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Distribution business	185,485	98.5	181,818	72.9	139,140	53.2	33,570	65.7	45,767	38.6
Manufacturing business										
IGBT power modules	–	–	–	–	45,904	17.5	–	–	39,932	33.7
Anode saturable reactors	1,590	0.8	260	0.1	11,759	4.5	–	–	1,790	1.5
HV power capacitors	–	–	–	–	–	–	–	–	2,063	1.7
Silicon rectifier valves and others	1,221	0.7	61,807	24.8	58,061	22.2	16,817	32.9	27,215	23.0
Deionised water cooling systems	–	–	5,636	2.2	6,840	2.6	686	1.4	1,796	1.5
Sub-total	2,811	1.5	67,703	27.1	122,564	46.8	17,503	34.3	72,796	61.4
Total	188,296	100.0	249,521	100.0	261,704	100.0	51,073	100.0	118,563	100.0

DISTRIBUTION BUSINESS

Products

Prior to the establishment of Beijing Sunking in 2002, Mr. Xiang Jie worked at ABB Semiconductors AG as an engineer where he acquired product knowledge on ABB's semiconductors and gained useful insights into the PRC power electronic components and systems market. Notwithstanding his resignation from ABB in 2001 to pursue his business, Mr. Xiang has continued his business relationship with ABB and started distributing ABB's power electronic components in the PRC through Beijing Sunking. Since our inception, we have been importing and selling, a distributor of ABB Switzerland, a range of high quality power electronic components and products including semiconductors, current/voltage sensors, fuses and other power electronic products (such as heat sinks and IGBT drivers) in China. Our imported power electronic products are mainly applied in locomotives and other traditional industrial applications such as inverters, power supply, reactive power compensation, voltage soft start and rectifiers. The following sets out the functions of some of our key imported power electronic products:

Product	Function
Power semiconductor	A material that has an electrical conductivity due to flowing electrons (as opposed to ionic conductivity) which is intermediate in magnitude between that of a conductor and an insulator. Semiconductors are mainly used for inverters, power supply, reactive power compensation, voltage soft start, generator excitation and rectifiers.
Current/voltage sensor....	A device that measures current and voltage, respectively, at specified points in a power electronic system. A current/voltage sensor is required for the control and protection of a power electronic system, and used in many applications like wind energy, solar energy, electric railway and other industrial applications.
Fuse	A type of sacrificial over-current protection device. Its essential component is a metal wire or strip that melts when current overflows, which interrupts the circuit in which it is connected. Fuses are mainly used for inverters, power supply and rectifiers.

We do not manufacture any of the above products.

Our distribution business has grown significantly since our establishment and according to ABB Switzerland and Cooper Bussmann, we are now the largest authorised distributor of ABB Switzerland for its power semiconductors globally and the largest distributor of Cooper Bussmann for its fuses in the Asia Pacific region in terms of sales volume. In addition to our key customers in the rail and power sectors, we sell imported power electronic components to industrial players such as Rongxin Power Electronic Co., Ltd., a supplier of high-voltage power equipment (such as static VAR compensators) whose shares are listed on the Shenzhen Stock Exchange in the PRC.

Prior to 2009, our distribution business was conducted solely by Beijing Sunking. Our distribution business is now conducted through both Beijing Sunking and Jiashan Sunking.

Purchases and suppliers

We enter into distribution agreements with our suppliers for the sale of their designated products in China. The terms of our distribution agreements vary from case to case as a result of the negotiations conducted between the suppliers and us. Normally, we do not maintain any significant level of inventory for our distribution business. For our larger customers, we place advance orders with our suppliers based on the customers' annual purchase plans. In other cases, we place purchase orders with our suppliers on receipt of our customers' specific orders. The credit period with our suppliers varies and ranges from 30 to 180 days.

ABB Switzerland is our largest supplier. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, purchases from ABB Switzerland, amounted to approximately RMB115.6 million, RMB112.7 million, RMB141.2 million, RMB31.1 million and RMB75.7 million, respectively, representing 75.1%, 67.9%, 80.8%, 67.6% and 77.2% of our total purchases for the respective periods. ABB Switzerland is a leading global manufacturer and supplier of semiconductors. Its major products include GTOs, IGBTs, IGCTs, thyristors, high-power fast recovery diodes and rectifier diodes.

Our current distribution agreement with ABB Switzerland was entered into on 20 November 2006 when ABB Switzerland renewed the term of our appointment. The salient terms of our distribution agreement with ABB Switzerland are summarised below:

Term..............................	The agreement is valid for an initial term of 12 months starting from 20 November 2006 and is automatically renewed for another 12 months for a maximum of five years. The five-year period will expire on 19 November 2011.
Exclusivity	Beijing Sunking is appointed as a non-exclusive distributor of ABB Switzerland's semiconductors in the PRC.
Credit term....................	We have a credit period of 60 days.
Restrictive covenants	Beijing Sunking has undertaken that it will not distribute and re-sell competing products purchased from other suppliers.
Termination	The agreement may be terminated by either party with a 12-month written notice. Further, the agreement will be terminated upon the occurrence of certain events including the following: if a party fails to perform its obligations under the agreement for a period of six months after a default notice has been served; if the terminating party is seriously restricted in the scope and exercise of its rights and can no longer reasonably be expected to continue performing its obligations under the agreement; or if the ownership and/or legal structure of either party changes substantially.

We have complied with all the material terms, including the restrictive covenant, of the distribution agreement with ABB Switzerland. The other imported power electronic components that we distribute are of a different nature and have different industrial applications than ABB Switzerland's semiconductors, and therefore do not compete with ABB Switzerland's semiconductors. Our Directors have confirmed that we have complied with the restrictions imposed by ABB Switzerland. Further, ABB Switzerland has also confirmed that there has not been any violation on our part of the restrictive terms contained in the distribution agreement. Based on the above, our PRC legal adviser is of the opinion that, we had not violated the restrictive terms under the distribution agreement with ABB Switzerland as at the Latest Practicable Date. We intend to discuss with ABB Switzerland the renewal of the distribution agreement or entering into a new distribution agreement at an appropriate time closer to the expiry date of the existing distribution agreement.

In addition to products from ABB Switzerland, we also import and sell current/voltage sensors from ABB France. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, aggregate purchases from ABB Switzerland and ABB France amounted to RMB125.6 million, RMB124.9 million, RMB146.5 million and RMB79.3 million, respectively, representing 81.6%, 75.3%, 83.9% and 80.8% of our total purchases for the respective periods.

For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, purchases from our five largest suppliers accounted for approximately 92.7%, 88.0%, 89.4% and 91.0% of our total purchases for the respective periods. All of our five largest suppliers are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company have any interest in any of these suppliers.

While we plan to further develop our manufacturing business, it is our intention to continue our distribution business to complement our manufacturing business. Our distribution business generated stable revenue and profit over the Track Record Period and allowed us to gain insights into the product requirements of our customers. Further, our bulk purchases with our key suppliers for our distribution business, have enabled us to source raw materials for our own manufactured products, i.e. imported power electronic components, at competitive pricing. We expect that the proportion of our revenue generated from sales of our manufactured products will continue to increase relative to sales of imported power electronic components as we intend to continue to leverage the success of our manufacturing business achieved in the last three years. Other than IGBT power modules and silicon rectifier valves, the production of our other manufactured products such as anode saturable reactors, HV power capacitors and deionised water cooling systems, do not depend on the supply of ABB Switzerland's products. Therefore, as sales of our manufactured products increase relative to our distribution products, we expect that our reliance on ABB Switzerland will correspondingly decrease.

Our decision to continue developing our manufacturing business was not driven by the term of the expiry date of our distribution agreement with ABB Switzerland. Our current distribution agreement with ABB Switzerland is in its second term and was last renewed in 2006. ABB Switzerland has not indicated to us that it will not renew our distribution agreement upon its expiry. Our strategy to continue expanding our manufacturing business is driven by the growth opportunities presented by the global trend to reduce overall carbon emissions through the use of energy efficient technology and infrastructure as well as the growth opportunities presented by the PRC government's policies on enhancing the country's rail and power grid infrastructure and the use of domestic technology and products in major infrastructure projects. As we expand our manufacturing business, we continue to maintain a stable business relationship with ABB Switzerland. As mentioned in the section headed "Business – Manufacturing business – Customers" of this prospectus, our Directors believe that there is no competition between our manufacturing business and distribution business. As such, we do not believe that ABB Switzerland would terminate its distribution agreement with us solely on the basis of our further expansion in our manufacturing business.

Sales and marketing

We have divided our market into four regions for the purposes of sales and marketing of our imported power electronic components. We have established a sales office in each of the four regions, located at Shaanxi, Shandong, Hunan and Liaoning. Sales of our imported power electronic components are mainly conducted through these sales offices. Staff at our sales offices are responsible for taking customer purchase orders, arranging for the delivery of the products and attending to after-sales enquiries with customers.

During the first few years of our business, our sales and marketing efforts were primarily focused on organising and participating in industry conferences. As our distribution business grew and our relationship with customers consolidated and strengthened we shifted our sales and marketing efforts to focus on cultivating our relationship with existing customers and exploring new customer opportunities through regular visits to our existing and potential customers. The primary objectives of such visits are to maintain a dialogue with customers so that we have a channel to understand their new product requirements and to provide them with updates on the latest development in the power electronic components market. In some cases, we participate and provide suggestions to our customers for the design of their new systems that incorporate power electronic components. The sales and marketing channels with our distribution customers allow us, where appropriate, to cross sell our manufactured products.

Customers

Almost all of our imported power electronic components are sold to domestic companies. Key customers of our distribution business include the CSR Group and NARI Group Corporation. We have over 600 customers for our distribution business, some of which have been purchasing from us for more than five years and a small portion of them are also customers of our manufacturing business.

For our distribution business, we generally do not enter into long-term purchase agreements with our customers. Sales of imported power electronic component are made on our standard purchase orders, which specify a number of key terms, such as product specification, unit price, volume and delivery time. The credit period we grant to our customers ranges from 0 day (payment upon delivery) to 180 days, depending on factors such as our relationship with the customer, the customer's credit record and market practice. The length of the credit period we grant to each customer is determined based on the above factors and is not affected by whether the customer buys our distribution products or our own manufactured products. For some of our customers for our imported power electronic components who have a shorter trading history, we may request an advance payment. We may provide warranty to our distribution customers for a period ranging from 12 to 24 months.

Competition

For our distribution business we compete on the basis of the type and brands of the products that we sell. We face different degrees of competition from domestic distributors of other multinational power electronic product manufacturers and/or domestic local manufacturers that depend on the particular products and their target market. For imported products that our suppliers have exclusive or highly specialised technology or for products that are targeted at the high-end niche market, we face modest level of competition primarily from domestic distributors of other multinational power electronic product manufacturers. For products that are more common and target the mass market, we face more intense competition primarily from local manufacturers.

MANUFACTURING BUSINESS

After carrying on our distribution business for several years, we began leveraging our relationships with global suppliers and major PRC infrastructure customers to selectively research and develop critical specialised power electronic components, systems and solutions that are highly tailored to meet our customers' needs. When we began our manufacturing business, our research and development mainly focused on anode saturable reactors.

In 2007, we began to manufacture and sell power electronic systems. This was after a long research and development process and an extensive period of quality and reliability testing and trial operation. Our manufactured and developed products mainly comprise of anode saturable reactors that were sold to the China XD Group. In 2008, we continued to develop our manufacturing business and were engaged by CEPRI to carry out research and development on H400 direct current alternate current anode saturable reactors. When the CNR Group began to develop a series of new electric locomotive models in 2008, our Group participated in the collaboration on the development of IGBT power modules for the new high-speed trains. The IGBT power modules that we helped develop as a result of such initiatives have been adopted by the CNR Group and we are currently the sole domestic supplier of IGBT power modules to the CNR Group for its 9,600kw electric locomotives. We also started to produce HV power capacitors in 2009 on a small scale.

Throughout the years, we have developed our manufacturing business and related customer base through internal growth. A number of our key manufacturing business customers are also customers of our distribution business and were our customers before our manufacturing business commenced.

Products

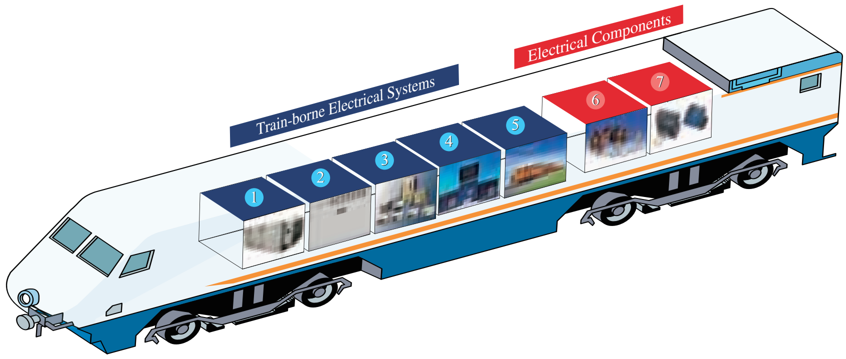
IGBT power modules

We design, produce and sell IGBT power modules that are installed in electric locomotives. Our IGBT power module-related business is conducted through Jiashan Sunking.

An IGBT power module is the device encapsulated within IGBT drivers, various drive protection circuits, and high performance IGBT and water cooling devices. IGBT is a kind of compound controlled voltage-driven power semiconductor consisting of bipolar junction transistor (BJT) and metal-oxide-semiconductor-field-effect-transistor (MOSFET). It has the advantages of high input resistance of MOSFET and low spark-over voltage drop of giant transistor (GTR, a kind of BJT that can bear high-voltage and current). GTR has low saturated voltage drop, high carrier density, but large drive current; while MOSFET has small drive power, high switch speed, but large spark-over voltage drop and small carrier density. IGBT has the combined advantages of these two parts.

IGBT is used in medium to high power applications such as switched-mode power supply and traction motor control. Large IGBT modules typically consist of many devices in parallel and have very high current handling capabilities in the order of hundreds of amperes with blocking voltages of 6,500V. Advances in semiconductor development have enabled an IGBT-based module to be applied in a rectifier/inverter, which is indispensable equipment in electric locomotives to transfer AC/DC to DC/AC. The main advantage of IGBT technology is a significant reduction in power loss and the subsequent increase in convertor efficiency. Although the conduction loss is similar to GTO, the switching loss is considerably lower than the switched current.

The following diagram illustrates how IGBT power modules are applied in locomotives:



1. IGBT power modules, components of train power convertors
2. Auxiliary power supply equipment
3. Control systems
4. Train operation safety equipment
5. Electrical control systems for large railway maintenance vehicles
6. Power semiconductor devices
7. Sensors and related products

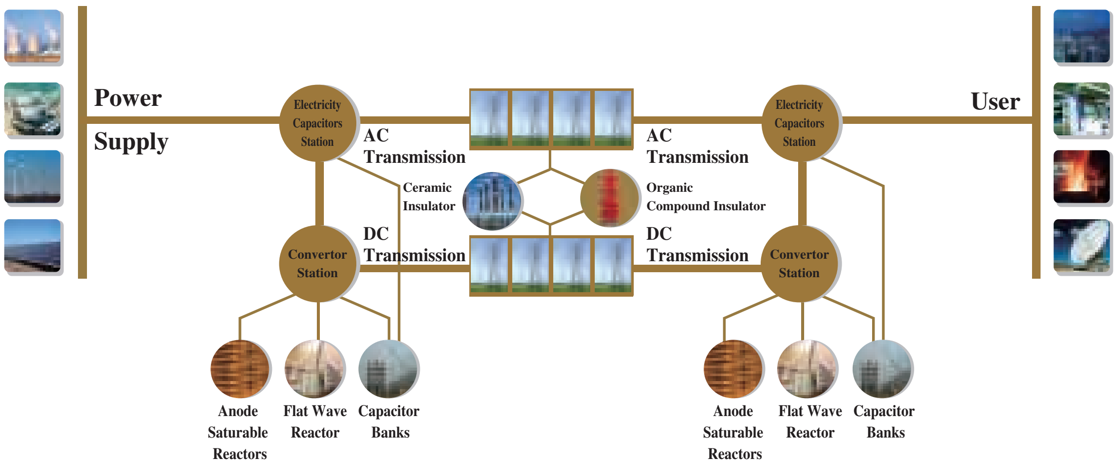
We began to sell IGBT power modules in November 2009. During the Track Record Period, all of our IGBT power modules were sold to the CNR Group, which was our Group's largest customer in terms of 2009 sales revenue. The CNR Group purchases IGBT power modules from our Group for the production of 9,600kw electric locomotives. The CNR Group has made it an express term in our agreements to supply IGBT power modules that such agreements are subject to the continued existence of CNR agreement with its customer and our agreements with the CNR Group will be automatically terminated if CNR agreement with its customer is terminated. For the year ended 31 December 2009 and for the five months ended 31 May 2010, our sales to the CNR Group accounted for approximately 17.5% and 33.9% of our total revenue for the respective periods. In June 2010, the CNR Group made a strategic investment in our Company that will provide them with an approximate 5.0% equity interest in our Company following the Reorganisation but before completion of the Global Offering. The investment was completed on 1 September 2010. We intend to strengthen our strategic partnership with the CNR Group and enhance the potential of our business relationship through this investment. The objectives of such strategic partnership include, among others, the following: (i) to strengthen our cooperation in the development of IGBT power modules for electric locomotives and light railway locomotives; (ii) to expand our cooperation in the development of other power electronic application areas such as power equipment and electric cars; (iii) to tap into the CNR Group's resources for the purpose of assisting us in the pre-testing and testing phases for new products; and (iv) to explore further cooperation opportunities and exchange general information on the PRC's traction, electric locomotives and railway industry. Please see the paragraph headed "Risk

Factors – Risks relating to our manufacturing business – We rely heavily on a limited number of customers. Any significant reduction in sales to or the loss of any of our major customers could materially and adversely affect our profitability and results of operations" of this prospectus.

IGBT power modules

Anode saturable reactors, HV power capacitors, silicon rectifier valves and others

We design, produce and sell a range of other power electronic components and products, such as anode saturable reactors, HV power capacitors and silicon rectifier valves, that target the power transmission and distribution sector, and also have general industrial uses.



Anode saturable reactors

Anode saturable reactor in electrical engineering is a special form of inductor where the magnetic core can be deliberately saturated by means of a DC current flowing in a control winding. Once saturated, the inductance of the saturable reactor drops dramatically. It is one of the essential protective components integrated in HVDC convertor valves. It is employed to limit high rise rate of current and surge current, both of which would lead to burn-out of convertor thyristor in conducting state, and used to prevent off-line convertor thyristor from error opening caused by voltage surge triggered by high rise rate of voltage.

HVDC power transmission is an efficient means to transmit power and anode saturable reactors are one of the key components in a HVDC power transmission system. An anode saturable reactor is the core part in the HVDC convertor valve of HVDC transmission. It belongs to a technology-intensive and talent-intensive industry. The production of such products requires cross-disciplinary technologies including the high-voltage device manufacturing technology, computer technology and new materials technology. The primary functions of anode saturable reactors are to protect HVDC convertor valves from over-current and to allow the systems, which are usually situated outdoors, to continue to operate under extreme weather conditions. This technology considerably reduces power losses during power transmission and therefore provides significant value-add to power grid companies.

We have entered into research and development agreements with China XD Group and CEPRI, a comprehensive scientific research institution directly under State Grid, responsible for the research and development and manufacturing of reactors. Pursuant to these agreements, China XD Group and CEPRI are responsible for providing the specifications, relevant technical information, and product testing, and we are responsible for carrying out research and development and manufacturing anode saturable reactors in accordance with the customers' requirements. The intellectual properties derived from these anode saturable reactors generally belong to the customers, and in the case of CEPRI, invention patents related to structure, design and electric features belong to CEPRI while we co-own the other intellectual property rights with it.

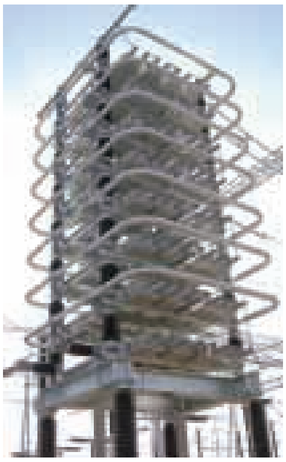
According to Frost & Sullivan, we are the only domestic company that is able to manufacture anode saturable reactors applied in HVDC convertor valves in large quantities in China. We have conducted technical research for a few years and now cover key product types provided by our competitors like ABB. We signed research and development agreements with China XD Group and CEPRI responsible for the research and development and manufacturing of reactors. In particular, our anode saturable reactors applied in HVDC convertor valves have passed the appraisal of the National Energy Administration in April 2010, meaning that the products (i) have demonstrated superb electric performance and excellent fireproof capability, (ii) have reached and surpassed international standards of similar products in certain key technical aspects, and that Jiashan Sunking has the necessary technology and proper quality control system to manufacture such products in large quantities.

Anode saturable reactors

HV power capacitors

Power capacitors primarily provide reactive power and improve the power quality in power systems. We produce a wide range of power capacitors and power capacitor installations, including shunt capacitor installations, series capacitor installations, filter capacitor installations, static reactive power compensation installations and static synchronous compensators. We utilise a highly automated production process at our production facility for the manufacture of power capacitors. This production process enables us to minimise the labour involved and, consequently, increases our product precision and accuracy.

Power capacitor is an electric circuit element used to store charge temporarily, consisting of two metallic plates separated and insulated from each other by a dielectric. Capacitors are applied in the areas of power systems, reactive power compensation and filtering and the installations are mainly used in industrial systems and reactive power compensation. Power capacitors help to reduce industrial energy consumption, improve efficiency and quality of electricity supply. In general, power capacitors can be categorised according to voltage class and capacity. Power capacitors, whose rated voltage is higher than 6kV, are referred to as HV power capacitors. Products may be integrated together to meet different requirements in different applications. We only produce HV power capacitors.



HV power capacitors

Silicon rectifier valves

A rectifier is a device that converts AC to DC, a process known as rectification, which changes electrical parameters with low power loss. Three-phase bridge rectifier circuit consists of series commutation and this structure can output several times normal Vdc without any input change. Because the quantities of DC voltage pulse are increased, the output AC side harmonic currents and voltage are lowered. Each assembly of high-power rectifier primarily consists of several silicon components in parallel. Each silicon component is protected by fast fuses, it will protect the circuit in case of silicon component failure. Our silicon rectifier valves are used in the chemical industry, metallurgy, electroplating and electrolytic aluminium industry in large quantities.

Silicon rectifier valves

We also design and produce other power electronic components, such as specialty reactors and electromagnetic coils for inverters and semiconductor housings. Our power electronic components related business is carried on by Jiashan Sunking and Wuxi Sunking. All of our power electronic components are produced by Jiashan Sunking with the exception of our HV power capacitors, which are produced by Wuxi Sunking.

We design, produce and sell customised deionised water cooling systems. Deionised water cooling system refers to the complete system including all equipment and accessories that achieve cooling effect by taking heat away through circulation of deionised water as the medium for heat exchange. Generally, it mainly comprises heat exchanger or condenser, cooling device (cooling tower or air cooler), deionising device pump and pipe. In the cooling system, instead of being discharged, water is pumped to a cooling tower for cooling and recycling for use after gaining heat from the heat exchanger. Deionised water cooling system is divided into two categories, namely, open loop and enclosed. In the enclosed type, water does not contact air directly, so there is no problem of evaporation losses and salt concentration. Deionised water cooling system is mainly applied in power transmission, electric locomotives, wind power generation systems, and other industrial uses.

Our deionised water cooling systems business is carried on by Tianjin Sunking, which we acquired in 2008. Since the completion of the acquisition, we have engaged in the business of design, production and sale of deionised water cooling systems exclusively through Tianjin Sunking.

Production facilities and process

Production facilities

We currently have three production facilities operated by Jiashan Sunking, Tianjin Sunking and Wuxi Sunking, respectively, occupying a total gross floor area of approximately 39,375.6 square metres.

The production facility of Jiashan Sunking is located at No. 81 Zhijiang Road, Weitang Town, Jiashan County, Jiaxing City with a total gross floor area of approximately 13,388.5 square metres and occupies a site area of approximately 32,575.6 square metres. Such production facility is owned by Jiashan Sunking, with the land use right for a term of 50 years expiring on 12 April 2054 for industrial use. The production facility of Jiashan Sunking commenced commercial operation in 2007.

The production facility of Wuxi Sunking is located at No. 18 Chunhui Road, Huishan Economic Development Zone in Wuxi, with a total gross floor area of approximately 23,252.9 square metres and a site area of approximately 40,076.2 square metres. Such production facility is owned by Wuxi Sunking, with the land use right for a term of 50 years expiring on 29 October 2058 for industrial use. This production facility commenced trial operation in late 2009. We commenced the commercial operation of the production facility of Wuxi Sunking after the completion and acceptance inspection conducted on 1 August 2009. Our PRC legal adviser is of the opinion that we are in compliance with relevant laws and regulations in this respect.

The production facility of Tianjin Sunking is located at Industrial Building B02, No. 28 Haitai South Road, Huayuan Industrial Park, Tianjin Binhai Hi-Tech Industry Zone in Tianjin, with a total gross floor area of approximately 2,734.2 square metres. Such production facility is leased by Tianjin Sunking from an independent third party for a term of three years up to 31 March 2012. The production facility of Tianjin Sunking has been in commercial operation since our acquisition of Tianjin Sunking in 2008.

In view of our long term development, we plan to upgrade our production facility at Jiashan Sunking for the production of IGBT power modules. The construction of the building is currently scheduled to commence at the end of 2010 and to be completed by end of June 2011. We will then proceed to finish the interior of the building in the two months to follow. After the trial production period, the new production facility is currently scheduled to commence production in September 2011. Further, we also plan to construct phase II of our production facility at Wuxi Sunking for the production of HV power capacitors.

The annual production capacity and the utilisation rate of each of Jiashan Sunking, Wuxi Sunking and Tianjin Sunking for the years ended 31 December 2007, 2008 and 2009 and for the year ending 31 December 2011, assuming that the production facility upgrade and expansion for Jiashan Sunking and Wuxi Sunking is completed on schedule, were and are expected to be as follows:

	For the years ended 31 December						For the year ending 31 December	
	2007		2008		2009		2011E	
Product	Annual capacity	Utilisation rate	Annual capacity	Utilisation rate	Annual capacity	Utilisation rate	Annual capacity	Utilisation rate
Jiashan Sunking								
IGBT power modules	–	–	–	–	84 vehicles	79%*	544 vehicles	95%
Anode saturable reactors								
– ETT model/LTT model	3,000/1,500 sets	<2%	3,000/1,500 sets	<2%	3,000/1,500 sets	9%	3,000/1,500 sets	70%
Wuxi Sunking								
HV power capacitors	–	–	–	–	–	–	20 million kvar	80%
Tianjin Sunking								
Deionised water cooling systems	–	–	132 units	70%	240 units	35%	240 units	90 %

Note:

* The utilisation rate for the production of IGBT power modules for the year ended 31 December 2009 was annualised based on our production capacity from the time we started the production of IGBT power modules in the second half of 2009 until the end of the year.

We have obtained all necessary approvals and permits for our production facilities. These approvals and permits include business licences and relevant environmental evaluations and approvals. We adhere to and closely monitor very stringent quality assurance and safety control processes in the production of our products. During the Track Record Period, we did not experience any material breakdown, suspension or other interruption to our business which has a material impact on our financial position.

Production process

Different products and systems that we produce adopt slightly different production processes. Generally, the production process starts with our sales team and research and development meetings with customers to understand their needs and requirements. It normally takes approximately 15 days for our sales team to negotiate and finalise purchase orders. Our design team then discusses and designs a tailor-made product with the customers to ensure that customers' needs and requirements are met. The design period normally lasts 15 to 30 days. After ascertaining the types of power electric components and raw materials required for the product, we identify and place orders with the suitable suppliers. It takes about 15 to 60 days for the required raw materials and components to be procured and made ready for our production. After receiving the necessary components and raw materials, we manufacture a prototype product for the customer's quality and technical testing, which would typically be completed in five to ten days. We then refine the design of the product with the customer. After finalising the design of the product with the customer, we manufacture, deliver and install the product into the customer's system. The overall manufacturing process normally takes another one to two months while the delivery of the products takes three to five days after completion of the manufacturing process. For our deionised water cooling systems, we are typically required to conduct onsite installation and debugging after they are delivered to our customers. It normally takes about 15 days to complete such installation and debugging process and we only recognise revenue in respect of such sales after completion of the installation and debugging process. We also provide after-sale technical support and warranty to our customers for a period ranging from 12 to 24 months. Our sales contracts typically provide a warranty to our customers pursuant to which we will be responsible for any defects in the products we provide and we agree to compensate our customers for any damages caused as a result of such product defects. During the Track Record Period, we were not subject to any warranty claim nor did we make any provision for product warranty as our potential obligation under such arrangement was not expected to be material. During the Track Record Period, the accumulated actual repair, maintenance and replacement costs in relation to the warranties we have given to customers were immaterial (in the amount of RMB13,000). Our Directors consider that no warranty accruals are necessary.

Raw materials, components and suppliers

The raw materials that we require for the production of our manufactured products include various domestic and imported power electronic components. In particular, production of our IGBT power modules and some models of silicon rectifier valves require ABB Switzerland's semiconductors. Therefore, a number of the suppliers of our manufacturing business are also the suppliers of our distribution business. We also require domestically produced power electronic components and other raw materials such as iron core, stainless steel pipe and benzyl-toluene insulating oil which we source from other suppliers. Except for some basic raw materials and components which are commonly applicable to most of our products, we only maintain a minimum level of inventory in respect of a majority of our raw materials. The credit period with our suppliers varies and ranges from 30 to 180 days.

We have adopted a procurement system under central control for the supplies of raw materials and power electronic components for each production facility of our Group. Our central procurement department will formulate a procurement policy based on the expected overall supply requirements. Pursuant to such policy, each production facility will then formulate its own purchase plan based on the expected supply requirements submitted by each production facility. The policy is revised and updated from time to time based on new data submitted by our production facilities. We believe such a central procurement system enables us to effectively control the overall procurement process of our Group (including the quality of our suppliers), which in turn allows us to ensure a steady supply of raw materials.

In most cases we maintain two to three suppliers for the supply of our raw materials and components. With such practice, we are able to enhance our bargaining power on price and to avoid over-reliance on a single supplier. In special circumstances, we may have exclusive arrangements with our suppliers for the supply of raw materials or components. For example, we have retained a supplier in China to carry out R&D on certain IGBT drivers and we have agreed with each other that we will only purchase such IGBT drivers from that supplier and that supplier will not sell such IGBT drivers to any one other than to us. We select our suppliers based on various criteria, including product quality, price, production capacity, credit terms and historical contract performance. Based on the same selection criteria, we assess the performance of our suppliers from time to time. We have not entered into any long-term supply contract with our suppliers. Further, some customers, such as the CNR Group, require us to use certain electronic components from a designated source, in which case, we are required to obtain supply from the specified supplier.

We believe that we have maintained stable relationships with our suppliers, which enable us to procure reliable supplies of imported power electronic components used in our production. As of the Latest Practicable Date, we did not experience any major interruptions in key supplies for our operation and we do not expect any major interruption. However, since our largest supplier, ABB Switzerland, accounted for a significant portion of our purchases, should there be any shortage of supply from ABB Switzerland, our operation may be adversely affected. Please see the paragraph headed "Risk Factors – Risks relating to our business – We rely heavily on ABB for its supply of power electronic components for our business. If we are unable to maintain our relationship with ABB, or should there be any disruption to the supply or an increase in the purchase price of ABB products, our business, financial condition and results of operations would be materially and adversely affected" of this prospectus.

Research and development

We endeavour to stay at the forefront of advances in our industry and continue to strengthen our research and development capability by engaging in research and development of new technology and products. The primary objectives of our research and development initiatives are to develop and introduce new products and power saving solutions to cater to our customers' needs, to keep abreast of the latest developments in technology and to remain competitive. In particular, Jiashan Sunking focuses its research and development efforts on techniques to enhance the performance of anode saturable reactors and locomotive IGBT power modules. The research team at Wuxi Sunking is currently working on specific characteristics of power capacitors to achieve high electric field strength, light weight, small size and high reliability, with the objective of achieving cost reduction and productivity improvement. Tianjin Sunking specialises on deionised water cooling systems and has a current research and development focus on deionised water cooling systems for HVDC convertor valves. Our research and development efforts are market driven and focus on addressing customers' requirements. Accordingly, our research and development efforts have resulted in successful commercialisation of our products in a cost efficient manner.

As at the Latest Practicable Date, our research and development team comprised 33 staff, among whom 17 hold bachelor or higher degrees and nine possess professional qualifications. Our research staff members have diversified professional background with experience in areas such as mechanical engineering, electrical engineering, power electronic components and water cooling systems.

Throughout our operating history, we have demonstrated our research and development capabilities and have a track record of successful commercialisation of our proprietary technology. For example, in 2008, when the CNR Group began to develop a series of new electric locomotive models, our Group participated in the collaboration on the development of IGBT power modules for the new high-speed trains. The IGBT power modules that we helped develop as a result of such initiatives have been adopted by the CNR Group and we are currently the sole domestic supplier of IGBT power modules to the CNR Group for its 9,600kw electric locomotives. In April 2010, the anode saturable reactors developed by Jiashan Sunking and applied in HVDC convertor valves, which considerably reduce power losses during power transmission and help power grid companies improve their transmission efficiency, passed the appraisal of the National Energy Administration. Our research and development expenses for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were RMB4.5 million, RMB0.3 million, RMB0.6 million and RMB0.9 million, respectively.

In order to reinforce our position as a leading domestic power electronic technology solution provider that offers high-quality advanced power electronic products to our customers, we intend to increase our investment in research and development and recruit additional expertise to enhance our research and development capabilities. We intend to consolidate our various research and development capabilities currently installed at different lines of business by setting up a centralised research and development department, to be operated under Jiangsu Sunking, with the aim of optimising our research efforts. In particular, we plan to construct a laboratory at Jiangsu Sunking to focus on the research and development of power electronic components. The current plan is to develop in-house research and development capabilities for reactors, inverters and technology on power efficiency improvement. It is estimated that we would require approximately RMB140 million in aggregate for the construction of the laboratory building and for the procurement of various laboratory testing equipment and systems. We expect to fund the required costs partly by using the net proceeds from the Global Offering and partly by bank borrowings.

Sales and marketing

As our products involve significant technical knowhow, our sales and marketing efforts for our manufactured products are primarily focused on gaining an understanding of and keeping pace with our customers' changing requirements so that we are able to develop and deliver suitable power electronic technology solutions that can add value to our customers' businesses. Due to the high-tech nature of our business, we have staffed our sales team with personnel who possess relevant expertise and experience to ensure that communication with customers of our manufacturing business can be carried out effectively and meaningfully. Our sales team maintains regular communication with customers of our manufacturing business to understand their new product technology requirements and obtain feedback on how to improve our product quality. Such regular interaction allows us to stay close to the customers and helps build strong working relationships with our customers. Our Directors believe that having close working relationships with customers of our manufacturing business not only creates a barrier of entry to our potential competitors, it also gives us direct access to our customers' latest technology and business developments which in turn will ensure that we can respond to changing customers' needs in a timely manner.

Customers

Substantially all of our sales of our manufactured products are made to domestic companies including certain subsidiaries of power grid companies and locomotive manufacturers, and companies in other various industries. Over the years, we have established stable relationships with our key customers of our manufacturing business, including the only two state grid companies in the PRC, the CNR Group, the CSR Group, the China XD Group, CEPRI and other key players in various industries, among which, the CNR Group and the China XD Group were among our five largest customers in 2009. To become a supplier of some of our customers, especially those state-owned enterprises, we are required to undergo an extensive qualification assessment. In 2010, we have about 80 customers for our manufacturing business, some of whom are also customers of our distribution business.

Our manufactured products including IGBT power modules, anode saturable reactors, HV power capacitors, silicon rectifier valves and other power electronic components, and deionised water cooling systems are generally customised and tailored to suit customers' specifications. Therefore, the terms of our sales contracts for our own manufactured products vary from case to case. Some of our customers of these products make their purchases through tender processes. Typically, all the major terms of the contract, such as design and technical specifications, price, delivery schedule, technical requirements, payment terms, freight cost allocation, liability for breach of contract and dispute resolution, etc. will be included in the bid letter that we prepare to compete for the project. If we are selected, we enter into a formal agreement with our customers incorporating the terms agreed. While we incorporate certain imported power electronic components that we distribute into some of the products we manufacture, the end products of our manufacturing business have different functionalities and industrial applications than our unmodified imported products. Accordingly, our Directors believe that there is no competition between our distribution business and our manufacturing business.

In general, the credit period with our customers varies and ranges from 0 day (payment upon delivery) to 180 days depending on factors such as our relationship with the customer, the customer's credit record and market practice. Similar to the distribution business, for some of the larger longer term projects we undertake, we may receive an advance payment at the beginning of the project from the customer. The amount of the advance payment often depends on the relationship between the customer and our Group and the confidence that the customer has in our ability to successfully complete the project. The balance of the payments will be made upon completion of the entire project. The following table sets forth the amount and percentage of revenue contributed by the CNR Group and other customers who are not required to pay deposit for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
The CNR Group	590	0.3	3,496	1.4	45,904	17.5	40,151	33.9
Jiujiang Rectifier	41,087	21.8	47,956	19.2	23,223	8.9	11,932	10.0
Other customers	46,842	24.9	64,143	25.7	66,359	25.4	27,966	23.6
	88,519	47.0	115,595	46.3	135,486	51.8	80,049	67.5

Our advance from customers decreased from RMB44.0 million in 2007 to RMB11.2 million in 2008, and decreased further to RMB4.1 million in 2009 primarily reflecting an improvement in the overall creditworthiness of our customers as our proportion of sales to larger and better credit customers (such as the CNR Group, which is not required to make any advance payment or deposit, the CSR Group, South Grid, the China XD Group and CEPRI) increased. In certain circumstances, primarily due to the prevailing practices of the particular industry of the customer, final payment of the total contract price may be subject to a retainer fee to be paid after the lapse of a warranty period, ranging from 12 to 24 months from the delivery of our products.

Our sales of IGBT power modules to the CNR Group began in November 2009 and all of our IGBT power modules were sold to the CNR Group during the Track Record Period. Since then, it has also become our largest customer. Prior to that, we had also sold some imported power electronic components to it for its internal research and development purposes.

For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our sales to our five largest customers accounted for approximately 41.6%, 44.6%, 43.9% and 64.1% of our total revenue for the respective periods. In the same periods, our sales to our largest customer accounted for approximately 21.8%, 19.2%, 17.5% and 33.9% of our total revenue, respectively. Jiashan Sunking owns 5% equity interest in Jiujiang Rectifier, who was one of our five largest customers throughout the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our sales to Jiujiang Rectifier accounted for 21.8%, 19.2%, 8.9% and 10.0% of our total revenue, respectively. Save for the CNR Group which is our largest customer in 2009, and which owns approximately 5% of the issued share capital of our Company immediately after the Reorganisation but before the Global Offering and the Capitalisation Issue, none of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, have any interest in any of these customers.

Competition

Our manufactured products are highly technical products and require the combination of various knowhow, which we believe poses a barrier of entry for competitors. According to Frost & Sullivan, the major players in the fields of IGBT power modules applied in electric locomotives and anode saturable reactors applied in HVDC convertor valves are dominated by international companies. Our Directors believe that at the present, our Group generally faces limited competition from domestic companies in these areas. The major competitors for each of our key products are different: for IGBT power modules, our competitors are mainly represented by international leading manufacturers which sell their imported products in China; for anode saturable reactors, our competitors are primarily international manufacturers which sell their imported products; for HV power capacitors, our key competitors are primarily international manufacturers which have domestic production capacity in China; and for deionised water cooling systems, our competitors include a few domestic manufacturers.

Generally, we compete against other industry players on strong product design, reliability, performance and features, technology advancement, integrated service system and after-sales services. We also benefit from the government policies that favour the use of domestic technology and products which places us in a competitive advantage over our international competitors. On the other hand, it is possible that competition from domestic manufacturers may increase due to such government policies. However, our Directors believe that our early entrance to the market, established business relationships with key customers and our commitment to providing high-technological, innovative, timely and customised solutions to meet our customers' needs will help us address potential competition.

In particular, ABB Reactors is one of our competitors for anode saturable reactors. As already disclosed in the section headed "Industry Overview – Analysis of power electronic market in China's power transmission and distribution industry – Competitive analysis" of this prospectus, the major competitors of the anode saturable reactors market in the PRC are mainly multinational companies. Nevertheless, we have been successful in taking up a market share of 3.1% in 2009 whereas ABB Reactors, Siemens and Areva who have a respective market share of 48.5%, 35.5% and 12.9%, and we have been the only domestic company competing with multinational companies in this market. Further, we are favoured by the PRC government policy to encourage the use of domestically sourced technology and products in major infrastructure projects and according to Frost & Sullivan, we are the only domestic company that is able to manufacture anode saturable reactors applied in HVDC convertor valves in large quantities. For details on our competing strengths, please refer to the section headed "Business – Our competitive strengths" of this prospectus. On the above basis, our Directors are confident that we would be able to further develop the anode saturable reactors market in the PRC. Our key supplier, ABB Switzerland, is aware that we design, manufacture and sell anode saturable reactors to a number of key market players in the HVDC sector in the PRC and has never raised any issue or concern with us in this respect. Our business relationship with our key supplier ABB Switzerland has not been affected by the potential competition between ABB Reactors and us in the area of anode saturable reactors.

INTELLECTUAL PROPERTY

In April 2010, our anode saturable reactors applied in HVDC convertor valves passed the appraisal of the National Energy Administration, meaning that the products (i) demonstrated superb electric performance and excellent fireproof capability, (ii) have reached and surpassed international standards of similar products in certain key technical aspects, and that Jiashan Sunking has the necessary technology and proper quality control system to manufacture such products in large quantities.

As at the Latest Practicable Date, we had one utility model patent, a storage device for simultaneously storing cold and hot water, in relation to our deionised water cooling systems registered under Tianjin Sunking in China and five domain names registered under the name of Beijing Sunking in China. We also possess knowhow over our following products:

- IGBT power modules (we participated in the development of the IGBT power modules for use in the 9,600kw electric locomotives of the CNR Group in 2008);

- anode saturable reactors (research and development of the ultra high voltage ETT anode saturable reactors in 2006, research and development of the ultra high voltage LTT anode saturable reactors in 2007 and research and development of the H400 direct current alternate current anode saturable reactors in 2008); and

- power capacitors (the design and development of the complete set of high voltage filters for use in HVDC transmitting and transformer power stations in 2009 and the design and production of exported single capacitors (60Hz) in 2010).

Our Directors have considered the best ways to protect our knowhow and for the reasons explained below, have decided not to apply for patent registration of the above knowhow. As advised by our PRC legal adviser, our knowhow is protected by the relevant PRC laws and regulations (including PRC Anti-unfair Competition Law (《反不正當競爭法》) and the Several Provisions on Prohibiting Infringements upon Trade Secrets (《關於禁止侵犯商業秘密行為的若干規定》), pursuant to which any infringement or unauthorised use of another's trade secret is prohibited. An application to register a patent in China would entail the disclosure in details of the underlying knowhow, which would become publicly available once the application is accepted by the patent office for consideration even before the patent is granted. Disclosure of such knowhow would reveal our proprietary technology developed or accumulated in-house. Further, a patent application is by no means always without challenge. As mentioned in the section headed "Business – Our competitive strengths – Our technical knowhow and our customers' rigorous requirements on suppliers for the rail and power grid sectors create barriers of entry to potential competitors" of this prospectus, our Directors believe that it is our technical knowhow coupled with the stringent quality requirements, detailed testing and inspection procedures and lengthy qualification process set by our customers in the rail and power transmission and distribution sectors, that has created barriers of entry for potential competitors to enter the relevant markets. Further, if such knowhow comes to the public domain, we may not be able to effectively detect unauthorised use of our knowhow and hence take prompt and necessary actions to enforce our rights. Having weighed the benefits offered by a potential patent registration, the grant of which is not certain, and the consequence of disclosing our knowhow as a result of a patent application, our Directors believe that non-disclosure of our knowhow presents the better solution to preserve the secrecy of our knowhow and hence decided not to apply for patent registration of our knowhow.

In addition, Beijing Sunking and Wuxi Sunking have submitted four trademark applications in China which are pending approval. We have entered into confidentiality agreements with our employees, pursuant to which the employees acknowledge that we own the rights to all inventions, technology knowhow and trade secrets generated in connection with their employment with us.

During the Track Record Period and up to the Latest Practicable Date, we had not been sued for infringement of intellectual property rights by any third party. To the best of our Directors' knowledge, we have complied with all applicable intellectual property laws and regulations in China since our inception. So far as our Directors are aware, as at the Latest Practicable Date, there was no infringement of any third party intellectual property rights by us nor was there any infringement of our intellectual property rights by third parties.

Further details of our intellectual property rights are set out in the section headed "Statutory and General Information – B. Further information about our business – 3. Intellectual property rights" in Appendix VI to this prospectus.

EMPLOYEES

As of 31 December 2008 and 2009 and the Latest Practicable Date, we had 133, 206 and 292 full-time employees. The table below sets forth a breakdown of our total number of employees by department as of the respective dates:

Department	Number of employees as of		
	31 December 2008	31 December 2009	the Latest Practicable Date
Procurement and production	56	90	117
Management, finance and administration	34	41	60
Sales and marketing	18	29	44
Quality control	10	24	35
Technical and research and development	15	22	36
Total	133	206	292

The remuneration package for our employees generally includes salary and bonuses. We conduct periodic performance reviews for our employees, and their salaries and bonuses are performance based. During the Track Record Period, certain employees of our Group were granted ordinary shares in Sunking BVI under the Sunking BVI Share Award Scheme. As required by applicable PRC regulations, we participate in various employee benefit plans that are organised by municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the respective local government authorities where we operate from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date.

We did not make housing provident fund contributions for employees of Beijing Sunking and Jiashan Sunking until May 2008 and April 2010, respectively. According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), the relevant government authority may order an entity which fails to comply with the registration procedures to rectify the failure within a prescribed time limit. Failing to comply with such order may result in a fine that ranges from RMB10,000 to RMB50,000. Further, if an entity fails to make the requisite payment and deposit of the housing provident fund on time, it may be ordered to rectify the failure within a prescribed time limit. We registered with the relevant housing authority and have commenced payments of housing fund contributions for all eligible employees of Beijing Sunking and Jiashan Sunking as of May 2008 and April 2010, respectively. As of the Latest Practical Date, all of our subsidiaries which are required to open housing provident fund accounts have opened the requisite housing fund contribution accounts.

We did not make full social security fund contributions for the employees of Tianjin Sunking during the period from our acquisition of Tianjin Sunking in February 2008 to May 2008. According to the Provisional Regulations on the Social Insurance Premium (《社會保險費征繳暫行條例》), the relevant government authority may order an entity which fails to comply with the requisite registration or declaration to rectify the failure within a prescribed time limit. The authority may also impose fines on directly responsible person(s) that range from RMB1,000 to RMB10,000 for any non-compliance. Further, under the Work-related Injury Insurance Regulations (《工傷保險條例》) and the Provisional Measures for the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), we may be ordered to pay prescribed fees and a late charge at a daily rate of 0.2% on the outstanding social insurance fund contributions if such payment is not made within the prescribed time limit. We completed the registration process with the relevant social security authorities at the end of May 2008 and have made social security fund contributions in respect of all eligible employees of Tianjin Sunking.

Our non-compliance with social security regulations to make full contributions to social security and housing provident funds was primarily due to our oversight in comprehending the applicable local social security requirements, which vary in each local jurisdiction. Further, certain employees indicated to us that they prefer not to make contributions to the social security and housing provident funds. After such incidents of non-compliance, we now have a better understanding of the regulatory requirements. We have designated an assistant manager in our human resources department, who is supported by other human resources staff, to oversee the payment of social security and housing provident fund contributions by each of our PRC subsidiaries. Further, we have entered into employment agreements with our employees pursuant to which both of our employees and us are required to make social security and housing provident fund contributions in accordance with the relevant regulations. Since all the employees of Tianjin Sunking during February to May 2008 have left, we are unable to make the outstanding social security fund contributions for such employees for the period between February and May 2008. We have approached the relevant government authorities to enquire the process for rectifying the non-compliance and if applicable, the repayment of the outstanding housing provident fund contributions for Jiashan Sunking and Beijing Sunking. We intend to repay all the outstanding housing provident fund contribution if we are required by the relevant government authorities to do so.

Up to the Latest Practicable Date, we had not received any notice from the relevant government authority as to any non-compliance with social security or housing provident fund contribution regulations by any of our PRC subsidiaries. However, in the event that we are found to have contravened the relevant laws and regulations, we estimate that our liability including the underpaid social security and housing provident fund contributions in respect of our existing and former employees and the maximum penalty that might be imposed by the relevant PRC government authorities is approximately RMB0.4 million. Our controlling shareholders have given an indemnity to us in respect of any liabilities, damages, fines, penalties, costs, losses or expenses which might be payable by our Group as a result of the above non-compliance with relevant PRC regulations.

To align the interests of our key employees and shareholders, Sunking BVI, the then holding company of the principal subsidiaries of our Group prior to the Reorganisation, adopted the Sunking BVI Share Award Scheme in 2008 for the primary purpose of providing incentives to officers, directors, consultants and employees of Sunking BVI and its subsidiaries. Under the Sunking BVI Share Award Scheme, Sunking BVI may issue up to 6,000,000 ordinary shares to officers, directors, consultants and employees of our Group. All shares which may be issued under the Sunking BVI Share Award Scheme have been issued. We have conditionally adopted the Share Option Scheme which will take effect from the Listing, with the aim of providing incentives to our employees. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus.

Our total staff costs including remuneration for our Directors for each of the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were approximately RMB3.6 million, RMB5.4 million, RMB10.2 million and RMB6.1 million. Our expenses incurred in relation to the issuance of shares of Sunking BVI to the employees of our Group under the Sunking BVI Share Award Scheme for the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010 were nil, RMB1.2 million, RMB1.8 million and RMB1.1 million, respectively.

Save as disclosed above, we had complied with applicable employment laws and regulations in the PRC in all material respects and there had been no labour related legal proceedings against us up to the Latest Practicable Date.

SAFETY AND ENVIRONMENTAL MATTERS

Quality control

We regard our stringent quality control processes as a key attribute to our success and have established quality control systems in accordance with the relevant PRC laws and regulations. We have obtained the following ISO9001 certification, all of which serve to indicate that we meet or surpass the internationally recognised standards for quality control:

Entity	ISO9001 certification
Jiashan Sunking	the design, production and service of anode saturable reactors and IGBT gate drivers under 10kV
Tianjin Sunking.............	the production and service of deionised water cooling systems
Wuxi Sunking	production and service of HV power capacitors and HV power capacitors complete installation

Our quality control measures cover various aspects of our operations, including design and construction of production facilities, the installation and maintenance of equipment, procurement of raw materials and power electronic components and quality checks throughout the production process. As at the Latest Practicable Date, we had about 35 quality control employees. Our quality control staff are required to become familiar with the relevant PRC national standards, applicable ISO standards, industry standards and other applicable legal and regulatory requirements. They are also required to receive training before performing certain quality control tasks. As part of our quality control procedures, we maintain detailed records of our production process.

Occupational health and safety

We are subject to PRC laws and regulations regarding labour, safety and work-related incidents. We provide safety protection to our employees working in our production facilities, which includes providing them with adequate safety equipment and ensuring that our production facilities have adequate precautionary measures. For example, we have arrangements in place for our employee working in hot weather in terms of working hours and shifts. We set up our safety rules and systems based on the core principle of occupational safety and we implement operational procedures for our production process. Each of our production facilities has specific personnel designated to monitor the operation. We also provide safety-related education to our employees from time to time to increase their awareness of work safety. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the applicable labour and safety regulations in all material respects and had not had any incident or complaint which had a material adverse effect on our operations. During the Track Record Period, there had been no major accident that had resulted in the death or serious injury of our employees.

Environmental matters

Our production facilities discharge wastes such as gaseous chemical wastes, waste water, other liquid and solid wastes at various stages of our production process. Our production is subject to national, provincial and local environmental laws and regulations of the PRC. The relevant environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require payment of fines for serious violations and empower certain governmental authorities to close or suspend any production facility that fails to comply with orders requiring it to cease or remedy operations which cause environmental damage.

We are committed to strict and full compliance with the relevant environmental protection requirements in the PRC. The environmental feasibility studies and environmental impact assessments carried out at each of our production facilities by the relevant local environmental protection authorities indicate that the amount of each type of wastes that we generate is insignificant and lower than the relevant state and local waste discharge control levels and therefore we are not required to take any specific measures with respect to the wastes we discharge. We have, however, voluntarily taken a number of measures to handle the waste generated during our production. We have water-recycling systems which recycle the water used to clean the anode saturable reactor components and in various production processes of power capacitors. Tianjin Sunking has established an environmental protection team headed by the general manager of Tianjin Sunking, who is familiar with ISO14000 – standards for environmental management systems and the establishment and maintenance of environmental protection systems applied in manufacturing business. The team has formulated specific policies to control solid wastes, noises, dusts, fire and dangerous chemicals. In addition, we have engaged environmental specialty companies to deal with various waste discharged from our production process. Given the experience of Tianjin Sunking in environmental compliance matters, we have appointed the general manager of Tianjin Sunking to be responsible for formulating our Group's overall environmental policies.

For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our cost incurred for compliance with environmental obligations were approximately nil, RMB8,000, RMB90,000 and RMB24,000, respectively. Our cost of compliance with environmental obligations for the year ending 31 December 2010 is expected to be not more than RMB100,000.

Our Directors have confirmed that we fully complied with the relevant environmental rules and regulations during the Track Record Period and have not experienced any adverse environmental pollution incidents. There had been no administrative penalties imposed on us as a result of a violation of environmental rules and regulations during the Track Record Period.

LAND AND PROPERTIES

We own the production facilities of Jiashan Sunking and Wuxi Sunking. The land use right of the production plant of Jiashan Sunking is for a term expiring on 12 April 2054. It is used for production, storage and other ancillary facility needs. The site area and total gross floor area of this property are approximately 32,575.6 square metres and 13,388.5 square metres, respectively. The property comprises a parcel of land together with seven buildings erected thereon which were completed in various stages between 2008 and 2009.

The land use right of the production plant of Wuxi Sunking is for a term expiring on 29 October 2058. The plant is also used for production, storage and other ancillary facility needs. The site area and total gross floor area of the property are approximately 40,076.2 square metres and 23,252.9 square metres, respectively. The property comprises a parcel of land together with six buildings erected thereon which were completed in 2009.

We have obtained land use right certificates and building ownership certificates for all of the above production facilities and the land on which such production facilities are situated save for the building ownership certificates for three buildings at our Jiashan production plant with a total gross floor area of approximately 218.3 square metres which are used as an electricity building, a pump house and a guard house. Our controlling shareholders have given us an indemnity for any loss and expenses which we may incur in connection with the absence of building ownership certificates in respect of such buildings. Given the ancillary nature of the affected buildings and the indemnity provided by our controlling shareholders, our Directors believe that the absence of building ownership certificates in respect of these buildings would not have any material adverse effect on our operations.

We have leased a property in Haidian District, Beijing with a total gross floor area of approximately 1,133.7 square metres to serve as our headquarters and office use. The lease was originally for a term of three years expiring on 4 September 2010 and was subsequently extended for another six months to end on 4 March 2011. We have leased another property in Tianjin for production purposes. In addition, Jiashan Converter Technology leased a property owned by Jiashan Sunking for office purposes. These leases have not been registered with the relevant government authorities. As advised by our PRC legal adviser, non-registration of the leases with the relevant government authorities would not affect the validity of these leases nor the use of these leased properties by us. In view of the insignificant sales contribution of deionised water cooling systems to our revenue during the Track Record Period, our Directors are of the view that the production facility of Tianjin Sunking is not critical to the operation of our Group taken as a whole.

Please see the property valuation report set out in Appendix IV to this prospectus for further details regarding our properties.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations. In addition, we were not subject to any material claims, damages, losses or product recalls during the Track Record Period. As at the Latest Practicable Date, we were not aware of any such material litigation, arbitration or administrative proceedings threatened against us.

GENERAL

Our PRC legal adviser has confirmed that we have obtained all necessary permits, licences and approvals from the relevant regulatory authorities for our Group's operations in the PRC. Our Directors confirm that they are not aware of any circumstances existing which would impose any impediment on us to renew any such permits, licences or approvals when it expires.

DIRECTORS

The management and affairs of our business are supervised by our Board, which consists of nine members, three of whom are independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position
Mr. Xiang Jie (項頡先生)	37	Chairman and chief executive officer
Mr. Gong Renyuan (龔任遠先生).........	39	Executive Director
Mr. Yue Zhoumin (岳周敏先生)	39	Executive Director
Mr. Huang Xiangqian (黃向前先生)	39	Executive Director
Mr. Ye Weigang Greg (葉衛剛先生)	41	Non-executive Director
Mr. Wong Kun Kau (黃灌球先生)........	49	Non-executive Director
Mr. Wang Yi (王毅先生)	67	Independent non-executive Director
Mr. Li Fengling (李鳳玲先生)	62	Independent non-executive Director
Mr. Chen Shimin (陳世敏先生)	52	Independent non-executive Director

Executive Directors

Mr. Xiang Jie (項頡先生), was appointed as our Director on 19 March 2010 and is the founder, chairman and chief executive officer of our Group. Mr. Xiang has been with our Group since its establishment. Mr. Xiang is primarily responsible for overall corporate strategy, planning and business development of our Group. Mr. Xiang was brought up and has lived for a substantial period of time in the PRC. After graduation from Shanghai Maritime University (上海海事大學) (formerly known as Shanghai Maritime College (上海海運學院)) in international shipping management in 1995, he obtained his master's degree in business administration from Maastricht School of Management, the Netherlands in 1999. In 1999, he joined ABB Semiconductors AG, a leading international engineering company. He was subsequently promoted to the position of engineer in 2001 and held that position until he left ABB Semiconductors AG and established our Group. Mr. Xiang has over 10 years of experience in the trading and power electronic sectors. Mr. Xiang has represented Beijing Sunking as the deputy chairman of the power electronic branch of China Electrical Equipment Industrial Association (中國電器工業協會電力電子分會) since October 2009. Mr. Xiang is not and has never been a full time government official of any country for a substantial period of time and is not and has never been a full time employee of a state/government-owned/operated entity for a substantial period of time.

Mr. Xiang is also a director of Sunking Pacific, Jiashan Sunking, Wuxi Sunking, Beijing Sunking, and Jiashan Converter Technology.

Mr. Gong Renyuan (龔任遠先生), was appointed as our Director on 19 March 2010 and was redesignated as an executive Director on 28 May 2010. He is the president of our Group. He joined our Group in 2002 and became the executive general manager of Sunking BVI in 2008. He is primarily responsible for overseeing the overall business of our Group, including devising and implementing our business and development strategies and targets. Before joining our Group, he worked for a construction company as a business operation officer for over eight years. In 1993, Mr. Gong completed the programme in business English (外貿英語專科) organised by Beijing Technology University (北京工業大學). Mr. Gong is also a director of Tianjin Sunking and Jiangsu Sunking. Ms. Ren Jie, a vice president and a member of the senior management of our Group, is the spouse of Mr. Gong.

Mr. Yue Zhoumin (岳周敏先生), was appointed as our executive Director on 28 May 2010 and is a vice president of our Group. Mr. Yue joined our Group in 2009. He is primarily responsible for the strategic planning and development of our Group. Mr. Yue graduated from Shanghai Maritime University (上海海事大學) (formerly known as Shanghai Maritime College (上海海運學院)) with a bachelor's degree in economics in 1994. Mr. Yue has extensive experience in corporate and project management and fund raising in the capital markets. He worked at China Ocean Shipping Group (COSCO) for over 14 years. From 1999 to 2005, he was the general manager of the commercial department of COSCO Container Line Agencies Ltd., an indirectly wholly owned subsidiary of China COSCO Holdings Company Limited, a company listed on the Stock Exchange with stock code 1919 and the Shanghai Stock Exchange with stock code 601919. From 2005 to 2009, he worked for China COSCO Holdings Company Limited and was promoted as the senior manager of its strategy division during that period.

Mr. Huang Xiangqian (黃向前先生), was appointed as our executive Director on 28 May 2010 and is the general manager of Wuxi Sunking, our subsidiary specialising in manufacturing power capacitors. He is primarily responsible for the overall operation of Wuxi Sunking. Mr. Huang graduated from Harbin University of Science and Technology with a bachelor's degree in engineering in 1997 and received his internal auditor qualification from Beijing Zhongdahuayuan Certification Centre in 2004. Mr. Huang has rich experience in the design and production of power capacitors. Before joining Wuxi Sunking in 2008, he worked for Nissin Electric Wuxi Co. Ltd. (日新電機 (無錫) 有限公司) for a number of years where he held positions as chief engineering assistant and head of the technology department. He participated in the product standardisation process of power capacitors and has vast experience with HVDC projects.

Non-executive Directors

Mr. Ye Weigang Greg (葉衛剛先生), is a certified public accountant in the United States. He was appointed as our non-executive Director on 28 May 2010. Mr. Ye received his bachelor's degree in electrical engineering from Shanghai Jiaotong University (上海交通大學) in 1990, his master's degree in accountancy from Northeast Missouri State University in 1993 and his master's degree in business administration from Harvard Business School in 2001. Mr. Ye is currently a managing partner of NewMargin Ventures. Prior to joining NewMargin Ventures in 2006, he was the product marketing group director of Cadence Design Systems, Inc., a leading electronic design automation (EDA) technology and engineering service company. Prior to that, he worked for PricewaterhouseCoopers in the United States, and last held the position of manager. Although Mr. Ye was appointed as a director of Sunking BVI pursuant to the Series A Pre-IPO Agreements (which do not provide any right to NewMargin to appoint any Director), his appointment as our non-executive Director was a separate decision not pursuant to any special rights under such agreements. He will be subject to re-election in accordance with the Articles.

Mr. Wong Kun Kau (黃灌球先生), was appointed as our non-executive Director on 28 May 2010. Mr. Wong obtained his bachelor's degree in social science from The University of Hong Kong in 1982. He has more than 25 years of experience in fund management, securities brokering and corporate finance involving securities origination, underwriting and placing of equities and equity-linked products, mergers and acquisitions, corporate restructuring and reorganisations and other general corporate advisory activities. He is currently the managing partner of Bull Capital Partners Ltd., a fund management company specialising in direct investment in the Greater China Region. He is also a director of Common Goal. Prior to joining Bull Capital Partners Ltd., Mr. Wong held senior management positions with several multinational financial institutions including BNP Paribas Capital (Asia Pacific) Limited and Peregrine Securities Limited. Mr. Wong is an independent non-executive director of West China Cement Limited, a company listed on the Stock Exchange with stock code 2233. Although Mr. Wong was appointed as a director of Sunking BVI pursuant to the Series B Pre-IPO Agreements (which do not provide any right to Common Goal to appoint any Director), his appointment as our non-executive Director was a separate decision not pursuant to any special rights under such agreements. He will be subject to re-election in accordance with the Articles.

Independent non-executive Directors

Mr. Wang Yi (王毅先生), became our independent non-executive Director on 1 July 2010. From 1961 to 1967, Mr. Wang studied at Beihang University (北京航空航天大學) (formerly known as Beijing Institute of Aeronautics (北京航空學院)). He is currently a general vice director (常務副主任委員) of the Enterprise Technology Improvement Working Committee of the China Enterprise Confederation (中國企業聯合會企業技術進步工作委員會). He was also the president of China Technology and Economy Investment Consulting Co. Ltd. (中技經投資顧問股份有限公司). He was the deputy director (副司長) of the Department of Foreign Economic Cooperation of the Office of the Economic and Trade of the State Council (國務院經濟貿易辦公室對外經濟合作司) and was also a director general (正司級巡視員) of the Department of Investment and Planning of the State Economic and Trade Commission of the PRC (國家經濟貿易委員會投資與規劃司). Mr. Wang has substantial experience working in the PRC government authorities including experience in policy planning and project approval.

Mr. Li Fengling (李鳳玲先生), became our independent non-executive Director on 1 July 2010. In 1975, Mr. Li completed the programme in power engineering (電力工程) organised by Tsinghua University. He subsequently obtained a master's degree from Tsinghua University in power system and automation (電力系統及自動化) in 1986. Mr. Li is currently a member of the Beijing Committee of The People's Political Consultative Conference of China (北京市中國人民政治協商會議委員會), the director (主任) of the management committee of the Xiushi Charity Foundation of the China Social Entrepreneur Foundation (中國友成企業家扶貧基金會修實公益基金管理委員會) and an external director of Beijing Capital Tourism Group Co., Ltd. (北京首都旅游集團有限責任公司). Mr. Li has profound knowledge in the area of power engineering. Mr. Li was also the chairman of Beijing Energy Investment (Holding) Co., Ltd. (北京能源投資 (集團) 有限公司), a company established by the Beijing People's Government and carrying on electricity and energy saving related business in Beijing. Mr. Li held a number of positions with various companies prior to joining our Company. He was previously the president of Beijing International Power Development Investment Corporation (北京國際電力開發投資公司), the director of the management committee of the Beijing Economic and Technological Development Area (北京經濟技術開發區管理委員會) and the general manager of Beijing Economic-Technological Investment & Development Corp. (北京經濟技術投資開發總公司). Mr. Li was also the district mayor (區長) of Chaoyang District of Beijing and the deputy district mayor (副區長) of Haidian District of Beijing.

Mr. Chen Shimin (陳世敏先生), became our independent non-executive Director on 19 August 2010. He is a certified management accountant registered in the United States, member of the Institute of Management Accountants of the United States and the American Accounting Association of the United States. He graduated from the Shanghai University of Finance and Economics (上海財經大學) (formerly known as Shanghai College of Finance and Economics (上海財經學院)) with a bachelor's degree and a master's degree in economics in 1983 and in 1985, respectively. He then obtained a doctoral degree in philosophy from The University of Georgia in 1992. He has been a professor of accounting at China Europe International Business School (中歐國際工商學院) since August 2008. He is also a guest professor and adjunct tutor to Ph.D. students (博士生合作指導教師) of the department of accounting of Nanjing University (南京大學) and the school of accounting of Shanghai University of Finance and Economics. He has extensive education and research experience in domestic and overseas financial accounting and management accounting. Previously, he was a teacher in a number of universities, including Clarion University of Pennsylvania, Lingnan University, University of Louisiana at Lafayette and Hong Kong Polytechnic University. He attended the Shanghai Stock Exchange training course for independent directors of listed companies held at the Shanghai National Accounting Institute (上海國家會計學院) in 2009. Mr. Chen possesses the required qualifications as required under Rule 3.10(2) of the Listing Rules. Currently, he is an independent non-executive director and a member of the audit committee of China High Speed Transmission Equipment Group Co., Ltd. ("**China High Speed**"), a company listed on the Stock Exchange with a stock code 658, an independent non-executive director and the chairman of the audit committee of Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠 (集團)股份有限公司) ("**Shanghai Oriental Pearl**"), a company listed on the Shanghai Stock Exchange with a stock code 600832 and an independent non-executive director and the chairman of the audit committee of Hangzhou i-Cafe Information Technology Co., Ltd. (杭州順網科技股份有限公司) ("**Hangzhou i-Cafe**"), a company listed on the Shenzhen Stock Exchange with a stock code of 300113. As a member of the audit committee of China High Speed, and the chairman of the audit committees of Shanghai Oriental Pearl and Hangzhou i-Cafe, Mr. Chen is responsible for, among other things, reviewing and supervising the financial reporting process and internal controls of the companies involved.

Save as disclosed, each of our Directors confirms with respect to himself that: (i) he has not held any directorships, current or past, since the beginning of the Track Record Period up to the date of this prospectus in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas; (ii) he is not related to any other Director, member of senior management or substantial or controlling shareholders of our Company; (iii) no additional information is required to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; (iv) there are no other matters that need to be brought to the attention of holders of securities of our Company; and (v) all the requirements under Rule 13.51(2) of the Listing Rules have been fulfilled.

JOINT COMPANY SECRETARIES

Mr. Ngai Wai Fung (魏偉峰先生), aged 48, was appointed as our joint company secretary on 19 August 2010. Mr. Ngai is a Fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai is also the vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its Membership Committee. Mr. Ngai obtained a Master of Business Administration Degree from Andrews University of the United States in 1992, a Bachelor of Laws (with Honours) Degree from the University of Wolverhampton, the United Kingdom in 1994 and a Master of Corporate Finance Degree from Hong Kong Polytechnic University in 2002. Mr. Ngai currently acts in the capacity of independent non-executive director of six Hong Kong listed companies*(Note 1)*, company secretary for eight other Hong Kong listed companies*(Note 2)* and joint company secretary for ten other Hong Kong listed companies*(Note 3)*. The Board will endeavour to ensure that Mr. Ngai will allocate sufficient time to discharge his duties as joint company secretary of our Company.

Ms. Huang Li (黃麗女士), aged 28, was appointed as our joint company secretary on 19 August 2010. Ms. Huang received a bachelor's degree of communication engineering from Nanjing Institute of Technology (南京工程學院) in 2005. She joined our Group in 2005 as manager of the marketing department of Beijing Sunking and had also worked as manager of the software department of Beijing Sunking and assistant to the president and chief executive officer of our Group before being assigned to her current post as the manager of the office of general manager of our Group.

Note:

(1) Those six companies are: BaWang International (Group) Holding Limited, Sany Heavy Equipment International Holdings Company Limited, China Railway Construction Corporation Limited, Powerlong Real Estate Holdings Limited, Bosideng International Holdings Limited and Franshion Properties (China) Limited.

(2) Those eight companies are: Trauson Holdings Company Limited, Chengdu PUTIAN Telecommunications Cable Company Limited, Uni-President China Holdings Ltd., CVM Minerals Limited, Anton Oilfield Services Group, Zhaojin Mining Industry Company Limited, SOHO China Limited and China Huiyuan Juice Group Limited.

(3) Those ten companies are: China Longyuan Power Group Corporation Limited, China Pacific Insurance (Group) Co., Ltd., Metallurgical Corporation of China Ltd., International Mining Machinery Holdings Limited, Shanghai Jin Jiang International Hotels (Group) Company Limited, Sichuan Xinhua Winshare Chainstore Co., Ltd., Yingde Gases Group Company Limited, Advanced Semiconductor Manufacturing Corporation Limited, Sinopharm Group Co. Ltd and Kwang Sung Electronics H.K. Co. Limited.

SENIOR MANAGEMENT

Our senior management consists of the following persons:

Mr. Jin Jiafeng (金嘉峰先生), aged 37, is the chief financial officer of our Group. He joined our Group in 2008. Mr. Jin was designated as a "senior international finance manager" by the International Financial Management Association in March 2009 and has extensive experience in finance and mergers and acquisitions in a number of sectors. In 1994, Mr. Jin completed the programme in finance and accounting (財務會計專科) organised by the College of International Business and Management, Shanghai University. Before he joined our Group, he worked at KPMG as a supervisor. He also worked at NewMargin Venture Capital as an investment adviser until December 2003. Mr. Jin's appointment as the chief financial officer of our Group was not made pursuant to any special rights of NewMargin under the Series A Pre-IPO Agreements. Prior to that he was the finance director of T2CN Information Technology (Shanghai) Company Limited (天聯世紀訊息技術 (上海) 有限公司).

Ms. Ren Jie (任潔女士), aged 33, is a vice president of our Group who is responsible for human resources management. In 1998, Ms. Ren completed the programme in English language (英語專業大學專科) organised by Xi'an International Studies University (西安外國語學院). She joined our Group in 2002 as a sales manager of Beijing Sunking. In 2004, she was promoted to the chief operating officer of Beijing Sunking. Since September 2008, she has been a vice president of our Group. Ms. Ren Jie is the spouse of Mr. Gong Renyuan, an executive Director.

Mr. Michael Simon Geissmann, aged 32, is a vice president of our Group who is responsible for overseeing the quality control and overseas business of our Group and reporting the affairs and progress of our Group to our chief executive officer. Mr. Geissmann joined our Group in 2008. He graduated from the Swiss Federal Institute of Technology Zurich (ETHZ) in 2003 with a diploma in electrical engineering. Before joining us, he worked at ABB Schweiz AG, Semiconductors, where he started his career in 2005, as a supply chief manager and material quality engineer and was involved in structuring the China sourcing unit and was in charge of, among other things, supplier qualification and quality control.

Ms. Bai Xing (白星女士), aged 29, is a vice president of our Group who is responsible for procurement. She has been with our Group since 2002. Ms. Bai graduated from the University of International Business and Economics (對外經濟貿易大學) with a bachelor's degree in international business and trade in 2007 and has about eight years of experience in procurement. After working for more than two years in the procurement department of Beijing Sunking, Ms. Bai was promoted to the head of the department, and became responsible for the procurement process and the daily operation of the procurement department. Since 2005, she has been our Group's procurement director, and is responsible for our Group's overall procurement and liaising with each subsidiary of our Company on purchasing matters. Ms. Bai is a national registered certified purchasing professional recognised by China Federation of Logistics and Purchasing (中國物流與採購聯合會).

Mr. Li Jinyan (李金燕先生), aged 31, is a vice president of our Group who is responsible for the sales and marketing of our products. He has been with our Group since he graduated from the University of Science and Technology Beijing (北京科技大學) with a bachelor's degree in automation in 2004. He joined the sales department of Beijing Sunking in 2004 and became the sales manager in 2005.

AUDIT COMMITTEE

We established an audit committee on 19 August 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The duties of our audit committee include (without limitation) (i) making recommendation to our 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 integrity of our financial statements, our 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 our financial controls, internal control and risk management systems.

Our audit committee consists of Mr. Chen Shimin (chairman), Mr. Wang Yi and Mr. Ye Weigang Greg.

REMUNERATION COMMITTEE

We established a remuneration committee on 19 August 2010 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The duties of our remuneration committee include (without limitation) (i) making recommendations to our Board on our policy and structure for all remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to our Board of the remuneration of our non-executive Directors; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Our remuneration committee consists of Mr. Wong Kun Kau (chairman), Mr. Wang Yi and Mr. Li Fengling.

NOMINATION COMMITTEE

We established a nomination committee on 19 August 2010 with written terms of reference in compliance with paragraph A4 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Our nomination committee is responsible for (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board on a regular basis and make recommendations to our Board regarding any proposed changes; (ii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (iii) assessing the independence of our independent non-executive Directors; and (iv) making recommendations to our Board on relevant matters relating to the appointment or re-appointment of our Directors and succession planning for our Directors in particular the chairman and the chief executive officer.

Our nomination committee consists of Mr. Li Fengling (chairman), Mr. Gong Renyuan and Mr. Chen Shimin.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes we paid to our Directors in each of the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010 were approximately RMB0.2 million, RMB0.5 million, RMB1.0 million and RMB0.8 million, respectively. Further information on the remuneration of each of our Directors during the Track Record Period is set out in note 11 of section E of the accountants' report as set out in Appendix I to this prospectus.

During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Under the current arrangements, our Directors will be entitled to receive remuneration from our Group which, for the year ending 31 December 2010, is expected to be approximately RMB1.8 million, excluding the discretionary bonus payable to our Directors.

The aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes to the five highest paid individuals by our Group in respect of each of the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010 were approximately RMB0.3 million, RMB0.6 million, RMB0.6 million and RMB0.3 million, respectively. The five highest paid individuals of our Group included 2, 3, 3, 2 and 3 Directors for each of the years ended 31 December 2007, 2008 and 2009 and each of the five months ended 31 May 2009 and 2010, whose remunerations are included in the aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes we paid to our Directors set out above.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. A summary of the principal terms is set out in the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus. Under the Share Option Scheme, certain eligible persons, including without limitation, full-time and part-time employees of our Company (including our executive Directors) and our non-executive and independent non-executive Directors of our Company, may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares which may be issued under any other scheme of our Company, up to a maximum of 10% of the Shares in issue on the Listing Date.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, we have appointed Taifook Capital Limited as our compliance adviser to advise us on the following matters in accordance with Rule 3A.23 of the Listing Rules:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds we receive from the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we send our financial results as required under Rule 13.46 of the Listing Rues for the first full financial year commencing after the Listing Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Overview

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares that may be sold by the Option Selling Shareholders pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), Mr. Xiang Jie will indirectly beneficially own in aggregate approximately 30.4% of our issued Shares. All his shareholding in the Company is held through Max Vision, a company incorporated in the BVI and wholly owned by Mr. Xiang Jie. As such, Mr. Xiang Jie and Max Vision will be our controlling shareholders under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from and do not place undue reliance on our controlling shareholders upon Listing, taking into consideration, among other factors, the following factors:

(i) Competition

As at the Latest Practicable Date, none of our controlling shareholders nor any of his/its associates and none of our Directors was interested in any business (other than our Group) which is, directly or indirectly, in competition with our business. To ensure that competition will not exist in future, the controlling shareholders have entered into the Deed of Non-Compete with us. Please refer to the paragraph headed "Deed of Non-Compete" below for details of the principal terms of the Deed of Non-Compete.

(ii) Independence of business operations

We hold all of the production and operating facilities and technology relating to our business operations. Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently from our controlling shareholders.

(iii) Financial independence

The Directors are of the view that we are able to maintain financial independence from our controlling shareholders.

We have historically had, and will following completion of the Global Offering, continue to have our own internal control and accounting systems. Our own finance department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our controlling shareholders.

As at the Latest Practicable Date, our Group had no outstanding loans or loan guarantees from or to our controlling shareholders.

DEED OF NON-COMPETE

Our controlling shareholders, Mr. Xiang Jie and Max Vision (collectively, the "**Covenantors**") have entered into the Deed of Non-Compete with us, pursuant to which each of the Covenantors has undertaken to us that he/it shall not and shall procure his/its associates not to, whether as principal or agent and whether directly or indirectly (including through any of their associates, subsidiaries, partnerships, joint ventures or other contractual arrangements) and whether for profit or otherwise, carry on, engage, invest, participate in, or hold any right or interest in, or otherwise be involved in the Restricted Business during the period commencing on the Listing Date and ending on the earlier of the day on which:

(i) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their respective associates in our Company falls below 30% of the issued share capital of our Company; or

(ii) the Shares cease to be listed on the Stock Exchange;

whether alone or jointly with another person and whether directly or indirectly except:

(a) through his/its interests in our Group; or

(b) through ownership of shares in any company whose shares are listed on the Stock Exchange or on any other stock exchange and which competes with our Group provided that such shares do not exceed 5% of such listed company's issued share capital and provided further that at no time shall Mr. Xiang Jie and/or his associates participate in the management of such company.

Corporate governance measures

Pursuant to the Deed of Non-Compete, each of the Covenantors has undertaken:

(i) to provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Compete; and

(ii) to make an annual declaration on the compliance with this Deed of Non-Compete.

In this connection, we also intend to adopt the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of our shareholders:

(i) our independent non-executive Directors will review, at least on an annual basis, the compliance of the Covenantors with the Deed of Non-Compete; and

(ii) Our Company will make disclosures in our annual reports or by way of announcements regarding the review by of the independent non-executive Directors relating to such compliance with and the enforcement of the Deed of Non-Compete.

CONNECTED TRANSACTION

We have not entered into any transactions with our connected persons that will continue following the Listing and that will constitute exempt and/or non-exempt continuing connected transaction of our Company within the meaning of the Listing Rules.

SHARE CAPITAL

Our Company has an authorised share capital of HK$200,000,000 divided into 2,000,000,000 Shares of HK$0.10 each. The share capital of our Company immediately after the Capitalisation Issue and the Global Offering will be as follows:

Number of Shares	Description of Shares	Aggregate nominal value of Shares
		(HK$)
51,227,000	Shares in issue as at the date of this prospectus	5,122,700
973,313,000	Shares to be issued pursuant to the Capitalisation Issue	97,331,300
341,500,000	Shares to be issued pursuant to the Global Offering	34,150,000
1,366,040,000	Total issued Shares on completion of the Global Offering	136,604,000

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Global Offering have become unconditional.

It takes no account of any Shares (a) which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or (b) which may be allotted, issued or repurchased by us under the Issue Mandate and Repurchase Mandate granted to our Directors.

RANKING

The new Shares forming part of the Offer Shares will rank pari passu in all respects with all the Shares now in issue (other than participation in the Capitalisation Issue) or to be issued as mentioned in this prospectus, and will qualify in full for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus (other than entitlements to the Capitalisation Issue).

GENERAL MANDATES

Issue Mandate

Subject to the Global Offering becoming unconditional, our Directors have been granted the Issue Mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

1. 20% of the aggregate nominal value of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering excluding the aggregate nominal value of the share capital of our Company which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and

2. the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "Repurchase Mandate" below.

The Issue Mandate does not apply to situations where our Directors allot, issue or deal with Shares by way of rights or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or under the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our shareholders in general meeting.

The Issue Mandate will expire:

- at the conclusion of our Company's next annual general meeting;

- at the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association, the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- when varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

For further details of the Issue Mandate, see the paragraph headed "A. Further information about our Company – 3. Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010" in Appendix VI to this prospectus.

Repurchase Mandate

Subject to the Global Offering becoming unconditional, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with nominal value of up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering excluding the aggregate nominal value of the share capital of our Company which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant provisions of the Listing Rules are set forth under "Repurchase by our Company of its own securities" in Appendix VI to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of our Company's next annual general meeting;
- at the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association, the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- when varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

For further details of the Repurchase Mandate, see the paragraph headed "A. Further information about our Company – 3. Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010" in Appendix VI to this prospectus.

You should read the following discussion in conjunction with the audited combined financial information included in the accountants' report and the notes thereto (the "Accountants' Report") included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The combined financial information has been prepared in accordance with IFRS.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors" in this prospectus.

The financial information extracted from the Accountants' Report as of and for the years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 included in this prospectus is audited. Financial information as of or for any period prior to 1 January 2007, and as of or for any periods subsequent to 31 May 2010 included in this prospectus is derived from management accounts and is therefore unaudited.

OVERVIEW

We are a leading domestic manufacturer of high-end, specialised power electronic components and systems for use in the rail transportation, power transmission and distribution, and other general industrial sectors in China. According to Frost & Sullivan, we are also a leading distributor for the import of power semiconductors and other power electronic components into China. Our business can be generally categorised into the following two business segments:

- *Distribution business* – distribution of imported power electronic components such as semiconductors, current/voltage sensors, heat sinks, fuses, IGBT drivers and other power electronic components sourced from leading international engineering companies, including ABB Switzerland and Cooper Bussmann. We do not manufacture any of these products.

- *Manufacturing business* – design, manufacture and sale of our own manufactured products including IGBT power modules, anode saturable reactors, HV power capacitors, silicon rectifier valves, deionised water cooling systems and others. Some of these products apply certain imported power electronic components that we distribute.

We have over 600 customers, a number of whom are both customers of our distribution business and of our manufacturing business. Our distribution business customers include the CSR Group, CEPRI, NARI Group Corporation and other key players in various industries. Our manufacturing business customers include the CNR Group, the China XD Group, CEPRI and the CSR Group. Set forth below is an overview of our distribution business and manufacturing business.

Distribution business

Mr. Xiang Jie, our Chairman, started our business in 2002 when he established Beijing Sunking to engage in the distribution of imported semiconductors and other power electronic components in China. Prior to that, Mr. Xiang Jie worked at ABB Semiconductors AG as an engineer where he acquired product knowledge on ABB's semiconductors and gained useful insights into the PRC power electronic market. Notwithstanding his resignation from ABB in 2001 to pursue his business, Mr. Xiang has continued his business relationship with ABB and started distributing ABB's power electronic components in China through Beijing Sunking. We are currently an authorised distributor of ABB Switzerland, Cooper Bussmann and a number of other leading global engineering companies for power electronic components in China. As confirmed by ABB, we have generated the highest sales volume in power semiconductors of any ABB Switzerland's authorised distributor on a global basis since 2006. The imported power electronic components that we sell are used in power transmission and distribution, electric rail transportation and a broad range of other industries, including mining and non-ferrous metals and steel production.

The business model of our distribution business is relatively straightforward compared with our manufacturing business. We buy our imported power electronic components from our suppliers and sell them to our customers. Our imported power electronic products are mainly applied in locomotives and other traditional industrial applications such as inverters, power supply, reactive power compensation, voltage soft start and rectifiers. While we do not manufacture the types of products that we distribute, we apply some of our imported power electronic components from our key suppliers for the manufacture of own manufactured products such as IGBT power modules and silicon rectifier valves. Normally, we do not maintain any significant level of inventory for our distribution business. For our larger customers, we place advance orders with our suppliers based on the customers' annual purchase plans. In other cases, we place purchase orders with our suppliers upon receipt of our customers' specific orders. The credit period with our suppliers varies and ranges from 30 to 180 days. We have over 600 customers for our distribution business, a small portion of whom are also customers of our manufacturing business. Almost all of our imported power electronic components are sold to domestic companies. Customers of our distribution business include the CSR Group, CEPRI and NARI Group Corporation. For our distribution business, we generally do not enter into long-term purchase agreements with our customers. The credit period we grant to our customers ranges from 0 day (payment upon delivery) to 180 days depending on factors such as our relationship with the customer, the customer's credit record and market practice. The length of the credit period we grant to each customer is not affected by whether the customer buys our distribution products or our manufactured products. As is typical with any trading businesses, capital requirements for our distribution business are significantly less than they are for our manufacturing business. Similarly, research and development capabilities are not critical to the success of our distribution business.

Our distribution business is conducted through Beijing Sunking and Jiashan Sunking. Revenue for the sale of our distribution products is recognised when goods are delivered and title has passed. We adopt the same revenue recognition policy to both our manufacturing business and distribution business. The following table sets forth (i) the amount of revenue contributed by our distribution business and as a percentage of our total revenue, and (ii) the gross profit margin of our distribution business, for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Sales of imported power electronic components										
Revenue	185,485	98.5	181,818	72.9	139,140	53.2	33,570	65.7	45,767	38.6
Gross profit margin	–	24.1	–	27.3	–	27.0	–	34.5	–	25.8

The following table sets forth the amount of our trade receivables attributable to our distribution business and as a percentage of our total trade receivables outstanding as at the dates indicated:

	As at 31 December						As at 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Trade receivables attributable to sales of imported power electronic components	11,264	100.0	13,280	36.4	31,388	25.1	31,698	18.0

As at 31 August 2010, 67.5% of our trade receivables attributable to our distribution business outstanding as at 31 May 2010 had been settled.

Manufacturing business

After carrying on our distribution business for several years, we began leveraging our relationships with global suppliers and major PRC infrastructure customers to selectively research and develop critical specialised power electronic components and systems that are tailored to our customers' needs. In 2007, we began to manufacture and sell power electronic systems. This was after a long research and development process and an extensive period of quality and reliability testing and trial operation. Customers of our manufactured products include both of the major PRC rolling stock manufacturers, including the CNR Group, which is our largest customer in terms of our 2009 revenue, and both of the PRC's state-owned power grid operators.

Within the rail transportation sector, we produce and sell IGBT power modules and deionised water cooling systems that are crucial to the operation of electric locomotives and EMUs used in China's railway and rapid transit systems. The crucial nature of the rail infrastructure systems, into which our products are installed, demand the highest level of product quality and reliability. We believe we are one of the few domestic companies in China that have the proven capability to design and manufacture highly specialised power electronic systems with the quality and reliability of international standards. Our rail sector products are tailored for use in the electric rail systems that are favoured by PRC policies and global trends. Power electronic technology is employed in electric locomotives to transform the energy source into high-quality power efficiently, thereby achieving energy conservation. Power modules are a critical component in electric locomotives that reduce power loss and increase power conversion efficiency. The reliability of an IGBT power module is imperative to its end users, as its failure may lead to a sudden loss of power that may result in a long transportation delay and substantial economic loss. Therefore, our products are subject to extensive testing to earn the trust of our customers.

We produce and sell a range of high-end power electronic components such as anode saturable reactors and power capacitors that are critical to the continuous, safe and reliable operation of China's power grids. Anode saturable reactors are one of the essential protective components integrated in HVDC convertor valves of HVDC power transmission. Anode saturable reactors protect the thyristor in the HVDC convertor valves from being damaged. Our power sector products are tailored for use in the energy efficient HVDC power transmission systems that are favoured by PRC policies and global trends.

The following table sets forth the relevant market size and market forecast for our key manufactured products and our market share in 2009:

Product	Market size	Our market share
IGBT power modules	Frost & Sullivan estimates that the total sales of IGBT power modules applied in electric locomotives in China were RMB1.7 billion in 2009.	3.3%[(1)]
Anode saturable reactors	Frost & Sullivan estimates that the total sales of anode saturable reactors applied in HVDC convertor valves in China were RMB643 million in 2009 and that this market will grow at a CAGR of 30.6% from 2010 to 2013.	3.1%[(2)]

Source: Ministry of Railways, State Grid, Frost & Sullivan Report

Notes:

(1) According to Frost & Sullivan, the key players in the market of IGBT power modules applied in electric locomotives in China in 2009 were Zhuzhou CSR Times Electric Co., Ltd., Toshiba and Alstom & Bombardier whose market shares were 49.5%, 37.3% and 9.9%, respectively.

(2) According to Frost & Sullivan, the key players in the market of anode saturable reactors applied in HVDC convertor valves in China in 2009 were ABB Asea Brown Boveri Ltd., Siemens and Areva whose market shares were 48.5%, 35.5% and 12.9%, respectively.

We believe that we are well positioned to capture the growth opportunities presented by the convergence of two central policies of the PRC government – its commitment to significantly enhance the country's rail and power grid infrastructure and its policies to encourage the use of domestic technology and products in major infrastructure projects, as well as the global trend to reduce overall carbon emissions through the use of energy efficient technology and infrastructure.

The raw materials that we require for the production of our manufactured products include various domestic and imported power electronic components. In particular, production of our IGBT power modules and some models of our silicon rectifier valves require ABB Switzerland's semiconductors. Therefore, some of the suppliers of our manufacturing business are also the suppliers of our distribution business. In addition, we also require domestically produced power electronic components and other raw materials such as iron core, stainless steel pipe and benzyl-toluene insulating oil which we source from other suppliers. Except for some basic raw materials and components which are commonly applicable to most of our products, we will only maintain a minimum level of inventory in respect of a majority of our raw materials. The credit period with our suppliers varies and ranges from 30 to 180 days.

Due to the nature of our manufactured products, the largest customers of our manufacturing business are primarily state-owned enterprises in the PRC. We are typically required by these customers to pass an extensive period of quality and reliability testing and trial operation. No similar testing process is required for the sale of our imported power electronic components.

Our manufactured products are generally customised and tailored to suit customers' specifications. Therefore the terms of our sales contracts for our own manufactured products vary from case to case. In some cases, customers of our own manufactured products make their purchases through tender processes. Typically, all the major terms of the contract, such as design and technical specifications, price, delivery schedule, technical requirements, payment terms, freight cost allocation, liability for breach of contract and dispute resolution, etc. will be included in the bid letter that we prepare to compete for the project. If we are selected, we will enter into a formal agreement with our customers incorporating the terms agreed. In most other cases, customers place orders with us because we have passed their stringent quality testing processes. We have about 80 customers for our manufacturing business, some of whom are also customers of our distribution business.

Naturally, capital requirements for our manufacturing business are significantly higher than our distribution business. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our capital expenditures were RMB9.4 million, RMB40.0 million, RMB60.9 million and RMB16.9 million, respectively. Almost all of our capital expenditures incurred during the Track Record Period were in relation to the acquisition of land use rights, construction of production facilities and purchases of property, plant and equipment for our production plants at Jiashan Sunking and Wuxi Sunking. Jiashan Sunking, Wuxi Sunking together with Tianjin Sunking carry on our manufacturing business. We expect to spend approximately RMB200 million in the near future primarily for upgrading our production facility at Jiashan Sunking for the production of IGBT power modules and the construction of phase II of our production facility at Wuxi Sunking. We expect to finance such capital expenditures primarily using the net proceeds from the Global Offering. We also expect to incur capital expenditures in relation to our research and development activities, please see the paragraph below.

In addition to capital expenditures, we also require funding to finance our research and development activities. Our Directors believe research and development is essential for our manufacturing business in order to assist us in achieving our goal to maintain our position as a leading domestic power electronic product provider that offers high-quality advanced power electronic products to customers. Our research and development expenses for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were RMB4.5 million, RMB0.3 million, RMB0.6 million and RMB0.9 million, respectively. We intend to consolidate our various research and development capabilities currently installed at different lines of business by setting up a centralised research and development department, to be operated under Jiangsu Sunking, with the aim of optimising our research efforts. In particular, we plan to construct a laboratory at Jiangsu Sunking to focus on the research and development of power electronic components. The current plan is to develop in-house research and development capabilities for reactors, inverters and technology on power efficiency improvement. It is estimated that we would require approximately RMB140 million in aggregate for the construction of the laboratory building and for the procurement of various laboratory testing equipment and systems. We expect to fund the required costs partly by using the net proceeds from the Global Offering and partly by bank borrowings.

We adopt the same revenue recognition policy for our manufacturing and distribution businesses, i.e. revenue is recognised when goods are delivered and title has passed. Although our manufactured products are often subject to extensive quality and reliability testing by our customers, such testing is carried out prior to any sale of such products to the customer. After we sell our manufactured products, they are not subject to quality and reliability testing other than the standard warranty we provide to customers. On that basis, we recognise revenue when goods are delivered and title has passed. The following tables set forth

(i) the amount of revenue contributed by our manufacturing business and as a percentage of our total revenue, and (ii) the gross profit margin of our manufacturing business by product line, for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Revenue from sales of manufactured products										
IGBT power modules....	–	–	–	–	45,904	17.5	–	–	39,932	33.7
Anode saturable reactors	1,590	0.8	260	0.1	11,759	4.5	–	–	1,790	1.5
HV power capacitors	–	–	–	–	–	–	–	–	2,063	1.7
Silicon rectifier valves and others	1,221	0.7	61,807	24.8	58,061	22.2	16,817	32.9	27,215	23.0
Deionised water cooling systems......................	–	–	5,636	2.2	6,840	2.6	686	1.4	1,796	1.5
Total................................	2,811	1.5	67,703	27.1	122,564	46.8	17,503	34.3	72,796	61.4

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	%	%	%	%	%
				(unaudited)	
Gross profit margin					
Manufacturing business	41.3	31.1	34.5	44.8	26.4
IGBT power modules..........	–	–	27.0	–	27.0
Anode saturable reactors	54.5	75.0	61.7	–	49.8
HV power capacitors	–	–	–	–	57.3
Silicon rectifier valves and others	24.0	32.5	38.2	45.5	22.9
Deionised water cooling systems...........................	–	13.9	7.0	27.6	9.2

The following table sets forth the amount of our trade receivables attributable to our manufacturing business and as a percentage of our total trade receivables outstanding as at the dates indicated:

	As at 31 December						As at 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Trade receivables attributable to our manufacturing business	–	–	23,230	63.6	93,464	74.9	143,968	82.0

As at 31 August 2010, 27.1% of our trade receivables attributable to our manufacturing business outstanding as at 31 May 2010 has been settled.

While we plan to further develop our manufacturing business, it is our intention to continue our distribution business to complement our manufacturing business. Our distribution business generated stable revenue and profit over the Track Record Period and allowed us to gain insights into the product requirements of our customers. Further, our bulk purchases with our key suppliers for our distribution business have enabled us to source raw materials for our own manufactured products, i.e. imported power electronic components, at competitive pricing.

As our two business segments present us with different sets of opportunities and risks, operating and maintaining our two businesses allow us to diversify the risks while at the same time capitalise on the opportunities in the growing rail and power sectors in China. While we incorporate certain imported power electronic components that we distribute into some of the products we manufacture, the end products of our manufacturing business have different functionalities and industrial applications than our unmodified imported products. Accordingly, our Directors are of the view that there is no direct competition between our distribution business and our manufacturing business.

Recent change in our business focus from the distribution business to the manufacturing business has brought us new challenges and risks in our operations, which are summarised as follows:

Increase in trade receivables and longer collection cycle – During the Track Record Period, our trade receivables balance increased significantly and at the same time our trade receivables turnover days also became longer. As of 31 December 2007, 2008 and 2009 and 31 May 2010, we had trade and note receivables of RMB30.7 million, RMB46.3 million, RMB153.7 million and RMB215.4 million, respectively. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our average trade and note receivables turnover days were 38.5 days, 56.3 days, 139.5 days and 235.0 days, respectively. The length of our average trade and note receivables turnover for the five months ended 31 May 2010 was longer than 180 days, which is the most favourable credit period we grant to our customers. This partly reflects the fact that some of our trade receivables balance were overdue as at 31 May 2010. The increased amount of our trade receivables and the longer collection cycle has, and will likely continue to have, an adverse impact on our working capital needs. Additionally, if we are unable to recover our trade receivables, our results of operations and financial condition may be adversely affected.

Capital-intensive nature of our manufacturing business – Our manufacturing business is generally capital-intensive as we require significant amount of capital to construct our production facilities, purchase production equipment, develop new products, and develop and implement new technologies. Our capital expenditures for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 were RMB9.4 million, RMB40.0 million, RMB60.9 million and RMB16.9 million, respectively and almost all of which were incurred in relation to our manufacturing business. As of 31 May 2010, we had committed capital expenditures of RMB7.7 million. We expect that our capital expenditures will continue to increase as a result of the ongoing expansion of our operations and further upgrades of our production facilities. If we are unable to obtain the necessary financing, our expansion plans or completion of new production facilities may be delayed, our proposed or potential projects may be hindered, and our financial position and results of operations may be adversely affected.

Insufficient working capital – We require a significant amount of working capital on a continuous basis to fund our manufacturing business. Several factors have had, and are expected to continue to have, a significant impact on the sufficiency of our cash flow and working capital, including the rapid growth of our manufacturing business, the procurement lead time of our products, the required prepayments to our suppliers for certain raw materials and components and the long trade receivables turnover time. As a result of these factors, our cash inflow may not be able to meet our working capital requirements. Recently, we have increased our reliance on bank borrowings to fund our working capital. Our secured short-term bank loans increased from RMB20.0 million as at 31 December 2009 to RMB92.3 million as at 31 May 2010 and further increased to RMB118.1 million as at 30 June 2010. As at 31 August 2010, we had secured short-term bank loans in an aggregate amount of RMB174.6 million outstanding. Please see the paragraph headed "Selected unaudited financial data for the period subsequent to 31 May 2010" below.

Short operating history – We began our business in 2002 as an authorised distributor of ABB Switzerland, and subsequently as distributor of Cooper Bussmann and a number of other leading global engineering companies for power electronic components in China. Although we began to manufacture products in 2007, we only started to generate significant revenue from our manufacturing business in 2008. Sales of our own manufactured products accounted for 1.5%, 27.1%, 46.8% and 61.4% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, respectively. Due to the limited operating history of our manufacturing business, and the limited availability of financial data of our business, there may not be a sufficiently adequate basis on which potential investors in our Shares can evaluate our future business prospects and results of operations.

For a further discussion of the above risks, please refer to the section headed "Risk Factors – Risks relating to our manufacturing business" of this prospectus.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 March 2010. Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group. For details of the Reorganisation, please refer to the section headed "History and Development – Reorganisation" of this prospectus. Our Company and its subsidiaries have been under the common control of Mr. Xiang Jie throughout the Track Record Period or since their respective date of incorporation or establishment up to 31 May 2010 or the date of disposal, where this is a shorter period. Our Group, comprised of our Company and its subsidiaries, resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial information of our Group for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010 (the "**Financial Information**") has been prepared on the basis as if our Company had always been the holding company of the companies comprising our Group throughout the Track Record Period, using the principles of merger accounting.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies comprising our Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation or establishment up to 31 May 2010 or the date of disposal, where this is a shorter period. The combined statements of financial position of our Group as at 31 December 2007, 2008 and 2009 and 31 May 2010 have been prepared to present the assets and liabilities of the companies and business comprising our Group as if the current group structure had been in existence as at those dates.

Beijing Sunking

The entire equity interest in Beijing Sunking is owned by Jiashan Sunking. On 10 April 2010, Mr. Xiang Jie, our chairman and chief executive officer, and Mr. Xu Nanping, an independent third party, transferred 90% and 10%, respectively, of the equity interest in Beijing Sunking to Jiashan Sunking. On 10 April 2008, Jiashan Sunking entered into the SPE Arrangements with Beijing Sunking, Mr. Xiang Jie and Mr. Xu Nanping. Our Directors, after consulting with our PRC legal adviser, are of the view that the terms of the SPE Arrangements have in substance enabled Jiashan Sunking to obtain control and the entire beneficial economic interest in Beijing Sunking without any direct equity interest. For details of the SPE Arrangements, please refer to the section headed "History and Development – Beijing Sunking – Structure Contracts" of this prospectus. Accordingly, Beijing Sunking was accounted for as a subsidiary of our Company throughout the Track Record Period as it and other companies comprising our Group were under the common control of Mr. Xiang Jie. The assets, liabilities and results of Beijing Sunking are included in the Financial Information as if our Company has always been the holding company of Beijing Sunking. The 10% equity interest in Beijing Sunking held by Mr. Xu Nanping prior to the entering into of the SPE Arrangements is treated as non-controlling interest.

The following table sets forth the amounts and percentages of our combined revenue and net profit which were attributable to Beijing Sunking for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Revenue	160,934	85.5%	171,344	68.7%	100,573	38.4%	33,087	64.8%	23,723	20.0%
Net profit	8,411	36.8%	7,298	16.2%	2,264	5.8%	93	1.3%	4,325	46.2%

The net assets of Beijing Sunking were RMB11.1 million, RMB18.4 million, RMB20.8 million and RMB26.1 million as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively, representing 24.0%, 16.0%, 9.0% and 10.7% of our Group's total net assets as at the respective dates.

Futech Group

For the purpose of the Accountants' Report, our Directors have prepared the consolidated financial statements of Sunking Pacific, which was, prior to the Reorganisation, the holding company of the subsidiaries of our Group during the Track Record Period or since their respective dates of incorporation or establishment or acquisition up to 31 May 2010 or the date of disposal, where there is a shorter period, in accordance with accounting policies that conform with IFRS.

During the Track Record Period, Mr. Xiang Jie, the then sole shareholder of our Company's holding company, Sunking BVI, directly held the entire issued share capital of Futech Group from 1 January 2007 to 31 March 2008, the date on which Mr. Xiang Jie transferred the entire issued share capital of Futech Group to Sunking BVI. After that, Sunking BVI directly held the entire issued share capital of Futech Group up to 30 November 2008, the date on which Futech Group was disposed of by Sunking BVI to SSL&SCL Limited, a company incorporated in the BVI. Ms. Ren Lei is the sole director and sole shareholder of SSL&SCL Limited. Both SSL&SCL Limited and Ms. Ren Lei are independent third parties. During the period from 1 January 2007 to 30 November 2008, the major business of Futech Group was acting as a purchasing agent, along side with Jiashan Sunking and Beijing Sunking, for certain of the entities now comprising our Group ("**Futech Business**"). To streamline the operation of our Group with the aim of improving cost effectiveness, we decided that only Jiashan Sunking and Beijing Sunking should continue to act as the purchasing agents. In November 2008, Futech Group was transferred to SSL&SCL Limited for a consideration of US$1 after all the assets and liabilities of Futech Group had been transferred to other companies of our Group. Further details are set out in note 32 of section E of the Accountants' Report. Futech Group had no business other than the Futech Business at the time of the aforesaid disposal. Save for the contracts entered into before the disposal and the balance resulting from the continuous performance of the previous contracts, we have not entered into any further transaction nor do we have any other balance with Futech Group after the disposal of Futech Group.

The Financial Information is prepared to present the historical financial information of our Group's business during the Track Record Period including business carried out by Futech Group. As the sole operation of Futech Group for the period from 1 January 2007 to 30 November 2008 was the Futech Business, there is no need to segregate any financial data from the books and records of any related company to derive the revenue, income and expenditure attributable to our Group's combined results for the Track Record Period. As a result, the financial information of the Futech Business for the period from 1 January 2007 to 30 November 2008 has been incorporated into the Financial Information using the principle of merger accounting as if the Futech Business has been combined with other business of our Group from 1 January 2007 and up to the date of its disposal by Sunking BVI. The following table sets forth the amounts of our combined revenue and net profit which were attributable to Futech Group for the periods indicated:

	For the year ended 31 December	
	2007	2008(1)
	RMB'000	RMB'000
Revenue	24,551	10,613
Net profit	13,337	25,475

Note:

(1) The entire issued share capital of Futech Group was disposed of on 30 November 2008.

Our Group's total net assets represented by Futech Group's net assets as at 31 December 2007 and 2008 were RMB25.1 million and nil, respectively, and representing 54% and 0% of our Group's total assets as at the respective dates.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations are significantly affected by a number of factors, many of which affect our industry and market and may not be within our control. A discussion of these major factors is set out below.

PRC government policies

Our results of operations have been and will continue to be impacted by the polices of the PRC government. In particular, our results of operations will depend on the PRC government's current macro infrastructure development plans. Demand for the power electronic components and products that we offer to customers and, in particular, our IGBT power modules used in electric locomotives is expected to increase as a result of a number of initiatives under the Mid to Long-term Transportation Network Development Plan, which provides a blueprint for enhancing the PRC's national transportation infrastructure by extending its railway network, as well as increasing its overall capacity in terms of speed and passenger and freight volume. The growth of our business will depend on the PRC government's plans to increase the total national railway mileage, additions of tracks to existing railways, the trend towards using more environmentally friendly electrified railways and the introduction of metro cars and light rail systems for intra-city and inter-cities commuting.

Additionally, increasing demand for our other major products – anode saturable reactors and HV power capacitors – which are appropriate for energy efficient high-voltage power transmission, will depend on the PRC government's increasing investments in the power transmission and distribution systems. For information on the relevant policies of the PRC government, please refer to the paragraph headed "Industry Overview – Overview of China's power electronic industry – Market drivers – Smart grid construction, including the development of HVDC power transmission systems, is a focus of the PRC government's development plans that will create significant development opportunity to power electronic industry" of this prospectus.

Additionally, our results of operations have depended, and will continue to depend, on the PRC government's policies that encourage the use of domestically developed technologies and produced products in major infrastructure projects, such as those in the rail and power transmission and distribution sectors.

Product mix

Our profitability is impacted by the mix of products we sell. During the Track Record Period, our manufacturing business generated a higher profit margin as compared to our distribution business reflecting the value-add of our manufacturing process and the specialised nature of our own manufactured products. For the years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our revenue from the sale of our own manufactured products amounted to RMB2.8 million, RMB67.7 million, RMB122.7 million and RMB72.8 million, respectively, which constituted 1.5%, 27.1%, 46.8% and 61.4% of our total revenue for the respective periods. The shift in our product mix toward own manufactured products is a function of our entry into this business line beginning only in 2007, and the long gestation period for revenue producing from own manufactured product sales due to the duration of our research and development process and our customers' extensive quality and reliability testing period.

Our gross profit margin increased from 24.3% in 2007 to 30.5% in 2009 partly as a result of a shift in our product mix towards our manufactured products. The following table sets forth the gross profit margin of our Group and by our business segment and product for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	%	%	%	%	%
				(unaudited)	
Distribution business	24.1	27.3	27.0	34.5	25.8
Manufacturing business	41.3	31.1	34.5	44.8	26.4
IGBT power modules	–	–	27.0	–	27.0
Anode saturable reactors	54.5	75.0	61.7	–	49.8
HV power capacitors	–	–	–	–	57.3
Silicon rectifier valves and others	24.0	32.5	38.2	45.5	22.9
Deionised water cooling systems	–	13.9	7.0	27.6	9.2
Our Group	24.3	28.4	30.5	38.0	26.2

In addition, our profit attributable to the owners of our Company as a percentage of our revenue grew from 11.7% in 2007 to 14.8% in 2009. Consequently, our ability to maintain or grow our profit margins will partly depend on our ability to maintain or grow the proportion of our sales from our own manufactured products, which, in turn, depends on a number of factors. These factors include whether there is a continued demand for our own manufactured products, particularly in light of the cyclicality of the industries in which our customers operate, our ability to maintain our competitive advantages in the markets for our own manufactured products, our ability to successfully commercialise new own manufactured products and the effective operation of our production facilities. We expect that our product mix will continue to shift toward sales of our manufactured products as investments into our key sectors, such as rail transportation and power transmission and distribution, continue to grow and we continue to leverage the product penetration of our manufactured products achieved in the last few years; however, there can be no assurance that the positive shift experienced in recent years will continue or that it can be maintained.

During the short history of our manufacturing business, we experienced significant fluctuations in gross profit margins for our manufacturing business. The fluctuations were partly due to the different gross profit margin of each product within the range of our own manufactured products and the composition of the manufactured products that we sold in the period. Set forth below is an analysis of the fluctuations in our gross profit margins, organised by business segment and product, during the Track Record Period.

Distribution business

The gross profit margin of our distribution business remained largely stable for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, and was 24.1%, 27.3%, 27.0%, 34.5% and 25.8%, respectively. The increase in the gross profit margin from 24.1% in 2007 to 27.3% in 2008 primarily reflected an increase in the selling prices of our imported power electronic components in 2008. Although the full year gross profit margin was stable in 2009 as compared to 2008, the gross profit margin for the five months ended 31 May 2009 was 34.5%, significantly higher than the average during the Track Record Period. Gross profit margin for the five months ended 31 May 2010 was 25.8% in line with the average during the Track Record Period. The higher than usual gross profit margin for the five months ended 31 May 2009 was primarily due to the lower cost of purchases of imported power electronic components that were denominated in CHF. The value of CHF relative to RMB during the five months ended 31 May 2010 was higher compared to the corresponding period in 2009. For the five months ended 31 May 2009 and 2010, we had RMB31.1 million and RMB75.7 million purchases denominated in CHF, representing 67.6% and 77.2% of our total purchases for the respective periods. The average rate of CHF:RMB for the five months ended 31 May 2009 as reported by Bloomberg was 6.0077, whereas the average rate of CHF:RMB for the corresponding period in 2010 was 6.3611. The lower average exchange rate of CHF:RMB in the first five months of 2009 contributed to our Group's higher gross profit margin recorded for the period compared to any other reporting periods during the Track Record Period.

Manufacturing business

The average gross profit margin of our manufacturing business fluctuated considerably during the Track Record Period and was 41.3%, 31.1%, 34.5%, 44.8% and 26.4% for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. The fluctuations were primarily due to the changing compositions of the product mix that we sold during each of the periods as different manufactured products command different gross profit margins.

IGBT power modules

The gross profit margin of our IGBT power modules remained constant at 27.0% for the year ended 31 December 2009 and for the five months ended 31 May 2010. We only started to generate revenue from the sale of IGBT power modules in November 2009 and all of our IGBT power modules were sold to the CNR Group during the Track Record Period.

Anode saturable reactors

The gross profit margin of anode saturable reactors was 54.5%, 75.0%, 61.7% and 49.8% for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, respectively. We did not sell any anode saturable reactors for the five months ended 31 May 2009. The fluctuation in the gross profit margin of our anode saturable reactors during the Track Record Period was caused by a number of factors including the volume of the anode saturable reactors that we sold in the relevant period and the difference between the timing of sales and the timing of the accrual of the related overhead cost of sales. We had a higher gross profit margin in 2008 as we only sold a few sets of anode saturable reactors and some of the related overhead costs were accrued in 2007. For the five months ended 31 May 2010, the gross profit margin reduced to 49.8% due to the production of a new model of anode saturable reactors which had a longer production lead time at the introductory stage.

HV power capacitors

We started to sell HV power capacitors in 2010. The gross profit margin of our HV power capacitors was 57.3% for the five months ended 31 May 2010. A substantial portion of our sales of HV power capacitors was attributable to a single customer. The sales terms of these orders were agreed upon after negotiations with that particular customer and we do not expect that the gross profit margin of any future sales of HV power capacitors will necessarily be maintained at the same level.

Silicon rectifier valves and other

The gross profit margin of silicon rectifier valves and others was 24.0%, 32.5%, 38.2%, 45.5% and 22.9% for the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. The gross profit margin for the five months ended 31 May 2010 was 22.9% lower than the average during the Track Record Period. The gross profit margin for the five months ended 31 May 2010 was affected by the higher costs of purchases of imported power electronic components for use in our silicon rectifier valves that are denominated in CHF. The value of CHF relative to RMB during the five months ended 31 May 2010 was higher compared to the corresponding period in 2009.

Deionised water cooling systems

During the Track Record Period, the gross profit margin of our deionised water cooling systems fluctuated considerably and was 13.9%, 7.0%, 27.6% and 9.2% for the years ended 31 December 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. We acquired Tianjin Sunking in 2008 and hence had no sales of deionised water cooling systems in 2007. As our deionised water cooling systems are tailor made to customers' specifications, the contract terms are agreed upon on each occasion with the customer and can vary significantly from case to case. Further, during the Track Record Period, we only sold a small quantity of deionised water cooling systems. Accordingly, the gross profit margin of our deionised water cooling systems during the Track Record Period fluctuated significantly. Since revenue from sales of deionised water cooling systems only accounted for 2.2%, 2.6%, 1.4% and 1.5% of our total revenue for the two years ended 31 December 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively, our Group's overall profit margin during the periods was not affected by the performance of our deionised water cooling system to any material extent.

As a result of our growing manufacturing business, we have also experienced, and expect to continue to experience, an increase in the amount and turnover time of our trade receivables. As at 31 December 2007, 2008 and 2009 and 31 May 2010, we had trade receivables of RMB11.3 million, RMB36.5 million and RMB124.9 million and RMB175.7 million, respectively. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, our average trade receivables turnover days were 15.9 days, 34.9 days, 112.5 days and 191.4 days, respectively. The increase in our trade receivables and the duration of their turnover time has largely resulted from the growth in the sales of our own manufactured products and longer collection cycles associated with the customers of such products, many of whom are state-owned or state-controlled enterprises. Our management has evaluated the credit situation of the specific debtors that have trade receivable balances as at each of the above balance sheet dates and does not expect the debts to be uncollectible. Therefore, our Directors are of the view that no provision for impairment is necessary with respect to these balances. We do not hold any collateral over these balances. The increased amount of our trade receivables and the longer turnover time has had, and may continue to have, an adverse impact on our liquidity.

Cost of Sales

Our results of operations are impacted by our cost of sales, which include cost for the purchases of imported power electronic components, cost of other raw materials, labour and other costs. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2009 and 2010, our cost of sales were RMB142.4 million, RMB178.8 million, RMB181.8 million, RMB31.6 million and RMB87.5 million, respectively.

Substantially all of our cost of sales in relation to our distribution business is the cost of the power electronic components themselves. Because we typically price our distribution products with a markup to our cost, our results of operations have not been over the Track Record Period, and we do not expect them to be, significantly impacted by fluctuations in the cost of power electronic components.

A substantial portion of our cost of sales in relation to our own manufacturing business is also comprised of the cost of imported or other domestic power electronic components, as well as raw materials, labour and other costs. Although margins for own manufactured products are generally higher than that of distribution business, they are also more susceptible to fluctuations in our cost of sales. Our margin for own manufactured products may in the future be impacted by fluctuations in the cost of imported power electronic components, as well as other raw materials, labour and other costs, particularly as the economy recovers from the financial crisis in 2008 and 2009. Our cost of sales may also be affected by fluctuations in the exchange rates of CHF and other currencies against RMB as some of our purchases are denominated in such foreign currencies. See paragraph below headed "Impact of exchange rates".

Impact of exchange rates

Currency exchange rate fluctuations can have a substantial impact on our results of operations. Our main functional and reporting currency is RMB. However, we purchase a majority of power electronic components and other raw materials from overseas manufacturers in foreign currencies such as CHF, EUR and USD.

The following table sets forth the period end and average exchange rates for 2007, 2008 and 2009 and the five months ended 31 May 2009 and 2010, of RMB against CHF, EUR and USD, in each case as reported by Bloomberg:

	As at and for the year ended 31 December			As at and for the five months ended 31 May	
	2007	2008	2009	2009	2010
	Value of one unit of the relevant currency in RMB				
CHF					
Period end rate	6.4377	6.4047	6.5968	6.4019	5.9125
Average rate	6.3431	6.4400	6.3100	6.0077	6.3611
EUR					
Period end rate	10.6472	9.5347	9.7772	9.6692	8.4020
Average rate	10.4232	10.2262	9.5280	9.0376	9.2167
USD					
Period end rate	7.3037	6.8277	6.8270	6.8291	6.8278
Average rate	7.6057	6.9500	6.8314	6.8336	6.8272

For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, our purchases from overseas manufacturers accounted for 95.7%, 90.8%, 89.7% and 83.2% of our total purchases for the respective periods, amongst which, RMB115.6 million, RMB112.7 million, RMB141.2 million and RMB75.7 million, representing 75.1%, 67.9%, 80.8% and 77.2% of our total purchases for the respective periods, were denominated in CHF. All of such purchases were made from ABB Switzerland. Consequently, in the event that there is an increase in the value of RMB against CHF, EUR or USD, the effective cost to our Group of purchases of power electronic components and other raw materials denominated in these currencies will decrease. Conversely, if the RMB depreciates against any of these currencies, our cost of sales would increase. For the five months ended 31 May 2010, our gross profit margin was 26.2% compared to 38.0% for the corresponding period in 2009. This change was partly due to the higher cost of purchases denominated in CHF, which was at a higher value on average relative to RMB during the period compared to the corresponding period in 2009. We did not have the benefits of a favourable currency hedging in place during the first five-month period in 2010 as we did in 2009. If we are unable to pass on any cost increases to our customers, our profitability could be negatively affected. Because we rely heavily on our major customers and, in particular, our largest customer, we may be limited in our ability to pass on any such cost increase to our customers. The cost of power electronic components and other raw materials may fluctuate due to a number of factors outside our control, including:

- the availability of supply, including suppliers' capacity constraints;
- general economic conditions globally and in local markets;
- exchange rate movements;
- the demand of other industries for the same components and raw materials; and
- the availability of complementary and substitute materials.

There is a time lag between the time we enter into the purchase contract and the time of delivery of the goods to us, which may be a few months. In the event that foreign currencies for our purchases of raw materials and power electronic components appreciate relative to RMB at the time of delivery, and our currency hedging activities are not effective, our profit from sales may be adversely affected. Our profit for the five months ended 31 May 2010 was affected by the higher exchange rate of CHF:RMB during this period compared to the corresponding period in 2009.

We sometimes enter into foreign exchange forward contracts for our substantial CHF denominated purchases of power electronic components from ABB Switzerland in order to reduce our CHF exposure against RMB. Typically, when the exchange rate of CHF:RMB is lower than 6.2, we consider purchasing foreign exchange forward contracts. Our decision to purchase foreign exchange forward contracts is based on our anticipated payment obligations in CHF for a certain period of time in the future. Our procurement staff will then make a proposal to be approved by the head of our procurement department, the head of our finance department and our general manager. Typically, the amount of CHF purchased will not exceed our anticipated payment obligation in CHF for the relevant period. However, such contracts have the effect of limiting the benefit to us of positive movements of RMB against CHF. We entered into foreign exchange forward contracts in each of the three years ended 31 December 2007, 2008 and 2009, but not in the five months ended 31 May 2010. We also entered into foreign exchange forward contracts in June 2010.

We did not recognise any "other financial assets" for the foreign exchange forward contracts outstanding as at 31 December 2007 in the Accountants' Report, as the fair values of these foreign exchange forward contracts were immaterial. As at 31 December 2008 and 2009, the outstanding foreign exchange forward contracts were as follows:

	As at 31 December	
	2008	**2009**
Outstanding foreign exchange forward contracts using RMB to purchase CHF	CHF15,774,000	CHF2,117,000
Expiry dates	from 5 January to 1 December 2009	from 1 January to 29 January 2010
Exchange rates (CHF:RMB)	5.9401 to 6.2462	6.0221

As at the Latest Practicable Date, our outstanding foreign exchange forward contracts were in the amount of CHF3.4 million and expired or to be expired from 1 September 2010 to 29 October 2010. The exchange rates of CHF:RMB were in the range of 5.8885 to 5.9205.

In addition, under our accounting policies, at the end of each reporting period, the fair market value of our foreign exchange forward contracts are re-translated at the CHF:RMB exchange rate prevailing at the end of the reporting period, which may result in a gain or a loss for the period. For the years ended 31 December 2008 and 2009, we recorded fair value gain of RMB6.6 million and RMB0.4 million, respectively based on our balances of foreign exchange forward contracts outstanding as at 31 December 2008 and 2009, respectively, which were measured by reference to the CHF:RMB exchange rates prevailing on the respective dates.

As our Directors believe that CHF will continue to appreciate relative to RMB in the near future, we intend to purchase foreign exchange forward contracts to counter the potential adverse effect of the anticipated appreciation on our results of operations. However, should our foreign exchange hedging prove to be ineffective, our results of operations will be adversely affected.

For further details regarding our foreign currency risk management, including certain related sensitivity analyses, please refer to note 5 "Capital Risk Management and Financial Instruments" of section E in the Accountants' Report.

Seasonality

During the Track Record Period, our revenue tended to be higher in the second half of the year, and even more so in the last quarter of the year because of the capital expenditure cycle of operators in the PRC rail and power distribution and transmission sectors. It is our management's experience that operators in the PRC rail and power distribution and transmission sectors usually set their capital expenditure budgets at the beginning of a calendar year. As a result of the time it takes for the capital expenditure plans to be implemented and for sales orders to be placed, and the lead time in the production and delivery of such products, capital expenditures tends to incur in the second half of the calendar year. As a significant portion of our revenue is generated from customers who are operators in the PRC rail and power distribution and transmission sectors, our business is subject to this seasonal factor, with an overall higher level of activity in the second half of the calendar year.

Taxes

Our income tax expenses primarily include tax that we pay in China. In China, our income tax expenses include EIT. The EIT Law imposes a unified enterprise income tax rate of 25% on both domestic enterprises and foreign-invested enterprises. Under the EIT Law, enterprises that enjoyed a preferential tax rate prior to 1 January 2008 will gradually transition to the new tax rate of 25%, over five years from 1 January 2008. Enterprises that previously enjoyed a fixed period of tax exemption and reduction will continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to an absence of profit, such preferential tax treatment commences from 1 January 2008 until the expiry of such period. The following table sets forth the EIT rate applicable to our principal operating subsidiaries in the PRC for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2007	**2008**	**2009**	**2009**	**2010**
Beijing Sunking(1)	7.5%	25%	25%	25%	25%
Jiashan Sunking(2)	Nil	Nil	12.5%	12.5%	12.5%
Tianjin Sunking	N/A	25%	25%	25%	25%

Notes:

(1) Beijing Sunking was accredited as a High and New Technology Enterprise by an authorised government agency and was entitled to a reduced income tax rate of 7.5% in 2007.

(2) Jiashan Sunking, as a foreign-invested manufacturing enterprise, is entitled to full tax exemption for two years from 2007 and half exemption for the three years from 2009. Starting from 2012, Jiashan Sunking will be subject to EIT tax rate of 25%.

Wuxi Sunking was loss-making and therefore no tax was payable during the Track Record Period. Depending on its financial position later in 2010, Wuxi Sunking may apply to be certified as a High and New Technology Enterprise. If Wuxi Sunking applies and becomes certified, it will be entitled to a reduced EIT tax rate of 15%.

Additionally, under the EIT Law, the profits of our PRC subsidiaries earned in 2008 and onwards that are distributed to Sunking Pacific, our wholly-owned subsidiary incorporated in Hong Kong, are subject to a 5% PRC withholding tax pursuant to the Double Taxation Arrangement between the PRC and Hong Kong. In addition, we may be considered a PRC resident enterprise for tax purposes, in which case our global income may be subject to the 25% EIT, and dividends we pay to our overseas shareholders and gains realised from the transfer of Shares by our overseas shareholders may also be subject to PRC withholding tax.

Since the EIT Law took effect in 2008, it remains uncertain in many aspects as to how it will be implemented by the relevant PRC tax authorities. If dividend payments from our PRC subsidiaries to us are not entitled to the treatment under the Double Taxation Arrangement between the PRC and Hong Kong and subject to higher rate of PRC withholding tax, our financial condition, results of operation and the amount of dividends available to pay our shareholders may be adversely affected. If our dividend payments to our overseas shareholders and gains realised by such shareholders from the transfer of our Shares are subject to PRC withholding tax, it may materially and adversely affect your investment return and the value of your investment in us.

The following table sets forth, for the periods indicated, the reconciliation between the income tax expenses calculated at the statutory income tax rate applicable to our profit before tax and our annual income tax expenses:

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	28,798	51,990	49,112	9,007	14,437
Income tax expense at PRC income tax rates 2007: 7.5%; 2008: 25 %; 2009: 25%; 2010: 25% (Note 1)	2,160	12,998	12,278	2,252	3,609
Tax effect of expenses not deductible for tax purpose (Note 2)	324	452	715	131	1,573
Effect of different tax rate of subsidiaries (Note 3)	3,351	(28)	(9)	(2)	(163)
Effect of tax holidays granted to subsidiaries	–	(7,595)	(6,535)	(1,199)	(2,012)
Tax effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	–	499	1,582	290	771
Tax effect of utilisation of unused tax losses and other deductible temporary differences not previously recognized as deferred tax assets	–	–	(12)	(2)	(16)
Deferred tax liabilities recognised in respect of withholding tax (Note 4)	–	687	2,202	404	832
Others	119	5	41	8	474
Taxation for the year/period	5,954	7,018	10,262	1,882	5,068

Notes

1. The PRC income tax rate for the year ended 31 December 2007 was 7.5% which represented the applicable income tax rate of Beijing Sunking through which our Group's operations were substantially conducted; the PRC income tax rate for each of the years ended 31 December 2008 and 2009 and each of the five months ended 31 May 2009 and 2010 was 25%, which represented the applicable income tax rate of Beijing Sunking and Jiashan Sunking through which our Group's operations were substantially conducted.

2. The expenses not deductible mainly include entertainment expenses exceeding tax limit, loss on disposal of assets not eligible for tax deduction purpose, share-based payment expense and expenses booked in our Company.

3. The amount for the year ended 31 December 2007 was attributable to Futech Group. Futech Group was incorporated in the British Virgin Islands where the applicable income tax rate is nil but it may be deemed as having a permanent establishment in the PRC as its management is located in the PRC. Its income tax expense was accrued accordingly with the applicable income tax rate of 33% and 25% for each of the years ended 31 December 2007 and 2008 until it was disposed of by Sunking BVI in November 2008.

4. Under the EIT Law, PRC withholding income tax at the rate of 10% is applicable to dividends payable by our 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 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 Financial Information in respect of undistributed retained profits of our PRC entities amounting to nil, RMB13.7 million, RMB44.0 million and RMB16.6 million for each of the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, respectively.

Acquisition of Tianjin Sunking and deionised water cooling systems business

We started to manufacture deionised water cooling systems when we acquired Tianjin Sunking in 2008. Since the completion of the acquisition, we have engaged in the business of design, production and sale of deionised water cooling systems exclusively through Tianjin Sunking. Our revenue from sales of deionised water cooling systems was RMB5.6 million, RMB6.8 million and RMB1.8 million for the two years ended 31 December 2008 and 2009 and the five months ended 31 May 2010, respectively, which constituted 2.2%, 2.6% and 1.5% of our revenue for the respective periods. We expect that our own manufactured deionised water cooling systems will continue to be a source of additional revenue.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our financial position and results of operation are based on the combined financial information prepared in accordance with the significant accounting policies set out in the Accountants' Report. In the application of our Group's accounting policies, our Directors are required to make judgments, estimates and assumptions based on historical experience and other factors that are considered to be relevant. Our actual results may differ from these estimates.

Our management has identified below the accounting policies, estimates and judgments that are most critical to our combined financial statements.

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and title has passed. We adopt the same revenue recognition policy for our manufacturing and distribution businesses. Although our manufactured products are often subject to extensive quality and reliability testing by our customers, such testing is carried out prior to any sale of such products to the customer. After we sell our manufactured products, they are not subject to quality and reliability testing other than the standard warranty we provide to customers. On that basis, we recognise revenue when goods are delivered and title has passed.

Property, plant and equipment

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

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

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

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

Prepaid lease payments

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

Foreign currencies

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

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

Impairment losses on tangible assets

At the end of the reporting period, we review the carrying amounts of our tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Impairment of trade receivables

When there is objective evidence of impairment of trade receivables, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Also, we regularly inspect and review our inventories to identify slow-moving and obsolete inventories. When we identify items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, we will write down inventories in that period.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

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

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

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

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

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

Share-based payment transactions

Sunking BVI adopted the Sunking BVI Share Award Scheme in 2008 for the primary purpose of providing incentives to officers, directors, consultants and employees of Sunking BVI and its subsidiaries. Under the Sunking BVI Share Award Scheme, Sunking BVI may issue up to 6,000,000 ordinary shares to officers, directors, consultants and employees including the ordinary shares granted to the consultants and employees of our Group.

Ordinary shares granted to employees

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

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

At the time when the ordinary shares are cancelled during the vesting period, we account for the cancellation as an acceleration of vesting, and recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

Ordinary shares granted to consultants

Certain consultants whom we hire for the provision of services are rewarded with share-based payments. Ordinary shares issued under the Sunking BVI Share Award Scheme in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the ordinary shares granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (deemed contribution), when we obtain the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Financial instruments

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

Financial assets at fair value through profit and loss

Our Group's financial assets are classified into financial assets at fair value through profit or loss ("**FVTPL**"), loans and receivables and available-for-sale financial assets. During the Track Record Period, our financial assets at FVTPL included financial assets held for trading. At the end of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Revenue represents the net amounts received and receivable from the sale to outside customers of imported power electronic components and own manufactured products including IGBT power modules, anode saturable reactors, HV power capacitors, silicon rectifier valves and others and deionised water cooling systems. The following table sets forth a breakdown of our revenue by business segment and product and as a percentage of our total revenue for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Sales of imported power electronic components	185,485	98.5	181,818	72.9	139,140	53.2	33,570	65.7	45,767	38.6
Sales of own manufactured products										
IGBT power modules	–	–	–	–	45,904	17.5	–	–	39,932	33.7
Anode saturable reactors	1,590	0.8	260	0.1	11,759	4.5	–	–	1,790	1.5
HV power capacitors	–	–	–	–	–	–	–	–	2,063	1.7
Silicon rectifier valves and others	1,221	0.7	61,807	24.8	58,061	22.2	16,817	32.9	27,215	23.0
Deionised water cooling systems	–	–	5,636	2.2	6,840	2.6	686	1.4	1,796	1.5
Sub-total	2,811	1.5	67,703	27.1	122,564	46.8	17,503	34.3	72,796	61.4
Total	188,296	100.0	249,521	100.0	261,704	100.0	51,073	100.0	118,563	100.0

Gross profit margin

The following table sets forth the gross profit margin of our Group and by our business segment and product for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	%	%	%	% (unaudited)	%
Distribution business	24.1	27.3	27.0	34.5	25.8
Manufacturing business	41.3	31.1	34.5	44.8	26.4
IGBT power modules	–	–	27.0	–	27.0
Anode saturable reactors	54.5	75.0	61.7	–	49.8
HV power capacitors	–	–	–	–	57.3
Silicon rectifier valves and others	24.0	32.5	38.2	45.5	22.9
Deionised water cooling systems	–	13.9	7.0	27.6	9.2
Our Group	24.3	28.4	30.5	38.0	26.2

Cost of sales

Our cost of sales primarily represents cost for the purchases of imported power electronic components, cost of other raw materials, labour and other costs. Our cost of sales was RMB142.4 million, RMB178.8 million, RMB181.8 million, RMB31.6 million and RMB87.5 million for the years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. The following table sets forth a breakdown of our cost of sales and each item is also expressed as a percentage of our revenue for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Raw materials	142,329	75.7	175,011	70.1	178,151	68.1	30,099	59.0%	83,657	70.5%
Labour cost	82	–	551	0.2	1,311	0.5	157	0.3%	322	0.3%
Overhead	38	–	3,217	1.4	2,327	0.9	1,386	2.7%	3,538	3.0%
Total	142,449	75.7	178,779	71.7	181,789	69.5	31,642	62.0%	87,517	73.8%

Investment income

Investment income represents interest from bank deposits primarily denominated in RMB. Our investment income was RMB0.1 million, RMB0.5 million, RMB0.4 million, RMB0.03 million and RMB0.1 million for the years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively.

Other gains and losses

Other gains and losses are comprised of net foreign exchange gain or loss, fair value gain or loss on foreign exchange forward contracts, gain on disposal of available-for-sale investment and loss on disposal of property, plan and equipment. We recorded other gains of RMB8.4 million for 2008, and other losses of RMB0.9 million and RMB2.2 million for 2007 and 2009, respectively. We recorded other losses of RMB1.1 million and other gains of RMB4.7 million for the five months ended 31 May 2009 and 2010, respectively.

Distribution and selling expenses

Distribution and selling expenses mainly include salaries and welfare for sales staff, travelling expenses and freight costs, share-based payments under the Sunking BVI Share Award Scheme to sales staff, sales commissions, entertainment expenses and other expenses related to sales and distribution. The following table sets forth a breakdown of our distribution and selling expenses and each item is also expressed as a percentage of our revenue for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Salaries and social welfare	86	–	1,263	0.5%	1,619	0.6%	744	1.5%	1,176	1.0%
Travelling expenses and freight costs	673	0.4%	1,907	0.8%	1,427	0.5%	424	0.8%	984	0.8%
Share-based payments	–	–	188	0.1%	226	0.1%	106	0.2%	86	0.1%
Sales commissions	–	–	6,552	2.6%	24	0.1%	–	–	–	–
Entertainment expenses	45	–	221	0.1%	884	0.3%	161	0.3%	1,071	0.9%
Others	186	0.1%	372	0.1%	621	0.2%	123	0.2%	695	0.6%
Total	990	0.5%	10,503	4.2%	4,801	1.8%	1,558	3.0%	4,012	3.4%

Administrative and general expenses

Administrative and general expenses mainly include salaries, bonuses and welfare for our management and other administrative staff such as employees in the human resources and procurement departments, share-based payments under the Sunking BVI Share Award Scheme to management and other administrative staff, rental and other property related expenses, amortisation and depreciation, travelling expenses and freight costs and other expenses. The following table sets forth a breakdown of our administrative expenses and each item is also expressed as a percentage of our revenue for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Salaries, bonuses and welfare for staff	2,664	1.4%	4,271	1.7%	7,073	2.7%	2,386	4.7%	4,526	3.8%
Share-based payments	1,117	0.6%	730	0.3%	2,135	0.8%	498	1.0%	1,221	1.0%
Rental and property related expenses	511	0.3%	1,760	0.7%	1,775	0.7%	464	0.9%	621	0.5%
Amortisation and depreciation expenses	1,205	0.6%	1,499	0.6%	3,235	1.2%	1,548	3.0%	1,231	1.0%
Travelling expenses and freight costs	1,098	0.6%	1,748	0.7%	1,152	0.4%	333	0.7%	408	0.3%
Office supply	765	0.4%	1,154	0.5%	610	0.3%	221	0.4%	188	0.2%
Entertainment expenses	230	0.1%	1,140	0.5%	1,195	0.5%	337	0.7%	888	0.8%
Others	1,592	0.9%	4,081	1.6%	5,496	2.1%	1,394	2.7%	2,346	2.0%
Total	9,182	4.9%	16,383	6.6%	22,671	8.7%	7,181	14.1%	11,429	9.6%

Other expenses

Other expenses primarily represent research and development fees and miscellaneous non-recurring expenses such as impairment loss on trade receivables and expenses incurred in relation to the preparation of the Listing.

Interest expenses in relation to bank loans

Interest expenses represent the interest paid on our secured short-term bank loans. Our interest expenses were RMB0.3 million, RMB0.5 million, RMB1.0 million, RMB0.4 million and RMB1.4 million for the years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively.

Income tax expense

Our income tax expenses primarily include tax that we pay in China including the EIT. Our income tax expenses were RMB6.0 million, RMB7.0 million, RMB10.3 million, RMB1.9 million and RMB5.1 million for the years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. The effective tax rates of our Group were 20.7%, 13.5%, 21.0%, 20.9% and 35.1% for the years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2009 and 2010, respectively. During the Track Record Period, our taxation charge mainly represented income tax charge of Beijing Sunking and Jiashan Sunking. Wuxi Sunking, Jiangsu Sunking and Tianjin Sunking had no assessable profits subject to EIT during the Track Record Period.

The EIT Law imposes a unified enterprise income tax rate of 25% on both domestic enterprises and foreign-invested enterprises. Under the EIT Law, enterprises that enjoyed a preferential tax rate prior to 1 January 2008 will gradually transition to the new tax rate of 25%, over five years from 1 January 2008. Enterprises that previously enjoyed a fixed period of tax exemption and reduction will continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to an absence of profit, such preferential tax treatment commences from 1 January 2008 until the expiry of such period. The following table sets forth the EIT rate applicable to our principal operating subsidiaries in the PRC for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2007	**2008**	**2009**	**2009**	**2010**
Beijing Sunking[(1)]	7.5%	25%	25%	25%	25%
Jiashan Sunking[(2)]	Nil	Nil	12.5%	12.5%	12.5%
Tianjin Sunking	N/A	25%	25%	25%	25%

Notes:

(1) Beijing Sunking was accredited as a High and New Technology Enterprise by an authorised government agency and was entitled to a reduced income tax rate of 7.5% in 2007.

(2) Jiashan Sunking, as a foreign-invested manufacturing enterprise, is entitled to full tax exemption for two years from 2007 and half exemption for the three years from 2009. Starting from 2012, Jiashan Sunking will be subject to EIT tax rate of 25%.

Depending on its financial position later in 2010, Wuxi Sunking may apply to be certified as a High and New Technology Enterprise. If it is so certified, Wuxi Sunking will be entitled to a reduced EIT tax rate of 15%.

Non-controlling interests

Non-controlling interests are the 10% interest held by Mr. Xu Nanping in Beijing Sunking prior to the entering into of the SPE Arrangements. After the SPE Arrangements were put in place in April 2008, our Group ceased to have any non-controlling interests for the remaining period of the Track Record Period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OUR FINANCIAL RESULTS

Selected historical combined financial information

The following table sets forth certain selected combined income statement data for the Track Record Period derived from our combined financial statements set out in the Accountants' Report included in Appendix I to this prospectus.

	For the year ended 31 December			For the five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	188,296	249,521	261,704	51,073	118,563
Cost of sales	(142,449)	(178,779)	(181,789)	(31,642)	(87,517)
Gross profit	45,847	70,742	79,915	19,431	31,046
Investment income	80	462	387	32	96
Other gains and losses	(904)	8,420	(2,178)	(1,096)	4,714
Distribution and selling expenses	(990)	(10,503)	(4,801)	(1,558)	(4,012)
Administrative and general expenses	(9,182)	(16,383)	(22,671)	(7,181)	(11,429)
Other expenses	(5,710)	(268)	(565)	(216)	(4,562)
Interest expense in relation to bank loans wholly repayable within five years	(343)	(480)	(975)	(405)	(1,416)
Profit before tax	28,798	51,990	49,112	9,007	14,437
Income tax expense	(5,954)	(7,018)	(10,262)	(1,882)	(5,068)
Profit for the year/period and total comprehensive income for the year/period	22,844	44,972	38,850	7,125	9,369
Attributable to:					
Owners of the Company	22,003	44,972	38,850	7,125	9,369
Non-controlling interests	841	–	–	–	–
Profit for the year/period and total comprehensive income for the year/period	22,844	44,972	38,850	7,125	9,369

Other selected financial information

The following table sets forth a full quantitative reconciliation of EBITDA to its most direct comparable IFRS measures, profit before tax for the year/period and the calculation of EBITDA margin.

	For the year ended 31 December			For the five months ended 31 May	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Profit before tax	28,798	51,990	49,112	9,007	14,437
Add/(less)					
Interest expense in relation to bank loans wholly repayable within five years	343	480	975	405	1,416
Depreciation, impairment and amortisation	440	1,898	2,740	973	1,990
EBITDA(1)	29,581	54,368	52,827	10,385	17,843
Revenue	188,296	249,521	261,704	51,073	118,563
EBITDA margin(2)	15.7%	21.8%	20.2%	20.3%	15.0%

Notes:

(1) EBITDA refers to earnings before non-controlling interests, income tax expenses, interest expenses in relation to bank loans wholly repayable within five years, depreciation and impairment of property, plant and equipment and amortisation and impairment of lease prepayments and other intangible assets as they are computed. EBITDA is not a measure of financial performance under IFRS. We have presented EBITDA data in this prospectus as we believe EBITDA is a useful supplement to cash flow data because it enables us to measure operating performance and provide a general indicator of the ability to service and incur debt as well as to internally fund capital expenditures. EBITDA is not a standard measure and should not be considered in isolation or construed as an alternative to net income or income from operations, or as an indicator of our operating performance or other combined operations or cash flow data prepared in accordance with IFRS, or as an alternative to cash flow as a measure of liquidity. EBITDA does not consider any fluctuation or legal requirements of the business that may require us to conserve and allocate funds for purposes other than debt services for funding of capital expenditure. EBITDA measures presented in this prospectus may not be comparable to similarly entitled measures of other companies.

(2) EBITDA margin represents EBITDA as a percentage of our revenue as computed.

The five months ended 31 May 2010 compared to the corresponding period in 2009

Revenue

Revenue increased by RMB67.5 million, or 132.1%, from RMB51.1 million for the five months ended 31 May 2009 to RMB118.6 million for the corresponding period in 2010 primarily reflecting an increase in sales of imported power electronic components as well as our manufactured products and, in particular, sales of IGBT power modules.

Revenue from sales of our manufactured products increased by RMB55.3 million, or 316.0%, from RMB17.5 million for the five months ended 31 May 2009 to RMB72.8 million for the corresponding period in 2010 primarily due to sales of IGBT power modules to the CNR Group and increased sales of silicon rectifier valves, in each case during the first five months in 2010. As a percentage of our total revenue, sales of our manufactured products increased from 34.3% in the five months ended 31 May 2009 to 61.4% for the corresponding period in 2010.

Revenue from sales of IGBT power modules increased from nil in the five months ended 31 May 2009 to RMB39.9 million for the corresponding period in 2010. All such sales were made to the CNR Group. We started to sell IGBT power modules in November 2009 and we did not record any sales of IGBT power modules in the five months ended 31 May 2009. In the five months ended 31 May 2010, revenue from sales of IGBT power modules represented 33.7% of our total revenue for that period.

In the five months ended 31 May 2010, we recorded revenue RMB1.8 million from sales of anode saturable reactors and RMB2.1 million from sales of HV power capacitors. We did not have any sales of these products in the corresponding period in 2009.

Revenue from sales of silicon rectifier valves and other increased products by RMB10.4 million, or 61.8%, from RMB16.8 million in the five months ended 31 May 2009 to RMB27.2 million for the corresponding period in 2010. As a percentage of our total revenue, revenue from sales of anode saturable reactors, HV power capacitors, silicon rectifier valves and others decreased from 32.9% in the five months ended 31 May 2009 to 26.2% for the corresponding period in 2010 as the proportion of sales of IGBT power modules increased.

Revenue from sales of deionised water cooling systems increased by RMB1.1 million, or 157.1%, from RMB0.7 million for the five months ended 31 May 2009 to RMB1.8 million for the corresponding period in 2010. As a percentage of our total revenue, revenue from sales of deionised water cooling systems remained steady and increased marginally from 1.4% in the five months ended 31 May 2009 to 1.5% for the corresponding period in 2010.

Revenue from sales of imported power electronic components increased by RMB12.2 million, or 36.3%, from RMB33.6 million for the five months ended 31 May 2009 to RMB45.8 million for the corresponding period in 2010 primarily as a result of a relatively lower level of trading activities experienced in the first five months in 2009 due to the residual effects from the global economic downturn started in late 2008. As a percentage of our total revenue, revenue from sales of imported power electronic components decreased from 65.7% in the five months ended 31 May 2009 to 38.6% for the corresponding period in 2010 reflecting the proportional increase in revenue generated from our manufacturing business relative to sales from our distribution business.

Cost of sales

Cost of sales increased by 176.9% from RMB31.6 million for the five months ended 31 May 2009 to RMB87.5 million for the corresponding period in 2010. The increase primarily reflects the combined effect of increases in sales, the higher cost of imported power electronic components that are denominated in CHF and the higher exchange rate of CHF:RMB during the first five months in 2010 compared to the corresponding period in 2009. The average rate of CHF:RMB for the five months ended 31 May 2009 as reported by Bloomberg was 6.0077, whereas the average rate of CHF:RMB for the corresponding period in 2010 was 6.3611.

Gross profit and gross profit margin

Gross profit increased by RMB11.6 million, or 59.8%, from RMB19.4 million for the five months ended 31 May 2009 to RMB31.0 million for the corresponding period in 2010. Our gross profit margin, which is calculated as gross profit divided by revenue, decreased from 38.0% for the five months ended 31 May 2009 to 26.2% for the corresponding period in 2010, primarily as a result of the higher cost of purchases of imported power electronic components that are denominated in CHF which was at a higher value on average relative to RMB during the five months ended 31 May 2010 compared to the corresponding period in 2009, and a change in the product mix of our manufactured products sold in the five months ended 31 May 2010 compared to the corresponding period in 2009. For the five months ended 31 May 2009 and 2010, RMB31.1 million and RMB75.7 million, representing 67.6% and 77.2% of our total purchases for the respective periods were denominated in CHF. The lower average exchange rate of CHF:RMB in the first five months of 2009 contributed to our Group's higher gross profit margin recorded for that period compared to any other reporting periods during the Track Record Period. As mentioned in the paragraph headed "Factors affecting our results of operations – Product mix" above, while, in general, our own manufactured products command a higher level of gross profit margin compared to our imported power electronic components, the gross profit margin of each manufactured product varies. Accordingly, our overall gross profit margin is also affected by the particular manufactured products that we sell during the reporting period.

Gross profit margin for our distribution business decreased from 34.5% for the five months ended 31 May 2009 to 25.8% for the corresponding period in 2010 primarily due to the higher cost of imported power electronic components that are denominated in CHF, which was at a higher value on average relative to RMB during the five months ended 31 May 2010 compared to the corresponding period in 2009. Gross profit margin of our manufacturing business decreased from 44.8% for the five months ended 31 May 2009 to 26.4% for the corresponding period in 2010 reflecting a change of the product mix of our manufactured products sold during the respective periods. We sold more IGBT power modules in the first five months of 2010 relative to the other own manufactured products and the higher cost of CHF.

Gross profit margin of IGBT power modules was 27.0% for the five months ended 31 May 2010; we only began to sell IGBT power modules in November 2009 and therefore recorded no sales of IGBT power modules in the corresponding period in 2009. Gross profit margin for IGBT power modules remained stable at 27.0% compared to the whole year in 2009.

For the five months ended 31 May 2010, gross profit margin of anode saturable reactors and HV power capacitors was 49.8% and 57.3%, respectively. The gross profit margin of silicon rectifier valves and others decreased from 45.5% for the five months ended 31 May 2009 to 22.9% for the corresponding period primarily due to the higher cost of CHF denominated purchases for the production of silicon rectifier valves in 2010.

Gross profit margin for deionised water cooling systems decreased from 27.6% for the five months ended 31 May 2009 to 9.2% for the corresponding period in 2010. During the Track Record Period, the gross profit margin of deionised water cooling systems fluctuated considerably. The terms for constructing each deionised water cooling system are agreed upon with the customers on a case by case basis and hence the profit margin for each deionised water cooling system may vary. As sales of deionised water cooling systems only accounted for 1.4% and 1.5% of our total revenue for the five months ended 31 May 2009 and 2010, respectively, our Group's overall profit margin during the periods was not affected by the performance of our deionised water cooling systems to any material extent.

Investment income

Investment income increased from RMB0.03 million for the five months ended 31 May 2009 to RMB0.1 million for the corresponding period in 2010 primarily due to an increase in our interest-bearing bank balances and cash in the first five months in 2010, as compared to the corresponding period in 2009.

Other gains and losses

Other gains and losses changed from a net loss of RMB1.1 million for the five months ended 31 May 2009 to a net gain of RMB4.7 million for the corresponding period in 2010, primarily due to a net foreign exchange gain of RMB4.8 million recorded in the five months ended 31 May 2010. This resulted from (i) the translation of our trade payables outstanding as at 31 May 2010 denominated in CHF to RMB, (ii) a depreciation of CHF against RMB as at 31 May 2010 compared to the rate prevailing as at 31 December 2009, and (iii) the net loss on foreign exchange forward contracts of RMB1.0 million recorded in the five months ended 31 May 2009 arising from the re-translation to fair value of our unexpired foreign exchange forward contracts to purchase CHF outstanding at 31 May 2009. As at 31 May 2010, we had nil foreign exchange forward contracts outstanding. The CHF:RMB exchange rate prevailing at 31 December 2009 was 6.5968, as compared to 5.9125 at 31 May 2010.

Distribution and selling expenses

Distribution and selling expenses increased by RMB2.4 million, or 150.0%, from RMB1.6 million in the five months ended 31 May 2009 to RMB4.0 million in the corresponding period in 2010 primarily reflecting an increase in salaries and social welfare paid to our increased number of staff employed and an increase in travelling expenses, freight costs and entertainment expenses, approximately in proportion to the increase in total revenue over these two periods. Distribution and selling expenses margin during these two periods was stable and constituted 3.4% of our total revenue for the five months ended 31 May 2010, as compared to 3.0% for the corresponding period in 2009.

Administrative and general expenses

Administrative and general expenses increased by RMB4.2 million, or 58.3%, from RMB7.2 million for the five months ended 31 May 2009 to RMB11.4 million for the corresponding period in 2010 primarily reflecting an increase in salaries, social welfare and share-based payments paid to our administrative staff. Administrative and general expenses constituted 9.6% of our total revenue for the five months ended 31 May 2010, as compared to 14.1% for the corresponding period in 2009. The higher administrative and general expenses margin in the first five months in 2009 was primarily due to the higher rate of increase in revenue compared to the rate of increase of administrative and general expense. Revenue increased by

RMB67.5 million, or 132.1%, from RMB51.1 million for the five months ended 31 May 2009 to RMB118.6 million for the corresponding period in 2010, whereas administrative and general expenses only increased by 58.3% for the corresponding periods in 2009 and 2010 due to the largely fixed nature of the expenses.

Other expenses

Other expenses increased by RMB4.4 million, from RMB0.2 million for the five months ended 31 May 2009 to RMB4.6 million for the corresponding period in 2010 primarily due to the following expenses incurred during the first five months in 2010: (i) the recognition of RMB1.5 million impairment loss on our trade receivables, (ii) RMB2.1 million legal and professional fees paid in relation to the preparation of the Listing and (iii) RMB1.0 million research and development fees paid in relation to a power electronic component to be applied in our own manufactured products.

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

Interest expenses in relation to bank loans wholly repayable within five years increased by RMB1.0 million, or 250.0%, from RMB0.4 million in the five months ended 31 May 2009 to RMB1.4 million in the corresponding period in 2010 primarily due to the increased amount of bank loans outstanding during the first five months in 2010. The increased amount of loans was mainly used for working capital purposes.

Profit before tax

Our profit before tax for the five months increased by RMB5.4 million, or 60.0%, from RMB9.0 million in the five months ended 31 May 2009 to RMB14.4 million in the corresponding period in 2010 primarily due to an increase of RMB11.6 million in our gross profit and a net foreign exchange gain of RMB4.8 million recognised in the five months ended 31 May 2010, and partially offset by an increase in our staff costs of RMB2.8 million, an increase in depreciation and amortisation expenses of RMB1.0 million as a result of the transfer of construction in progress relating to office space for Jiashan Sunking to fixed depreciable assets, and an increase of RMB4.4 million in other expenses. EBITDA increased by RMB7.4 million, or 71.2%, from RMB10.4 million for the five months ended 31 May 2009 to RMB17.8 million for the corresponding period in 2010 and EBITDA margin for the five months ended 31 May 2010 was 15.0%, as compared to 20.3% for the corresponding period in 2009.

Income tax expenses

Income tax expenses increased by RMB3.2 million from RMB1.9 million in the five months ended 31 May 2009 to RMB5.1 million for the corresponding period in 2010. Our effective tax rate for the five months ended 31 May 2010 was 35.1%, as compared to 20.9% for the corresponding period in 2009, primarily reflecting an increase in our taxable profit resulting from a higher profit before tax and the non-tax deductible nature of certain expenses for PRC EIT purposes that we incurred in the first five months of 2010. The non-tax deductible expenses included certain part of the impairment loss recognised on our trade receivables, the legal and professional fees in relation to the preparation of the Listing which were incurred outside the PRC at Sunking BVI's level and share-based payments.

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

As a result of the above factors, our profit for the period and total comprehensive income for the period attributable to owners of our Company increased by RMB2.3 million, or 32.4% from RMB7.1 million for the five months ended 31 May 2009 to RMB9.4 million for the corresponding period in 2010. Our net profit margin, which is calculated as profit attributable to owners of our Company for the period divided by total revenue, decreased from 13.9% in the five months ended 31 May 2009 to 7.9% for the corresponding period in 2010, primarily reflecting a lower gross profit margin and an increase in staff costs, an increase in amortisation and depreciation expenses, an increase in other expenses and an increase in income tax expenses, and partially offset by a net foreign exchange gain.

The financial year ended 31 December 2009 compared to financial year ended 31 December 2008

Revenue

Revenue increased by RMB12.2 million, or 4.9%, from RMB249.5 million in 2008 to RMB261.7 million in 2009 primarily reflecting an increase in sales of our own manufactured products, which was partially offset by a decrease in sales of imported power electronic components.

Revenue from sales of our own manufactured products increased by RMB54.9 million, or 81.1%, from RMB67.7 million in 2008 to RMB122.6 million in 2009 primarily due to revenue recognised on delivery of IGBT power modules during 2009 pursuant to a contract entered into with the CNR Group in late 2008, as well as the general economic recovery in our markets experienced in 2009. As a percentage of our total revenue, revenue from sales of our own manufactured products increased from 27.1% in 2008 to 46.8% in 2009.

Revenue from sales of IGBT power modules increased from nil in 2008 to RMB45.9 million in 2009 wholly due to the CNR Group contract. As a percentage of our total revenue, revenue from sales of IGBT power modules increased from nil in 2008 to 17.5% in 2009.

Revenue from sales of anode saturable reactors increased by RMB11.5 million, or 3,833%, from RMB0.3 million in 2008 to RMB11.8 million in 2009 primarily due to increased orders by and deliveries to the China XD Group in 2009 after having completed product testing in 2008. We had no sales of HV power capacitors in either 2008 or 2009. Revenue from sales of silicon rectifier valves and others decreased by RMB3.7 million, or 6.1%, from RMB61.8 million in 2008 to RMB58.1 million in 2009. As a percentage of our total revenue, revenue from sales of anode saturable reactors, HV power capacitors, silicon rectifier valves and others increased from 24.9% in 2008 to 26.7% in 2009.

Revenue from sales of deionised water cooling systems increased by RMB1.2 million, or 21.4%, from RMB5.6 million in 2008 to RMB6.8 million in 2009, primarily as a result of having our first full year of sales of deionised water cooling systems after our acquisition of Tianjin Sunking in February 2008. As a percentage of our total revenue, revenue from sales of deionised water cooling systems increased from 2.2% in 2008 to 2.6% in 2009.

Revenue from sales of imported power electronic components decreased by RMB42.7 million, or 23.5%, from RMB181.8 million in 2008 to RMB139.1 million in 2009 as a result of a downturn in orders received in 2008 during the global economic downturn, which resulted in a decrease in delivered products during 2009. As a percentage of our total revenue, revenue from sales of imported power electronic components decreased from 72.9% in 2008 to 53.2% in 2009.

Cost of sales

Cost of sales increased by 1.7% from RMB178.8 million in 2008 to RMB181.8 million in 2009 primarily reflecting increased in sales, as well as the effect of currency fluctuations and, in particular, the appreciation of CHF relative to RMB.

Gross profit and gross profit margin

Gross profit increased by RMB9.2 million, or 13.0%, from RMB70.7 million in 2008 to RMB79.9 million in 2009. Our gross profit margin increased from 28.4% in 2008 to 30.5% in 2009, primarily reflecting increased sales of our own manufactured products which command a higher gross profit margin.

Gross profit margin for our distribution business for 2009 and 2008 remained stable and decreased slightly from 27.3% in 2008 to 27.0% in 2009. Gross profit margin for our manufacturing business slightly increased from 31.1% in 2008 to 34.5% in 2009 primarily reflecting an increase in sales of higher gross profit margin products (i.e. our anode saturable reactors and silicon rectifier valves and others) in 2009 and partially offset by sales of IGBT power modules which had a gross profit margin of 27.0% in 2009. We only began to sell IGBT power modules in November 2009 and hence did not record any revenue from sales of IGBT power modules in 2008.

Gross profit margin of anode saturable reactors decreased from 75.0% in 2008 to 61.7% in 2009. Gross profit margin of silicon rectifier valves and others increased from 32.5% in 2008 to 38.2% in 2009. Gross profit margin for sale of deionised water cooling systems decreased from 13.9% in 2008 to 7.0% in 2009.

Investment income

Investment income decreased from RMB0.5 million in 2008 to RMB0.4 million in 2009 primarily due to a decrease in our interest-bearing bank balances and cash during 2009, as compared to 2008 and a decrease in interest rate over 2009.

Other gains and losses

Other gains and losses decreased from a net gain of RMB8.4 million in 2008 to a net loss of RMB2.2 million in 2009 primarily due to a net foreign exchange loss of RMB2.9 million mainly from the translation of our trade payables outstanding as at 31 December 2009 denominated in CHF and the appreciation of CHF against RMB as at 31 December 2009 compared to the rate prevailing as at 31 December 2008, and a decrease in gains on foreign exchange forward contracts from RMB6.6 million in 2008 to RMB0.4 million in 2009 recorded on re-translation to fair value of our unexpired foreign exchange forward contracts to purchase CHF. The CHF:RMB exchange rate prevailing at 31 December 2008 was 6.4047, as compared to 6.5968 at 31 December 2009.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB5.7 million, or 54.3%, from RMB10.5 million in 2008 to RMB4.8 million in 2009 primarily reflecting a decrease in sales commissions paid to consultants for the provision of sales, marketing and promotional services due to the strengthening of our overall client relationships. Distribution and selling expenses constituted 1.8% of our total revenue for 2009, as compared to 4.2% in 2008.

Administrative and general expenses

Administrative and general expenses increased by RMB6.3 million, or 38.4%, from RMB16.4 million in 2008 to RMB22.7 million in 2009 primarily reflecting an increase of our salaries, bonuses, social welfare and share-based payments paid to our management and administrative staff and an increase in amortisation and depreciation expenses as a result of an increase in depreciable fixed assets of office space at Jiashan Sunking to accommodate increased administrative staff headcount. Administrative and general expenses constituted 8.7% of our total revenue for 2009, as compared to 6.6% in 2008.

Other expenses

Other expenses increased by RMB0.3 million, or 100.0%, from RMB0.3 million in 2008 to RMB0.6 million in 2009. These expenses were related to our research and development activities.

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

Interest expenses in relation to bank loans wholly repayable within five years increased by 100.0% from RMB0.5 million in 2008 to RMB1.0 million in 2009 primarily due to the increased amount of loans outstanding during 2009 and partially offset by a decrease in interest rate in 2009.

Profit before tax

Our profit before tax for the year decreased by RMB2.9 million, or 5.6%, from RMB52.0 million in 2008 to RMB49.1 million in 2009 primarily due to gains on foreign exchange forward contracts of RMB6.6 million recognised in 2008 based on the fair market valuation of our CHF foreign exchange forward contracts outstanding as at 31 December 2008. EBITDA for the year decreased by RMB1.6 million, or 2.9%, from RMB54.4 million in 2008 to RMB52.8 million in 2009 due to the decrease in gains on foreign exchange forward contracts and the increase in depreciation and amortisation expenses as a result of the transfer of work in progress relating to office space for Jiashan Sunking to fixed depreciable assets. EBITDA margins for 2009 were 20.2%, as compared to 21.8% in 2008.

Income tax expenses

Income tax expenses increased by RMB3.3 million from RMB7.0 million in 2008 to RMB10.3 million in 2009 primarily due to increased taxable profits, including as a result of Jiashan Sunking first becoming subject to a 12.5% EIT tax rate for 2009 after the expiry of the full tax exemption holiday in 2008 and prior periods during the Track Record Period. Our effective tax rate for 2009 was 21.0%, as compared to 13.5% for 2008.

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

As a result of the above factors, our profit for the year and total comprehensive income for the year attributable to owners of our Company decreased by RMB6.1 million, or 13.6%, from RMB45.0 million in 2008 to RMB38.9 million in 2009. Our net profit margin decreased from 18.0% in 2008 to 14.9% in 2009, primarily reflecting an increase of tax payable following the expiry of full tax exemption holiday enjoyed by Jiashan Sunking prior to 2009, a decrease in gains on foreign exchange forward contracts and an increase in depreciation and amortisation expenses, which was partially offset by higher gross profit margin.

The financial year ended 31 December 2008 compared to financial year ended 31 December 2007

Revenue

Revenue increased by RMB61.2 million, or 32.5%, from RMB188.3 million in 2007 to RMB249.5 million in 2008 primarily reflecting an increase in sales of our own manufactured products, and an increase in the selling prices of our imported power electronic components. We acquired 100% equity interest in Tianjin Sunking in February 2008, and its sales of deionised water cooling systems of RMB5.6 million contributed to the increase in revenue in 2008.

Revenue from sales of our own manufactured products increased by RMB64.9 million from RMB2.8 million in 2007 to RMB67.7 million in 2008 primarily due to demand for silicon rectifier valves from aluminium manufacturers as a result to increases in commodities prices during 2008. As a percentage of our total revenue, revenue from sales of our own manufactured products increased from 1.5% in 2007 to 27.1% in 2008.

Revenue from sales of anode saturable reactors decreased by RMB1.3 million, from RMB1.6 million in 2007 to RMB0.3 million in 2008. Revenue from sales of silicon rectifier valves and others increased by RMB60.6 million, or 4,962.0%, from RMB1.2 million in 2007 to RMB61.8 million in 2008 primarily due to increased demand for the products from aluminium manufacturers. As a percentage of our total revenue, revenue from sales of anode saturable reactors, HV power capacitors, silicon rectifier valves and others increased from 1.5% in 2007 to 24.9% in 2008.

Revenue from sales of deionised water cooling systems increased from nil in 2007 to RMB5.6 million in 2008 as a result of our acquisition of Tianjin Sunking in February 2008. Revenue from sales of deionised water cooling systems constituted 2.2% of our total revenue in 2008.

Revenue from sales of imported power electronic components remained relatively stable and decreased by RMB3.7 million, or 2.0%, from RMB185.5 million in 2007 to RMB181.8 million in 2008. As a percentage of our total revenue, revenue from sales of imported power electronic components decreased from 98.5% in 2008 to 72.9% in 2009.

Cost of sales

Cost of sales increased by RMB36.4 million, or 25.6%, from RMB142.4 million in 2007 to RMB178.8 million in 2008 primarily reflecting an increase in sales.

Gross profit and gross profit margin

Gross profit increased by RMB24.9 million, or 54.4%, from RMB45.8 million in 2007 to RMB70.7 million in 2008. Our gross profit margin increased from 24.3% in 2007 to 28.4% in 2008, primarily due to increased selling prices of our imported power electronic components, and partially offset by the start up cost of our own manufactured products incurred in preparation for the manufacture of IGBT power modules in 2008.

Gross profit margin for our distribution business increased from 24.1% in 2007 to 27.3% in 2008, whereas gross profit margin for our manufacturing business decreased from 41.3% in 2007 to 31.1% in 2008 primarily reflecting different composition in the product mix sold during these periods.

In 2007, revenue generated from our manufacturing business represented primarily sales of anode saturable rectors and silicon rectifier values and others. Anode Saturable reactors generally have a higher gross profit margin among our manufactured products. In 2008, revenue generated from our manufacturing business was predominantly attributable to sales of silicon rectifier valves and to a lesser extent anode saturable rectors. Revenue from sales of anode saturable reactors and silicon rectifier valves in 2008 amounted to RMB0.3 million and RMB61.8 million, respectively. Our gross profit margin of our manufacturing business decreased from 41.3% in 2007 to 32.6% in 2008.

We acquired Tianjin Sunking in 2008 and hence had nil sales of deionised water cooling systems in 2007. Gross profit margin of deionised water cooling systems in 2008 was 13.9%.

Investment income

Investment income increased from RMB0.1 million in 2007 to RMB0.5 million in 2008 primarily due to an increase in our interest-bearing bank balances and cash in 2008, as compared to 2007.

Other gains and losses

Other gains and losses increased from a net loss of RMB0.9 million in 2007 to a net gain of RMB8.4 million in 2008, primarily due to a net foreign exchange gain of RMB1.9 million recorded in 2008 as a result of a gain from our foreign exchange forward contracts compared to a net foreign exchange loss of RMB0.9 million in 2007, and a gain on foreign exchange forward contracts of RMB6.6 million from the CHF foreign exchange forward contracts partly representing realised gains for those contracts expired in 2008 following an appreciation of CHF, and partly representing fair value gain recognised as at the year end based on the then prevailing CHF:RMB exchange rate. The CHF:RMB exchange rate prevailing at 31 December 2007 was 6.4377, as compared to 6.4047 at 31 December 2008.

Distribution and selling expenses

Distribution and selling expenses increased from RMB1.0 million in 2007 to RMB10.5 million in 2008. This mainly resulted from the increase in service fees paid or payable to a consultant who was not an employee of our Group, and an increase of our salaries and share-based payments paid to our sales staff. We engaged a consultant for his sales, marketing and promotional services and the provision of market information and insight in 2008, which helped us broaden our product offerings during the early stages of developing our manufacturing business. According to our accounting policy, consultancy fee expenses were recognised when our Group received the relevant services. As such consultancy services amounting to RMB6.5 million were provided in 2008, there was a substantial increase in our distribution and selling expenses in 2008. Distribution and selling expenses constituted 4.2% of our total revenue for 2008, as compared to 0.5% in 2007.

Administrative and general expenses

Administrative and general expenses increased by RMB7.2 million, or 78.3%, from RMB9.2 million in 2007 to RMB16.4 million in 2008 primarily reflecting an increase of our salaries, bonuses and social welfare paid to our management and other administrative staff, an increase in rental and property related expense in line with our business expansion, as our production facilities expanded and headcount increased, and increases in travelling expenses and freight costs, and entertainment expenses as a result of our business expansion and increased headcount. Administrative and general expenses constituted 6.6% of our total revenue for 2008, as compared to 4.9% in 2007.

Other expenses

Other expenses decreased by RMB5.4 million, or 94.7%, from RMB5.7 million in 2007 to RMB0.3 million in 2008. The other expenses incurred in 2007 were primarily related to the recognition of RMB1.2 million impairment loss on our trade receivables and RMB4.5 million of research and development fees we paid to Cooper Bussmann whom we commissioned to carry out certain research and development activities.

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

Interest expenses in relation to bank loans wholly repayable within five years increased by 66.7% from RMB0.3 million in 2007 to RMB0.5 million in 2008 primarily due the higher outstanding balances of loans during 2008 used to finance working capital requirements.

Profit before tax

Our profit before tax for the year increased by RMB23.2 million, or 80.6%, from RMB28.8 million in 2007 to RMB52.0 million in 2008 due to an increase in revenue. EBITDA for the year increased by RMB24.8 million, or 83.8%, from RMB29.6 million in 2007 to RMB54.4 million in 2008. EBITDA margins for 2008 were 21.8%, as compared to 15.7% in 2007 due to an increase in sales of our own manufactured products relative to sales of imported power electronic components in 2008, the former of which commanded a higher profit margin.

Income tax expenses

Income tax expenses increased by RMB1.0 million, or 16.7%, from RMB6.0 million in 2007 to RMB7.0 million in 2008, primarily due to an increase in the relative profit contribution by Jiashan Sunking, which enjoyed full tax exemption in both 2007 and 2008 owing to its status as a foreign-invested enterprise. Our effective tax rate for 2008 was 13.5%, as compared to 20.8% for 2007, primarily because (i) the income tax expense of Futech Group, which was incorporated in the British Virgin Islands where the applicable income tax rate is nil but may be deemed as having a permanent establishment in the PRC, was accrued at the applicable income tax of 33% and 25% for the years ended 31 December 2007 and 2008, respectively, (ii) the Futech Business carried on by Futech Group was gradually taken up by other companies of the Group in 2008, and (iii) there was a substantial increase in sales generated by Jiashan Sunking, which was entitled to full tax exemption for two years ended 31 December 2007 and 2008. The decrease in our effective tax rate resulting from these factors was partially offset by an increase in the applicable income tax rate of Beijing Sunking from 7.5% in 2007 to 25% in 2008.

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

As a result of the above factors, our profit for the year and total comprehensive income for the year increased by RMB22.2 million, or 97.4%, from RMB22.8 million in 2007 to RMB45.0 million in 2008. Our net profit margin increased from 12.1% in 2007 to 18.0% in 2008, primarily reflecting the increase in sales of our own manufactured products.

LIQUIDITY AND CAPITAL RESOURCES

We operate in a capital-intensive industry and have historically financed our working capital, capital expenditure and other capital requirements through cash generated from sales of our products, bank borrowings and capital contributions from shareholders. Going forward, we expect to finance working capital, capital expenditure and other capital requirements from the net proceeds from the Global Offering, sale of our products and bank borrowings. Our short-term liquidity requirements relate to servicing our debt and funding our working capital requirements, and our sources of short-term liquidity include cash balances, proceeds from sale of our products and new loans. Our long-term liquidity requirements relate to funding of the development of our new production facilities and repayment of our long-term debt, and our sources of long-term liquidity include loans. The credit term given by our suppliers, such as ABB Switzerland, is generally 60 days, while the credit term we give to some of our customers is longer. The CNR Group's credit term, for example, is 180 days. Therefore, there is a lag between our payment of purchases and receipt of cash for sale.

The following table is a condensed summary of our combined cash flow statements and analysis of balances of cash and cash equivalents for the periods indicated:

	As at 31 December			As at 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated by (used in) operating activities	4,954	955	(23,529)	(62,361)
Net cash used in investing activities	(12,386)	(15,700)	(47,749)	(23,597)
Net cash generated by financing activities	7,215	22,360	89,102	73,238
Net increase (decrease) in cash and cash equivalents	(217)	7,615	17,824	(12,720)
Cash and cash equivalent at the beginning of the period	13,644	13,437	20,649	38,946
Cash and cash equivalents at the end of the period	13,437	20,649	38,946	26,015

Net cash generated by (used in) operating activities

Over the Track Record Period, we derived our cash inflow from operating activities principally from cash generated from the sale of our products. Our cash outflow from operating activities was principally for the purchase of imported power electronic components, raw materials for our manufacturing business, salaries and rental payments.

For the five months ended 31 May 2010, our net cash used in operating activities was RMB62.4 million, reflecting gross cash used in operations of RMB54.1 million, income tax payments of RMB7.2 million and interest payments of RMB1.1 million during the period.

Cash used in operations for the five months ended 31 May 2010 was RMB54.1 million, while our profit before tax was RMB14.4 million. The difference of RMB68.5 million represents adjustments for income statement items with non-cash effects of RMB3.8 million and an outflow of working capital adjustments of RMB72.3 million. Our working capital outflow was primarily due to an increase in trade and other receivables of RMB66.0 million as a result of increased sales in particular sales to state-owned or state-controlled enterprises that generally demand a longer credit period, and the general slower collection cycle that we experienced, and an increase in inventories of RMB14.8 million in preparation for the anticipated sales orders for the later part of 2010.

In 2009, our net cash used in operating activities was RMB23.5 million, reflecting gross cash used in operations of RMB21.5 million, income tax payments of RMB1.0 million and interest payments of RMB1.0 million during the year.

Cash used in operations for 2009 was RMB21.5 million, while our profit before tax was RMB49.1 million. The difference of RMB70.6 million represents adjustments for income statement items with non-cash effects of RMB3.9 million and an outflow of working capital adjustments of RMB74.5 million. Our working capital outflow was primarily due to an increase in trade and other receivables of RMB109.8 million as a result of increased revenues, including increased sales of our own manufactured products to state-owned enterprises that generally require a longer payment cycle, which was partially offset by an increase in trade payables of RMB28.9 million as we increased our treasury management efforts to more fully benefit from the credit terms granted by our suppliers.

In 2008, our net cash generated by operating activities was RMB1.0 million, reflecting gross cash from operations of RMB1.5 million and interest payments of RMB0.5 million during the year.

Cash generated by operations for 2008 was RMB1.5 million, while our profit before tax was RMB52.0 million. The difference of RMB50.5 million represents downward adjustments for income statement items with non-cash effects of RMB1.9 million and an outflow of working capital adjustments of RMB48.6 million. Our working capital outflow was primarily due to a decrease in trade and other payables of RMB47.0 million as a result of our strong liquidity position that enabled us to settle outstanding payables early and an increase in trade and other receivable of RMB12.7 million as a result of increased sales, including the sales to state-owned or state-controlled enterprises, which was partially offset by a decrease in inventories of RMB10.3 million as a result of ordinary course fluctuations.

In 2007, our net cash generated from operating activities was RMB5.0 million, primarily reflecting gross cash generated from operations of RMB5.4 million net of income tax payments of RMB0.1 million and interest payments of RMB0.3 million during the year.

Cash generated from operations for 2007 was RMB5.4 million, while our profit before tax was RMB28.8 million. The difference of RMB23.4 million represents adjustments for income statement items with non-cash effects of RMB2.8 million and an outflow of working capital adjustments of RMB26.2 million. Our working capital outflow was primarily due to an increase in trade and other receivable of RMB20.9 million as a result of increased sales due to the overall growth in our business, an increase in inventories of RMB14.8 million mainly due to an increase of finished goods at the year end consistent with the growth of our business, which was partially offset by an increase in trade and other payables of RMB11.6 million as a result of the growth of our business.

Net cash used in investing activities

For the five months ended 31 May 2010, our net cash used in investing activities was RMB23.6 million, which was primarily due to RMB16.9 million primarily used for the construction of production facilities and the purchases of property, plant and equipment for Jiashan Sunking and Wuxi Sunking and an increase of RMB5.1 million in pledged bank deposits relating to letters of credit taken out by our Group to facilitate settlement of our purchases for our distribution business and an amount of RMB1.7 million due from Mr. Xiang representing the portion of the consideration paid by Jiashan Sunking for the acquisition of Mr. Xiang's interest in Beijing Sunking and which amount was due back to our Group pursuant to the Structure Contracts. For further information on the background of the Structure Contracts, please refer to the section headed "History and Development – Beijing Sunking – Structure Contracts".

In 2009, our net cash used in investing activities was RMB47.7 million, which was primarily due to RMB60.9 million used for the construction of production facilities and the purchases of property, plant and equipment for Jiashan Sunking and Wuxi Sunking, which was partially offset by a decrease in pledged bank deposits relating to our foreign exchange forward contracts of RMB7.5 million due to a lower level of unexpired contracts at year end and repayments by Mr. Xiang Jie of cash advances of RMB1.9 million for working related expenses.

In 2008, our net cash used in investing activities was RMB15.7 million, which was primarily due to RMB24.0 million used mainly for the construction of production facilities and the purchases of property, plant and equipment for Jiashan Sunking and Wuxi Sunking, land use rights payment of RMB16.0 million relating to the production facility of Wuxi Sunking and an increase of RMB10.9 million in pledged bank deposits relating to foreign exchange forward contracts, which was partially offset by repayments of RMB33.1 million of advances from the shareholder and repayments of RMB3.3 million from Mr. Xiang Jie relating to cash advanced for working related expenses.

In 2007, our net cash used in investing activities was RMB12.4 million, which was primarily due to RMB9.3 million used for the construction of production facility and the purchase of property, plant and equipment for Jiashan Sunking, cash advances of RMB1.4 million to Mr. Xiang Jie relating to cash advanced for working related expenses and repayment of RMB1.0 million advanced from a shareholder.

Net cash generated by financing activities

For the five months ended 31 May 2010, our net cash generated by financing activities was RMB73.2 million primarily reflecting the proceeds from short-term bank loans of RMB72.3 million and a capital contribution of RMB1.5 million by the non-controlling equity holder of Jiashan Converter Technology, our 85% owned subsidiary, upon its establishment in March 2010.

In 2009, our net cash generated by financing activities was RMB89.1 million, reflecting the proceeds from short-term bank loans of RMB40.0 million and capital contributions from Sunking BVI of RMB75.1 million that reflect the proceeds Sunking BVI received from the issue of 6,667,000 series B preference shares of US$0.0005 each to Common Goal and 2,000,000 series C preference shares of US$0.0005 each to CIAM which was partially offset by repayment of short-term bank loans of RMB26.0 million.

In 2008, our net cash generated by financing activities was RMB22.4 million, reflecting capital contributions from Sunking BVI of RMB83.9 million that reflect the proceeds Sunking BVI received from the issue of 12,000,000 series A preference shares of US$0.0005 each by Sunking BVI to NewMargin, advances from Sunking BVI of RMB8.7 million and proceeds from short-term bank loans of RMB6.0 million, which was partially offset by dividend payment of RMB66.8 million, repayment of short-term bank loans of RMB6.6 million and a distribution to Mr. Xiang of RMB2.8 million.

In 2007, our net cash generated by financing activities was RMB7.2 million, reflecting the proceeds from short-term bank loans of RMB6.6 million and proceeds of RMB2.4 million received as a capital contribution from Sunking BVI.

NET CURRENT ASSETS

	As at 31 December			As at 31 May	As at 31 August
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	31,658	22,389	20,137	34,894	42,236
Trade and other receivables	37,652	50,442	161,035	225,535	314,766
Amount due from a shareholder	33,100	–	–	–	–
Amount due from a related party	4,730	1,784	40	1,715	–
Deposits and prepayments	2,191	2,018	2,946	9,505	14,226
Other financial assets	–	5,958	1,295	–	4,700
Prepaid lease payments – current	40	361	360	360	360
Pledged bank deposits	828	11,726	4,237	9,355	2,728
Bank balances and cash	13,437	20,649	38,946	26,015	48,519
	123,636	115,327	228,996	307,379	427,535
Current liabilities					
Trade and other payables	77,758	33,338	61,240	66,753	100,824
Tax liabilities	5,990	2,554	10,403	8,131	7,882
Short-term bank loans	6,600	6,000	20,000	92,288	174,559
Amount due to a shareholder	–	7,525	7,481	12,850	18,549
Deferred income	–	–	3,810	3,746	3,651
	90,348	49,417	102,934	183,768	305,465
Net current assets	33,288	65,910	126,062	123,611	122,070

Inventories

The following table sets forth our inventories as of the balance sheet dates indicated and the average inventory turnover days for the periods indicated:

	As at 31 December			As at 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	822	4,789	6,177	7,292
Work in progress	–	124	1,874	4,864
Finished goods	30,836	17,476	12,086	22,738
Inventories	31,658	22,389	20,137	34,894

	For the year ended 31 December			For the five months ended 31 May
	2007	2008	2009	2010
Average inventory turnover days[1]......	62.2	55.2	42.7	47.5

Note:

(1) Calculated using the average of the beginning and ending inventory balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year or 151 days for five months ended 31 May 2010, in respect of the periods indicated.

Our inventories comprise finished products primarily representing imported power electronic components, raw materials and work in progress. We did not experience any material impairment to our inventory, such as slow moving or obsolete inventory, over the Track Record Period, and we did not provide for any inventory impairment allowance during the Track Record Period.

Our inventory balances increased from RMB20.1 million as at 31 December 2009 to RMB34.9 million as at 31 May 2010, reflecting an increase in each of raw materials, work in progress and finished goods in anticipation of increased sales orders for the remaining seven months in 2010.

Our inventory balances remained relatively stable as at 31 December 2008 and 2009, although there was a change to the composition of the inventory balances primarily reflecting a change to our product mix. Our inventory balances decreased slightly from RMB22.4 million as at 31 December 2008 to RMB20.1 million as at 31 December 2009. As the proportion of revenue from the sale of own manufactured products increased relatively to the sale of imported power electronic components in 2009, our raw materials increased to RMB6.2 million in 2009 from RMB4.8 million in 2008, whereas our finished goods decreased to RMB12.1 million in 2009 from RMB17.5 million in 2008. Work in progress also increased to RMB1.8 million in 2009 from RMB0.1 million in 2008.

Our inventory balances decreased from RMB31.7 million as at 31 December 2007 to RMB22.4 million as at 31 December 2008 primarily reflecting a shift of product mix with more sales of our own manufactured products relative to sales of imported power electronic components, coupled with an improvement in our inventory control.

As at 31 August 2010, RMB18.4 million, representing 52.8%, of our inventory as at 31 May 2010 has been subsequently utilised (in case of raw materials and work in progress) or sold (in case of finished goods).

Our average inventory turnover days experienced a general decrease over the Track Record Period from 62.2 days in 2007 to 55.2 days in 2008, which were further decreased to 42.7 days in 2009 although there was a slight increase to 47.5 days for the five months ended 31 May 2010. The general decrease in the trend of our average inventory turnover days reflects our improvement in our inventory control.

Trade and other receivables

The following table sets forth the total amounts of our trade and other receivables as of the balance sheet dates indicated and the average trade and note receivables turnover days for the periods indicated:

	As at 31 December			As at 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	11,264	36,510	124,852	175,666
Note receivable	19,468	9,788	28,830	39,766
Other receivables	6,920	4,144	7,353	10,103
Total trade and other receivables	37,652	50,442	161,035	225,535

	For the year ended 31 December			For the five months ended 31 May
	2007	2008	2009	2010
Average trade receivables turnover days(1)	15.9	34.9	112.5	191.4
Average trade and note receivables turnover days(1)	38.5	56.3	139.5	235.0

Note:

(1) Calculated using the average of the beginning and ending balances of trade receivables, or trade and note receivables (as the case may be), of the period, divided by revenue for the period and multiplied by 365 days for a year or 151 days for five months ended 31 May 2010, in respect of the periods indicated.

Our trade and other receivables comprise trade receivables, note receivable and other receivables. Trade receivables primarily represent amounts due from our customers (including any retainer fee to be paid after the lapse of a warranty period, ranging from 12 to 24 months from the delivery of our products). We generally grant a credit period of 0 to 180 days to our customers. We grant a credit period of 180 days to the CNR Group and 150 days to Jiujiang Rectifier. Other than the CNR Group and Jiujiang Rectifier, we have not granted any customers a credit period of more than 90 days. We began to generate revenue from the CNR Group in November 2009. Our sales to the CNR Group were RMB45.9 million and RMB40.2 million for the year ended 31 December 2009 and for the five months ended 31 May 2010, respectively, representing 17.5% and 33.9% of our total revenue for the respective periods. Note receivables are issued by banks and are similar in nature to letters of credit which are accepted by us as settlement of trade receivable and can be used for settlement of our purchases. Other receivables primarily represent cash advanced to individuals for working related expenses and deposits paid for leased properties.

Our sales contracts typically provide a warranty to our customers pursuant to which we will be responsible for any defects in the products we provide and we agree to compensate our customers for any damages caused as a result of such product defects. During the Track Record Period, we were not subject to any warranty claim nor did we make any provision for product warranty as our potential obligation under such arrangement was not expected to be material. Although we provided warranty periods which usually ranged from 12 to 24 months to some of our customers, the accumulated actual repair, maintenance and replacement costs were very limited (in the amount of RMB13,000) during the Track Record Period and our Directors consider there is no need to provide warranty accruals under such circumstance.

Our trade receivable balances increased from RMB124.9 million as at 31 December 2009 to RMB175.7 million as at 31 May 2010 primarily due to an increase in sales recorded in the period, including sales in the five months ended 31 May 2010 to a number of state-owned or state-controlled enterprise, such as the CNR Group, to whom we grant a more favourable credit period as compared to other customers because of their large sales orders. Further, we did not require the CNR Group to make any advance payment or deposit. As at 31 May 2010, RMB88.2 million, representing 50.2% of the total trade receivables outstanding as at that date, was due from the CNR Group.

Our trade receivable balances increased from RMB36.5 million as at 31 December 2008 to RMB124.9 million as at 31 December 2009 primarily due to an increase in trade receivables due from the CNR Group reflecting an increase in sales to the CNR Group as well as to other customers in 2009.

Our trade receivables balances increased from RMB11.3 million as at 31 December 2007 to RMB36.5 million as at 31 December 2008 primarily reflecting the sales recorded at the end of 2008.

As at 31 August 2010, approximately RMB60.4 million, representing 34.4% of our trade receivables of RMB175.7 million outstanding as at 31 May 2010 had been settled. Given that some of our customers have longer credit period (as much as 180 days in respect of the CNR Group), and that some of the trade receivables represent retainer fees which are not due until expiry of warranty period which may extend up to 24 months, a portion of our trade receivables balance outstanding as at 31 May 2010 was not due on that date.

Our average trade and note receivables turnover days increased from 38.5 days in 2007 to 56.3 days in 2008, to 139.5 days in 2009 and increased further to 235.0 days for the five months ended 31 May 2010 primarily reflecting the growth in sales of our own manufactured products. Our Directors consider that the longer trade and note receivables turnover days recoded in 2009 and the first five months of 2010 was due to the increased sales to customers with longer credit period starting from 2009, such as sales of IGBT power modules to the CNR Group, and a substantial portion of our trade receivables is due from a number of our largest customers who are state-owned or state-controlled enterprises, which tend to be slow in settlement of invoices. The following table sets forth the percentages of our trade receivables outstanding as at the dates indicated attributable to our distribution business and our manufacturing business, respectively:

	As at 31 December			As at 31 May
	2007	2008	2009	2010
	%	%	%	%
Trade receivables attributable to				
Sale of imported electronic components	100.0	36.4	25.1	18.0
Sale of manufactured products	–	63.6	74.9	82.0

A number of our customers of our manufacturing business are state-owned or state-controlled enterprises, whom we believe are of better creditworthiness. Therefore, our Group granted more favourable credit terms to such customers and as a result, our manufacturing business tends to have a larger trade receivable balances and longer trade receivables turnover days.

We only recognise revenue and trade receivables when we deliver finished products to customers, our trade and note receivables turnover days are not affected by the length of the production cycle of our manufacturing business. The following table sets forth the ageing analysis of our trade receivables that are neither individually nor collectively considered to be impaired as of the balance sheet dates indicated:

	As at 31 December						As at 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Neither past due nor impaired	4,044	35.9	9,005	24.7	57,800	46.3	91,044	51.8
Past due but not impaired								
Overdue 1 – 180 days.............	6,603	58.6	22,560	61.8	63,821	51.1	78,698	44.8
Overdue 181 – 360 days..........	230	2.0	4,523	12.3	1,358	1.1	4,810	2.7
Overdue >360 days.................	387	3.5	422	1.2	1,873	1.5	1,114	0.7
Total	11,264	100.0	36,510	100.0	124,852	100.0	175,666	100.0

As part of our debtor control, our finance department monitors the credit quality of our trade receivables and closely follows up with any outstanding receivables. In determining impairment losses, we conduct regular reviews of ageing analyses and evaluate collectibles on an individual basis. Our provision loss for bad and doubtful debts was RMB1.2 million, nil, nil and RMB1.5 million for the years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, respectively. We estimate that certain trade receivables unsettled for over 180 days may still be recoverable based on individual analyses of relevant customers' credit history and financial condition. However, such estimates involve inherent uncertainties and the actual uncollectible amounts may be higher or lower than the amount estimated.

The overdue trade receivables for the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010 represented approximately 64.1%, 75.3%, 53.7% and 48.2% of our total trade receivables for the respective periods. A substantial portion of our overdue trade receivables is due from customers who are state-owned or state-controlled enterprises. An aggregate of 4.7%, 46.4%, 55.5% and 63.4% of our trade and note receivables outstanding as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively, was due from the CNR Group, the China XD Group, CEPRI and Jiujiang Rectifier, who are state-owned or state-controlled enterprises during the Track Record Period. The holding company of the CNR Group, CNR is a joint stock limited company listed on the Shanghai Stock Exchange with a stock code 601299. It is a state-controlled enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council. The holding company of the China XD Group, China XD Electric Co., Ltd. (中國西電電氣股份有限公司) is a limited liability company listed on the Shanghai Stock Exchange with a stock code of 601179. It is also a state-controlled enterprise directly owned by SASAC. CEPRI is a comprehensive scientific research institution directly under State Grid, one of the only two power grid companies in the PRC. Jiujiang Rectifier was previously wholly-owned by the Stated-owned Assets Supervision and Administration Commission of Jiujiang before it was transferred to Jiashan Sunking and Rui Hua Ying. Jiashan Sunking owns 5% equity interest in Jiujiang Rectifier. Save as disclose in the section headed "History and Development" and "Business", we do not have any equity interest in any of our customers. Primarily due to the prevailing practices of the particular industry in which such customers operate, final payment of the total contract price may be subject to a retainer fee to be paid after the lapse of warranty period, ranging from 12 to 24 months from the delivery of our products. Consistent with our revenue recognition policy, once the goods are delivered and title has passed, all the remaining balance of the purchase price, including the retainer fee (as the case may be), will be accounted for as trade receivables. Before the expiry of the warranty period, such retainer fee is not yet due and our customers are not obliged to pay such sums until expiry of the warranty period. The above factors usually result in delayed and overdue payments. Our Directors are of the opinion that these practices are not unusual in our industry. These trade receivables, though overdue, and the retainer fee were usually settled at a later stage. For the three years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, overdue trade receivables which had been overdue for over 180 days were approximately RMB0.6 million, RMB4.9 million, RMB3.2 million and RMB5.9 million, respectively, representing approximately 5.5%, 13.5%, 2.6% and 3.4% of our total trade receivables for the respective periods. We have made various efforts to control credit risks, such as carrying out detailed credit assessment before entering into contracts, maintaining credit records of our customers and pushing collection of overdue receivables. Our Directors are of the opinion that appropriate provisions for bad and doubtful debts have been made.

Our management has evaluated the credit situation of the specific debtors to which the trade receivable balances as at each of the above balance sheet dates relate and does not expect them to be uncollectible. Therefore, our Directors are of the view that no provision for impairment is necessary with respect to these balances. We do not hold any collateral over these balances.

Related party loans and advances

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

The amount due to a shareholder represented loan provided by Sunking BVI, which was unsecured, non-interest bearing and repayable on demand.

Our Directors confirm that all of the above amounts will be settled before the Listing Date.

Deposits and prepayments

Our deposits and prepayments were RMB2.2 million, RMB2.0 million, RMB2.9 million and RMB9.5 million as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively. Deposits and prepayments primarily represent down payments made to certain suppliers in connection with our purchase of raw materials.

Prepaid lease payments

The following table sets forth our prepaid lease payments as of the balance sheet dates indicated:

	As at 31 December			As at 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	1,818	17,420	17,016	16,866
Current portion	40	361	360	360
Total prepaid lease payments	1,858	17,781	17,376	17,226

Our prepaid lease payments were RMB1.9 million, RMB17.8 million, RMB17.4 million and RMB17.2 million as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively. Our prepaid lease payments represent our payments for the land use rights in respect of two pieces of land we occupy for the production facilities of Jiashan Sunking and Wuxi Sunking, each of which is under a medium-term lease for a period of 50 years, and which will expire in 2054 and 2058, respectively. The land use rights and certain buildings in respect of the production facilities of Jiashan Sunking and Wuxi Sunking with carrying amount of RMB2.0 million, RMB11.7 million, RMB18.1 million and RMB35.3 million as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively, were pledged against short-term bank loans of our Group.

Pledged bank deposits

We had pledged bank deposits of RMB0.8 million, RMB11.7 million, RMB4.2 million and RMB9.4 million as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively. Our pledged bank deposits primarily represent deposits pledged to banks to secure the Group's short-term foreign exchange forward contracts and letters of credit. Our pledged bank deposits increased from RMB0.8 million as at 31 December 2007 to RMB11.7 million as at 31 December 2008 primarily due to a higher level of unexpired contracts at year end. Our pledged bank deposits decreased from RMB11.7 million as at 31 December 2008 to RMB4.2 million as at 31 December 2009 primarily due to a lower level of unexpired contracts at year end. Our pledged bank deposits increased from RMB4.2 million as at 31 December 2009 to RMB9.4 million as at 31 May 2010 primarily due to bank deposits pledged to secure letter of credit issued for our purchases of power electronic components for trading purposes. Pledged deposits are released upon settlement of the relevant foreign exchange forward contract or letter of credit.

Trade and other payables

The following tables set forth our trade and other payables, and an aging analysis of our trade payables, as of the balance sheet dates indicated and the average trade payables (including advance from customers) turnover days for the periods indicated:

	As at 31 December			**As at 31 May**
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables	25,167	17,756	43,862	51,436
Advance from customers	44,048	11,242	4,083	4,136
Other payables	8,543	4,340	13,295	11,181
Total	77,758	33,338	61,240	66,753

	For the year ended 31 December			**For the five months ended 31 May**
	2007	**2008**	**2009**	**2010**
Average trade payables (including advance from customers) turnover days [(1)]	150.3	100.3	77.2	89.3

Note:

(1) Calculated using the average of the beginning and ending trade payables (including advance from customers) balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year or 151 days for five months ended 31 May 2010, in respect of the periods indicated.

Our trade and other payables primarily consist of payments owed to suppliers for our purchases of imported power electronic components and other raw materials, advances from customers (for both of our manufacturing business and distribution business) and other payables. Other payables primarily represent VAT payables and construction cost payables for our production facilities of Jiashan Sunking and Wuxi Sunking.

Our trade and other payables increased from RMB61.2 million as at 31 December 2009 to RMB66.8 million as at 31 May 2010 primarily reflecting increased purchases of imported power electronic components in particular seasonal stock up in preparation for the anticipated sales orders in the remaining months of 2010. Our trade and other payables increased from RMB33.3 million as at 31 December 2008 to RMB61.2 million as at 31 December 2009 primarily reflecting increased purchases of imported power electronic components and our treasury management efforts to more fully benefit from the credit terms granted by our suppliers, a decrease in advance from customers as a result of an improvement in the overall creditworthiness of our customers as our proportion of sales to larger and better credit customers (such as the CNR Group, which is not required to make any advance payment or deposit, the CSR Group, State Grid, South Grid, China XD Group and CEPRI) increased in correspondence with the expansion of our manufacturing business and an increase in other payables relating to higher VAT payables resulting from a higher level of fourth quarter sales in 2009. Our trade and other payables decreased from RMB77.8 million as at 31 December 2007 to RMB33.3 million as at 31 December 2008, primarily reflecting a decrease of advance from customers resulting from an improvement in the overall creditworthiness of our customers as our proportion of sales to larger and better credit customers increased, a decrease in trade payables primarily resulting from our strong liquidity position that enabled us to settle outstanding payables in advance of their respective due dates in the absence of the treasury management efforts implemented in 2009 and a decrease in other payables resulting from a higher level of fourth quarter sales in 2008 and the absence at 31 December 2008 of a research and development-related payable to Cooper Bussmann that was settled during the course of the year. The credit period with the suppliers varies and ranges from 30 days to 180 days.

As at 31 August 2010, RMB41.4 million, representing 80.5%, of our trade payables outstanding as at 31 May 2010 has been settled.

Our average trade payables (including advance from customers) turnover days decreased from 150.3 days in 2007 to 100.3 days in 2008 and further decreased to 77.2 days in 2009 primarily due to an increase in working capital as a result of funds raised from equity capital transactions. Our average trade payables (including advance from customers) turnover days increased from 77.2 days in 2009 to 89.3 days for the five months ended 31 May 2010 due to the stock up of imported power electronic components towards 31 May 2010 in anticipation of meeting increased sales orders in the later months of 2010.

SELECTED UNAUDITED FINANCIAL DATA FOR THE PERIOD SUBSEQUENT TO 31 MAY 2010

As mentioned in the section headed "Financial Information – Profit estimate for the six months ended 30 June 2010", in the absence of any unforeseen circumstances and on the bases and assumptions set out in the section headed "Profit Estimate" in Appendix III to this prospectus, we estimate that our combined profit attributable to owners of our Company for the six months ended 30 June 2010 would be not less than RMB7.0 million. For the five months ended 31 May 2010, our profit attributable to owners of our Company was RMB9.4 million. We recorded unaudited net loss of RMB2.4 million in the month of June 2010 primarily as a result of a decrease in revenue and a lower gross profit margin we experienced during such period coupled with increased distribution and selling expenses, administrative and other general expenses, other expenses and interest expense in relation to bank loans wholly repayable within five years, in particular, non-recurring expenses in relation to the Listing of RMB1.7 million. Gross profit margin for our manufacturing business for June 2010 was 14.8%, as compared to 26.4% for the first five months of 2010 primarily due to a change in product mix within our own manufactured products. During that time period we generated more revenue from sales of silicon rectifier valves and only had little sales of the other more profitable own manufactured products. In particular, we sold a new model of silicon rectifier valves to customers on special terms for promotion. Gross profit margin of our silicon rectifier valves was 17.2% during the month. The gross profit margin for our distribution business in June 2010 was 24.5%, as compared to 25.8% for the first five months of 2010 primarily as a result of the higher value of CHF relative to RMB in June 2010. Our overall gross profit margin for June 2010 was 20.7%, as compared to 26.2% for the first five months of 2010.

Our unaudited revenue for June 2010 was RMB12.2 million comprising of revenue from the distribution business that amounted to RMB7.5 million and revenue from the manufacturing business amounted to RMB4.7 million. Revenue from our manufacturing business in June 2010 was primarily derived from sales of certain new model of silicon rectifier valves amounting to RMB3.0 million and deionised water cooling systems amounting to RMB1.1 million. Our manufactured products including IGBT power modules, anode saturable reactors, HV power capacitors and deionised water cooling systems are applied in the rail transportation sector and the power transmission and distribution sector, which are two of the most important PRC infrastructure sectors. In the rail sector, the Ministry of Railways is responsible for considering and approving projects and organising tenders for the procurement of electric locomotives. In the power transmission and distribution sector, NDRC will review and approve projects and organise tenders for the procurement of relevant power electronic components and systems, such as HVDC convertor valves. The number of projects and the project size for each year are mainly determined on the basis of prevailing government economic policies and the relevant industry planning, and therefore are relatively certain. However, due to the large scale of some projects and the complicated tender processes involved, it is uncertain when tenders will be held within a year. Our production and delivery cycles are directly affected by such uncertainty. Our own manufactured products, such as IGBT power modules and anode saturable reactors, are respectively applied in electric locomotives and power transmission and distribution equipment, such as HVDC convertor valves. Typically, we do not have a long term agreement with our customers for the supply of our own manufactured products. Our customers will only negotiate and place purchase orders with us after their successful bidding for the tenders and based on their own production planning and progress. As we have no control over the timing and results of such tenders, nor do we have any control over customers' own production planning and progress, sales and delivery cycles of our own manufactured products are specific to each customer and therefore are uncertain within a year. Therefore, we only sold a relatively small amount of own manufactured products (such as IGBT power modules, anode saturable reactors and silicon rectifier valves) in the month of June 2010 compared to the first five months of 2010, which contributed to the net loss of RMB2.4 million in that month.

We recorded revenue of RMB118.6 million for the first five months of 2010. For the months of June, July and August 2010, we recorded unaudited revenue of RMB12.2 million, RMB32.1 million and RMB51.1 million, respectively. In correlation with the increase in revenue, our trade receivables balance increased from RMB175.7 million as at 31 May 2010 to RMB228.4 million (unaudited) as at 31 August 2010; our trade and note receivables balance increased from RMB215.4 million as at 31 May 2010 to

RMB289.9 million (unaudited) as at 31 August 2010. Trade receivable turnover days increased from 191 days for the five months ended 31 May 2010 to 201 days for the eight months ended 31 August 2010, whereas trade and note receivable turnover days increased from 235 days to 252 days in the same periods. The increase in our trade receivables in the eight months ended 31 August 2010 largely corresponded with the increase in our revenue during the period. Our Directors believe that the increase in trade and note receivables turnover days was attributable to an increase in sales to customers with longer credit periods and the fact that a number of our customers have been slow in settling our invoices. In particular, a substantial portion of our trade receivables is due from a number of our largest customers who are state-owned or state-controlled enterprises, to whom we have granted a longer credit period and who also tend to be slow in payment of purchases. As part of our debtor control, our finance department monitors the credit quality of our trade receivables and closely follows up with any outstanding receivables. Our management has evaluated the credit situation of the specific debtors to which the trade receivable balances as at each of the above balance sheet dates relate and does not expect them to be uncollectible. Accordingly, our Directors are of the view that so far no provision for impairment is necessary with respect to these balances.

As we experienced a longer trade receivable cycle in the first eight months of 2010, we resorted to short term bank borrowings to fund our working capital needs and obtained a number of banking facilities from financial institutions. As a result, the balance of our secured short-term bank loans increased from RMB20.0 million as at 31 December 2009 to RMB92.3 million as at 31 May 2010 and further increased to RMB118.1 million as at 30 June 2010. As at 31 August 2010, we had secured short-term bank loans in an aggregate amount of RMB174.6 million outstanding. As at 31 August 2010, we had unutilised banking facilities of RMB220.6 million available for drawdown.

In view of the increasing trade receivables, our management has been exploring ways to improve our collection cycle. Our management and sales team also hold regular meetings to review status of the collection process and devise specific plan to accelerate collection. With respect to those customers who have large overdue trade receivables, we may delay or consider rejecting their new orders. For selected customers, we will endeavour to procure their written acknowledgement of the overdue amount and where appropriate agree on a payment schedule with them. As a result of our increased effort in debt collection, settlement of our trade receivables has improved. As at 31 August 2010, 34.4% of our trade receivables outstanding as at 31 May 2010 had been settled. In particular, 26.8% of our trade receivables due from the CNR Group outstanding as at 31 May 2010 had been settled as at 31 August 2010. Further, the CNR Group has confirmed to us in writing that it will settle all of its remaining balance with us as at 31 May 2010 by end of 2010, by way of three installments payable in the amounts of RMB20.0 million in October, RMB20.0 million in November and the remaining balance in December 2010.

If our trade and note receivables balance and trade and note receivables turnover days continue to rise, we may have to continue to rely on bank loans to finance our working capital requirements. However, there can be no assurance that we will be able to obtain additional financing on reasonable terms or at all, due to various factors such as the general market conditions for financing activities, and the prevailing economic and political conditions, nor could there be any assurance for us to internally generate funds or obtain external funding to meet our working capital requirements in a timely manner or at all. For details of the risks involved due to our financial performances, please refer to the section headed “Risk Factors – Risks relating to our business” of this prospectus.

Notwithstanding the new challenges and risks resulting from our change of business focus to our manufacturing business, our manufacturing business has grown significantly over our short history of operation. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, revenue generated from our manufacturing business amounted to RMB2.8 million, RMB67.7 million, RMB122.6 million and RMB72.8 million, respectively, representing a CAGR of 560.3% from 2007 to 2009. For the year ended 31 December 2009 and the five months ended 31 May 2010, revenue generated from sales of IGBT power modules amounted to RMB45.9 million and RMB39.9 million, respectively, representing 17.5% and 33.7% of our total revenue for the respective periods. Although gross profit margin of IGBT power modules did not tend to be significantly higher than that for our distribution business during the Track Record period, we generated significant revenue and profit from sales of IGBT power modules which we would otherwise have not been able to achieve by conducting more sales of imported power electronic components. Through our manufacturing business, we have cemented our business relationship with some key players in the PRC railway and power transmission and distribution sectors as well as other sectors, such as the only two rolling stock manufacturers in China – the CNR Group and the CSR Group, the only two state-owned grid companies in China – State Grid and South Grid – as well as both of the two major power transmission and distribution system manufacturers in China – China XD Group and CEPRI. This provides a platform for us to capture the expected opportunities presented by the PRC government's continued investment in building and upgrading the national railway infrastructure, and its continued public spending in the national power transmission and distribution systems. Our Directors believe that as our manufacturing business further expands, our long-term business development, financial or trading positions and prospects will be further enhanced.

WORKING CAPITAL

We manage our working capital in the following aspects: (a) we regularly monitor our collection of trade receivables through the responsible salespersons, who are required to regularly report to our Group about the status of the trade receivables; (b) we maintain our working capital in an amount of about RMB30 million at most times and will increase the amount from time to time to meet the needs of our growing business; (c) whenever considered appropriate, we seek to obtain external financings such as short-term bank loans for working capital purposes (please refer to the section headed "Financial Information – Indebtedness – Bank borrowings" of this prospectus for more details of our bank loans); and (d) as disclosed in the sectioned headed "Future Plans and Use of Proceeds" of this prospectus, we intend to employ approximately 10% of the estimated net proceeds from the Global Offering for working capital and other general corporate purposes. Taking into account the financial resources available to our Group, including available bank facilities, the expected cash flow to be generated from operations and the estimated net proceeds from the Global Offering, our Directors are of the opinion that the working capital available to our Group is sufficient for our present requirements for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

Bank and other borrowings

As at 31 August 2010, being the latest practicable date for the purpose of the statement of our indebtedness, our total unutilised banking facilities were RMB220.6 million. Our borrowings as at 31 December 2007, 2008, 2009, 31 May 2010 and 31 August 2010 are set forth below:

	As at 31 December			As at 31 May	As at 31 August
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Secured short-term bank loans	6,600	6,000	20,000	92,288	174,559
Unsecured loans from a shareholder	–	7,525	7,481	12,850	18,549
Total	6,600	13,525	27,481	105,138	193,108

The secured short-term bank loans we obtained in 2009 were used for working capital purposes. As we experienced longer trade receivables cycle in the first five months ended 31 May 2010, we resorted to bank borrowings to fund our working capital needs. As a result the balance of our secured short-term bank loans as at 31 May 2010 increased to RMB92.3 million. All of our bank loans bear variable interest rates. The weighted average effective interest rate on our outstanding borrowings was 7.03%, 7.47%, 5.31% and 4.88% per annum for the years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, respectively. Our bank loans are secured by our land use rights and certain buildings in respect of the production facilities of Jiashan Sunking and Wuxi Sunking with carrying amount of RMB2.0 million, RMB11.7 million, RMB18.1 million and RMB35.3 million as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively. Further, our bank loans outstanding as at 31 May 2010 were further secured by our trade receivable with a carrying amount of RMB32.7 million as at that date. All our bank loans have contractual maturity within one year from the end of the reporting period. The loans from a shareholder were due to Sunking BVI and were unsecured, non-interest bearing and repayable on demand. The Directors have confirmed that the loans due to Sunking BVI will be settled in full before Listing.

Except as described above, as at 31 August 2010, being the latest practicable date for the purpose of the statement of indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	As at 31 December			As at 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	9,263	23,971	60,932	16,878
Payments for land use rights	100	16,046	–	–
Total	9,363	40,017	60,932	16,878

We have historically funded our capital expenditures through cash generated from our operations, bank borrowings and equity from shareholders. Our capital expenditures are primarily comprised of purchases for property, plant and equipment, construction costs for the production facilities of Jiashan Sunking and Wuxi Sunking, and payment for land use rights for the production facility of Wuxi Sunking. For the three years ended 31 December 2007, 2008 and 2009 and for the five months ended 31 May 2010, our capital expenditures were RMB9.4 million, RMB40.0 million, RMB60.9 million and RMB16.9 million, respectively.

We expect to incur capital expenditures of approximately RMB200 million in the near future primarily for upgrading our production facility at Jiashan Sunking for the production of IGBT power modules and the construction of phase II of our production facility at Wuxi Sunking. Further, we plan to construct a laboratory at Jiangsu Sunking to focus on the research and development of power electronic components. The current plan is to develop in-house research and development capabilities for reactors, inverters and technology on power efficiency improvement. It is estimated that we would require approximately RMB140 million in aggregate for the construction of the laboratory building and for the procurement of various laboratory testing equipment and systems. We expect to finance our capital expenditures through a combination of operating cash flows, the net proceeds from the Global Offering and bank borrowings. We may adjust our capital expenditures for any given period according to our development plans and in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS, CONTRACTUAL OBLIGATIONS AND OTHER ARRANGEMENTS

The following table summarises our Group's contractual obligations, commercial commitments and principal payments scheduled as at 31 May 2010:

	Payments due by period				
Contractual obligations	Total	less than 1 year	1-3 years	3-5 years	more than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debt obligations(1)	93,571	93,571	–	–	–
Operating leases(2)	1,640	1,058	582	–	–
Purchase obligations(3)	7,690	7,690	–	–	–
Total	102,901	102,319	582	–	–

Notes:

(1) Secured short-term bank loans.

(2) Production plants and offices under operating lease arrangements.

(3) Contracts to construct plants or purchase plant and equipment.

Off balance sheet arrangements

As at 31 May 2010, we did not have any off-balance sheet arrangements.

MARKET RISKS

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business. For additional details regarding our Group's Risk Management, including certain related sensitivity analyses, please refer to note 5 "Capital Risk Management and Financial Instruments" of our combined financial statements included in the Accountants' Report.

Liquidity risk

Our Directors have built a liquidity risk management framework for the management of our Group's short-term funding and liquidity management requirements. We manage liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows.

Interest rate risk

Our fair value interest rate risk relates primarily to our fixed-rate bank borrowings. Our cash flow interest rate risk relates primarily to our variable-rate bank deposits. In management's opinion, we do not have significant exposure to cash flow interest rate risk as at 31 December 2007, 2008 and 2009 and 31 May 2010. During the Track Record Period, we have not used any interest rate swaps to hedge our exposure to interest rate risk. Currently, we do not have a specific policy to manage our interest rate risk, but will closely monitor the interest rate risk exposure in the future and will consider hedging significant interest rate risk should the need arise.

Foreign currency risk

The primary economic environment in which most of our principal operating subsidiaries operate is the PRC and their functional currency is RMB. Substantially all of our sales are denominated in functional currency of the relevant member of our Group making the sale. However, amounts due from/to a shareholder and certain of our purchases are denominated in CHF, US dollars and Euro, which expose us to foreign currency risk. During the years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, 95.7%, 90.8%, 89.7% and 83.2% of our purchases are denominated in currencies other than RMB.

In order to reduce the risk of currency fluctuations, we may, as we deem appropriate, enter into foreign exchange forward contracts to hedge actual transactions for larger contracts. Our policy is not to take speculative positions through forward currency contracts. During the Track Record Period, we have engaged in foreign currency hedging activities. As at 31 December 2008 and 2009, we had outstanding foreign exchange forward contracts to purchase CHF15.8 million and CHF2.1 million, respectively using RMB. The expiration dates of these contracts range from 5 January 2009 to 1 December 2009 as at 31 December 2008 and from 1 January 2010 to 29 January 2010 as at 31 December 2009. The contracted CHF:RMB exchange rates range from 5.9401 to 6.2462 and 6.0221, respectively. As at 31 May 2010, nil foreign currency forward contracts were outstanding.

Credit risk

Credit risk arises mainly from the risk that counterparties may default on the terms of their agreements. Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of the reporting period.

In order to reduce the credit risk, our management is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors believe that our credit risk is appropriately monitored.

We have a concentration of credit risk in respect of bank balances. Approximately 90%, 91%, 89% and 84% of our bank balances as at 31 December 2007, 2008 and 2009 and 31 May 2010 respectively, were deposited at three major banks. Our Directors are of the view that the credit risk on these liquid funds is limited because the counterparties are major PRC banks.

The following table shows the trade receivables that individually accounted for more than 10% of our total trade receivables as at the end of the reporting period:

	As at 31 December						As at 31 May	
	2007		2008		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Customer								
A	*	*	*	*	54,322	44	88,231	50
B	*	*	17,255	47	13,536	11	24,430	14
C	3,034	27	*	*	*	*	*	*
D	1,224	11	*	*	*	*	*	*
E	1,095	10	*	*	*	*	*	*
F	1,260	11	*	*	*	*	*	*

Note:

* The amount of trade receivables due from such customers represent less than 10% of our total trade receivables as at the end of the relevant reporting period.

We have a concentration of credit risk of approximately 38%, 52%, 55% and 64% as at 31 December 2007, 2008 and 2009 and 31 May 2010 as our total trade receivables was due from two customers as at the end of the respective reporting period.

Capital management

The primary objective of our capital management is to ensure that entities within our Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. Our overall strategy remains unchanged during the Track Record Period.

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

Our management reviews the capital structure regularly. We consider the cost of capital and the risks associated with each class of capital will balance our overall capital structure through the payment of dividends, new share issues as well as raising of short-term bank loans.

PROFIT ESTIMATE FOR THE SIX MONTHS ENDED 30 JUNE 2010

The following unaudited pro forma estimated earnings per Share for the six months ended 30 June 2010 has been prepared on the basis of notes set out below for the purpose of illustrating the effect of the Global Offering on the estimated earnings per Share as if it had taken place on 1 January 2010. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of our Group following the completion of the Global Offering or for any future periods.

Estimated combined profit attributable to owners of our Company for the six months ended 30 June 2010(1)	not less than RMB7.0 million
Unaudited pro forma estimated earnings per Share for the six months ended 30 June 2010(2)	not less than RMB0.51 cent

Notes:

(1) The bases on which the above profit estimate for the six months ended 30 June 2010 have been prepared are summarised in the section headed "Profit Estimate" in Appendix III to this prospectus.

(2) The calculation of unaudited pro forma estimated earnings per Share is calculated by dividing the estimated combined profit attributable to owners of our Company for the six months ended 30 June 2010 by a total of 1,366,040,000 Shares (assuming the Shares in issue at the date of this prospectus and those Shares to be issued under the Capitalisation Issue and the Global Offering had been in issue on 1 January 2010 but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by us pursuant to the Issue Mandate and the Repurchase Mandate).

Our Company's interim report for the six months ended 30 June 2010 will be audited pursuant to Rule 11.18 of the Listing Rules if the Shares are listed on the Stock Exchange and we expect that our audited interim report will be published in late October 2010.

DIVIDEND POLICY

After completion of the Global Offering, our shareholders will be entitled to receive dividends that we declare. Any amount of dividends we pay will be recommended at the discretion of our Directors and will depend on our future operations and earnings, our development pipeline, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles, Memorandum and the Companies Law. Any declaration of a final dividend requires the approval of our shareholders although our Directors have the discretion to pay interim dividends if justified by our profits. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

As we are a holding company, our ability to declare and pay dividends will depend on the dividends received from our subsidiaries, particularly those in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as Jiashan Sunking and Wuxi Sunking, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or by any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. Currently, our Group has no specific dividend policy. If our Group declares dividend in future, we will comply with the applicable PRC accounting policies.

Futech Group paid dividends in an aggregate amount of RMB66.8 million in 2008 to its then shareholder Sunking BVI. In addition, Futech Group made distributions to Mr. Xiang Jie of RMB1.8 million and RMB2.8 million in 2007 and 2008, respectively. Save for the above, our Group did not declare or pay any dividends during the Track Record Period. We will review our dividend policy annually taking into account the factors referred to above.

DISTRIBUTABLE RESERVES

As at 31 May 2010, our Company had nil distributable reserves available for distribution to the shareholders of our Company.

PROPERTY VALUATION

Particulars of our property interests are set out in Appendix IV to this prospectus. Jones Lang LaSalle Sallmanns Limited has valued our property interests as at 31 July 2010. A summary of values and valuation certificates issued by Jones Lang LaSalle Sallmanns Limited are included in "Appendix IV – Property Valuation." The table below sets out (i) the reconciliation of our properties interests from the audited combined financial statements as at 31 May 2010 to the unaudited net book value of our property interests as at 31 July 2010; and (ii) the reconciliation of the unaudited net book value of our property interests and the valuation of such property interests as at 31 July 2010:

	RMB'000
Net book value of property interests of our Group as at 31 May 2010	
Buildings, land use rights and construction in progress	78,224
Movements for the two months ended 31 July 2010	
Add: Net addition during the period	292
Less: Depreciation and amortisation during the period	(165)
Net book value as at 31 July 2010	78,351
Net valuation surplus(1)	7,609
Valuation as at 31 July 2010(2)	85,960

Note:

(1) By comparing the valuation of our Group's property interests of RMB85,960,000 as set out in Appendix IV to this prospectus and the unaudited net book value of those properties including buildings, land use rights and construction in progress of RMB78,351,000 as at 31 July 2010, the valuation surplus was approximately RMB7,609,000. The valuation surplus of the property interests will not be incorporated in our Group's consolidated financial statements in the future. If the valuation surplus was to be included in the combined financial statements, an additional depreciation charge of approximately RMB149,000 per annum would be incurred.

(2) The indicated value comprises the capital value of those property interests of the Group with legal title and the value for reference of those properties without legal title, which are valued by Jones Lang LaSalle Sallmanns Limited as which are described in Appendix IV to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on our net tangible assets as at 31 May 2010 as if it had taken place on that date. The unaudited pro forma adjusted combined net tangible assets of our Group have been prepared for illustrative purpose only and, because of their hypothetical nature, they may not give a true picture of our net tangible assets had the Global Offering been completed as at 31 May 2010 or at any future date.

The unaudited pro forma adjusted combined net tangible assets are calculated based on our audited combined net assets attributable to owners of our Company as at 31 May 2010, as shown in the Accountants' Report, and is adjusted as described below.

	Audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$1.45 per Share.............	242,368	390,171	632,539	0.46	0.53
Based on an Offer Price of HK$1.93 per Share.............	242,368	525,394	767,762	0.56	0.65

Notes:

(1) The audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2010 are based on audited combined net assets attributable to the owners of our Company as at 31 May 2010 of approximately RMB242.8 million as set out in Appendix I to this prospectus as adjusted for the intangible assets attributable to the owner of our Company as at 31 May 2010 of RMB0.4 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.45 and HK$1.93, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. They do not take into account of any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be allotted and repurchased by us pursuant to the Issue Mandate or the Repurchase Mandate. The forecast net proceeds from the Global Offering are translated at an exchange rate of HK$1.00 to RMB0.8629 which was quoted by the PBOC on 21 September 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be translated to Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 1,366,040,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Global Offering assuming they occurred on 31 May 2010. It does not take into account of any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be allotted and repurchased by us pursuant to the Issue Mandate or the Repurchase Mandate.

(4) By comparing the valuation of our Group's property interests of RMB85,960,000 as set out in Appendix IV to this prospectus and the unaudited net book value of those properties including building, land use rights and construction in progress of RMB78,351,000 as at 31 July 2010, the valuation surplus was approximately RMB7,609,000. The valuation surplus of the property interests will not be incorporated in our Group's consolidated financial statements in the future. If the valuation surplus was to be included in the combined financial statements, an additional depreciation charge of approximately RMB149,000 per annum would be incurred.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the section headed "Financial Information – Selected unaudited financial data for the period subsequent to 31 May 2010" of this prospectus, our Directors confirm that there has been no material adverse change in our business development, financial or trading positions or prospects since 31 May 2010, being the date of our combined financial statements as set out in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the section headed "Business – Our business strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds we will receive (after deducting underwriting fees and estimated expenses) from the Global Offering, assuming an Offer Price of approximately HK$1.69 per Share, being the mid-point of the indicative offer price range set out in this prospectus, will be approximately HK$530.7 million. We intend to use the net proceeds we receive from the Global Offering as follows:

- as to approximately 40% of the estimated net proceeds or approximately RMB183.1 million (equivalent to approximately HK$212.2 million) for upgrading and expanding the production facility of Jiashan Sunking for the production of IGBT power modules, and the construction of the second phase of Wuxi Sunking's production line for power capacitors;

- as to approximately 30% of the estimated net proceeds or approximately RMB137.3 million (equivalent to approximately HK$159.2 million) for the research and development of new products and systems and for part of the funding required for the establishment of our integrated research and development centre for all our product lines. We plan to construct a laboratory at Jiangsu Sunking to focus on the research and development of power electronic components. The current plan is to develop our in-house research and development capabilities for reactors, inverters and technology on power efficiency improvement. It is estimated that we would require approximately RMB140 million for the construction of the laboratory building and for the procurement of various laboratory testing equipment and systems. We expect to fund the required costs partly by using the net proceeds from the Global Offering and partly by bank borrowings;

- as to approximately 10% of the estimated net proceeds or approximately RMB45.8 million (equivalent to approximately HK$53.1 million) for the repayment of existing bank borrowings, all of which are short-term bank loans with an interest rate of 2% to 5% and expiring between 23 November 2010 to 4 February 2011 and utilised as working capital of our Group. For details of our bank borrowings, please prefer to the section headed "Financial Information – Indebtedness – Bank and other borrowings" in this prospectus;

- as to approximately 10% of the estimated net proceeds or approximately RMB45.8 million (equivalent to approximately HK$53.1 million) for implementing strategic alliances, joint ventures or acquisitions. In June 2010, Jiashan Sunking acquired 20% equity interest in Shanghai Lang Zhi De (which owns 100% of Wuhan Langde) and was granted options to acquire further equity interest in Shanghai Lang Zhi De. We are also seeking to establish a joint venture with Trainelec, a subsidiary of Construcciones y Auxiliar de Ferrocarriles (CAF), S.A., for the production of IGBT power modules. Save as disclosed in the section headed "Business – Our business strategies" in this prospectus, our discussions on potential acquisition or alliance targets were still at a preliminary stage and no concrete agreement with any such potential acquisition or alliance targets was close to materialisation as at the Latest Practicable Date; and

- as to the balance of approximately 10% of the estimated net proceeds or approximately RMB45.8 million (equivalent to approximately HK$53.1 million) for our working capital and other general corporate purposes.

To the extent that the net proceeds we will receive from the Global Offering are not immediately required for the above purposes, we presently plan to place such proceeds on short-term deposits with licensed banks or financial institutions and/or invest them in money market instruments in Hong Kong and/or the PRC.

In the event that the Offer Price is finally determined at the high-end of the indicative offer price range, the estimated net proceeds we will receive from the Global Offering will be approximately HK$608.9 million. Our Directors intend to apply the additional net proceeds in the same proportions as set out above. In the event that the Offer Price is finally determined at the low-end of the indicative offer price range, the estimated net proceeds we will receive from the Global Offering will be approximately HK$452.2 million. Our Directors intend to apply the reduced net proceeds in the same proportions as set out above and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

Based on the mid-point of the indicative offer price range set out in this prospectus, the Selling Shareholders estimate that the Initial Selling Shareholders will receive net proceeds of approximately HK$110.3 million and the Option Selling Shareholders will receive net proceeds of HK$99.3 million if the Over-allotment Option is exercised in full, after deducting the underwriting fees and commissions and estimated expenses payable by the Selling Shareholders in relation to the Global Offering. We will not receive any of the net proceeds of the Global Offering from the sale of Shares by the Selling Shareholders.

HONG KONG UNDERWRITERS

Deutsche Bank AG, Hong Kong Branch
CCB International Capital Limited

THE HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 40,980,000 Hong Kong Offer Shares for subscription under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the related Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the existing issued Shares, the Shares to be issued pursuant to the Capitalisation Issue, the Global Offering and the Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme; and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf the Selling Shareholders) agreeing on the Offer Price), the Hong Kong Underwriters have severally but not jointly agreed to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering, on the terms and subject to the conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for termination of the Hong Kong Underwriting Agreement

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by notice to us from the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if, at any time before 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into force:

(i) any change or development involving a prospective change, or any event or series of events which may result in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, regulatory, military, industrial, economic, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof), Switzerland, the Cayman Islands, the BVI or any other jurisdiction relevant to any other member of our Group (the "**Relevant Jurisdictions**"); or

(ii) any new laws and regulations or any change or development involving a prospective change in the existing laws and regulations, or any change or development involving a prospective change in the interpretation or application of the laws and regulations by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared) or other state of emergency, acts of God, accident or interruption or delay in transportation or acts of terrorism (whether or not responsibility has been claimed)) in or affecting any of the Relevant Jurisdictions; or

(iv) any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(v) a general moratorium on commercial banking activities in New York, London, Tokyo or any of the Relevant Jurisdictions, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(vi) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations, or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or

(vii) the commencement by any regulatory body or organisation of any investigation or public action against a Director or any member of our Group or an announcement by any regulatory body or organisation that it intends to investigate or take any such action against a Director or any member of our Group; or

(viii) any litigation or claim being threatened or instigated against any member of our Group; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from being a director or taking part in the management of a company; or

(x) the chairman or chief executive officer of our Company or any Director vacating his office; or

(xi) a prohibition on our Company or any of the Selling Shareholders for whatever reason from allotting or selling Shares (including the Shares to be sold under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws or regulations; or

(xiii) other than with the approval of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xiv) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xv) a contravention by any member of our Group of the Listing Rules or applicable laws and regulations,

and which, individually or in the aggregate, in the sole and absolute opinion of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(A) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, business, financial, trading or otherwise, or performance of our Group as a whole; or

(B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will make or may make it inadvisable or inexpedient or impracticable for the Hong Kong Public Offering or the Global Offering to proceed or to market the Global Offering; or

(D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or

(iii) any of the representations and warranties given by our Company, the controlling shareholders or the Selling Shareholders in the Hong Kong Underwriting Agreement or the International Purchase Agreement, as applicable, is (or would when repeated be) untrue or misleading in any material respect; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by our Company or the controlling shareholders under the Hong Kong Underwriting Agreement; or

(v) our Company withdraws any of this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used in connection with the Global Offering; or

(vi) any breach of any of the obligations or undertakings of our Company, the controlling shareholders or the Selling Shareholders under the Hong Kong Underwriting Agreement or the International Purchase Agreement, as applicable, which, in the sole and absolute discretion of the Global Coordinator has a material adverse effect on the Global Offering; or

(vii) any material adverse change or prospective material adverse change in the condition, financial or otherwise, or in the earnings, business or operations of our Group as a whole.

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertaking by us

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except under the Global Offering or pursuant to the exercise of any options granted under the Share Option Scheme or for the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertaking by the controlling shareholders

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our controlling shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering and the Stock Borrowing Agreement, (a) it/he will not and will procure that the relevant registered holders will not, at any time during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; and (b) it/he will not and will procure that the relevant registered holders will not, at any time during the period of six months from the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, it/he will then cease to be a controlling shareholder of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder from using the shares owned by it as securities (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan. Each of our controlling shareholders has further undertaken to the Stock Exchange and our Company that it/he will, from the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

(a) any pledges or charges of any Shares or other securities of our Company beneficially owned by him/it in favour of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication received by he/it, whether verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other securities will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our controlling shareholders and disclose such matters by way of an announcement as soon as possible after being so informed by any of our controlling shareholders.

Undertakings under the Hong Kong Underwriting Agreement and lock up deeds

(A) Undertaking by us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken with each of the Global Coordinator, the Sponsor and the Hong Kong Underwriters that, except pursuant to the Capitalisation Issue, the Global Offering and the Share Option Scheme at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**") that our Company will not and will procure each other member of our Group not to, without the prior written consent of the Sponsor and the Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Our controlling shareholders undertake to each of the Global Coordinator, the Hong Kong Underwriters and the Sponsor to procure our Company to comply with the undertakings in this section (A) above.

(B) Undertaking by the controlling shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the controlling shareholders has undertaken to each of our Company, the Global Coordinator, the Hong Kong Underwriters and the Sponsor, that except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement, without the prior written consent of the Sponsor and the Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) it/he will not, at any time during the First Six-Month Period,

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein which it or he is interested as at the date of this prospectus (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), and in the case of Mr. Xiang Jie, he will not do any of the foregoing in respect of his shares in Max Vision (together with the Shares Max Vision holds, the "**Relevant Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein which it or he is interested as at the date of this prospectus (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), and in the case of Mr. Xiang Jie, he will not do any of the foregoing in respect of his shares in Max Vision; or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above, and in the case of Mr. Xiang Jie, he will not do any of the foregoing in respect of his shares in Max Vision; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of Max Vision, as applicable, or in cash or otherwise;

(b) it/he will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that it/he enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announces any intention to effect any such transaction, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of our Company.

Nothing in paragraphs (a), (b) and (c) above shall prevent any of the controlling shareholders from pledging or charging any direct or indirect interest in the Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan during the twelve-month period referred to above, but in which event he or it shall inform the Company, the Global Coordinator and the Sponsor immediately thereafter, disclosing to the Company, the Global Coordinator and the Sponsor the details of such pledge or charge including the number and class of securities being pledged or charged and the purpose for which the pledge or charge is made and in the event that he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of.

(C) Undertakings by certain existing shareholders and executive Directors

Each of CNR (HK), NewMargin, Common Goal, CIAM, Mr. Gong Renyuan, Mr. Yue Zhoumin and Mr. Huang Xiangqian has undertaken with each of our Company, the Global Coordinator (for itself and on behalf of the Underwriters) and the Sponsor that except pursuant to the Global Offering, without the prior written consent of the Global Coordinator and unless in compliance with the requirements of the Listing Rules:

(a) it/he will not at any time during the First Six-Month Period, and in the case of CNR (HK) during the period from the Listing Date until the end of the Second Six-Month Period,

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein which it/he is interested as at the date of this prospectus (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein which it/he is interested as at the date of this prospectus (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise; and

(b) other than CNR (HK), until the expiry of the Second Six-Month Period, in the event that it/he enters into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it/he will take all reasonable steps to ensure that it/he/she will not create a disorderly or false market in the securities of our Company.

Commission

The Hong Kong Underwriters will receive a commission of 3.4% of the aggregate Offer Price of all the Hong Kong Offer Shares less any unsubscribed Hong Kong Offer Shares reallocated to the International Offering and ignoring for this purpose any Hong Kong Offer Shares reallocated from the International Offering due to over-subscription, out of which the Hong Kong Underwriters will pay any sub-underwriting commission. The underwriting commission for such reallocated Shares in each case will be payable to the International Purchasers in accordance with the International Purchase Agreement. Our Company and the Selling Shareholders may also in their sole discretion pay the Global Coordinator an additional incentive fee in aggregate of up to 1.0% of the proceeds from the Offer Shares offered by our Company and the Selling Shareholders under the Global Offering (including any Shares sold pursuant to the Over-allotment Option).

THE INTERNATIONAL OFFERING

In connection with the International Offering, it is expected that our Company, the Selling Shareholders and the controlling shareholders will enter into the International Purchase Agreement with the International Purchasers. Under the International Purchase Agreement, it is expected that the International Purchasers would, subject to certain conditions, severally and not jointly, agree to subscribe for or purchase, or to procure subscribers to subscribe for or purchasers to purchase, their respective applicable proportions (set out in the International Purchase Agreement) of the International Offer Shares being offered pursuant to the International Offering.

Under the International Purchase Agreement, the Option Selling Shareholders are expected to grant to the International Purchasers the Over-allotment Option, exercisable by the Global Coordinator on behalf of the International Purchasers at any time from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Option Selling Shareholders to sell up to 61,470,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price per Share (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of, among other things, covering over-allocations, if any, in the International Offering. An announcement will be made in the event that the Over-allotment Option is exercised.

The International Purchase Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that undertakings similar to those given to the Hong Kong Underwriters will be given by our Company and our controlling shareholders to the International Purchasers under the International Purchase Agreement.

TOTAL COMMISSIONS AND EXPENSES

Assuming an Offer Price of HK$1.69 per Share (being the midpoint of the indicative offer price range set out in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by the Company relating to the Global Offering, are estimated to amount in aggregate to be approximately HK$36.3 million in total.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Purchase Agreement, none of the Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members," may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for the Global Coordinator and its affiliates as the stabilising manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases. All of these activities may occur both during and after the end of the stabilising period described under the section headed "Structure of the Global Offering – Stabilisation." These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.93 and is expected to be not less than HK$1.45, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK$1.93 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. This means that, for every board lot of 2,000 Offer Shares, you should pay HK$3,898.91 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK$1.45, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

DETERMINATION OF THE OFFER PRICE

We expect the Offer Price to be fixed by agreement among us (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Wednesday, 6 October 2010 and in any event, no later than Sunday, 10 October 2010. The Offer Price will not be more than HK$1.93 per Offer Share and is expected to be not less than HK$1.45 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Global Coordinator, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process reduce the number of Offer Shares and/or the indicative offer price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative offer price range. Such notice will also be available at the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.speg.hk**.

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon among the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) will be fixed within such revised offer price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in "Financial Information – Working capital" in this prospectus, the offering statistics as currently disclosed in the section headed "Summary" in this prospectus, the use of proceeds in the section headed "Future Plans and Use of Proceeds" and any other financial information which may change as a result of such reduction. If you have already submitted an application for Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application, even if the number of Offer Shares and/or the offer price range is reduced. If we do not publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative offer price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us (for ourselves and on behalf of the Selling Shareholders), will be within the offer price range as stated in this prospectus.

If we (for ourselves and on behalf of the Selling Shareholder) are unable to reach an agreement with the Global Coordinator (on behalf of the Underwriters) on the Offer Price by Sunday, 10 October 2010, the Global Offering will not proceed and will lapse.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the level of applications and the basis of allocation of the Hong Kong Offer Shares, on Tuesday, 12 October 2010.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting the listing of and permission to deal in our Shares in issue and to be issued as described in this prospectus, and such listing and permission not having been subsequently revoked prior to the commencement of dealings in our Shares on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Purchase Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Offering and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day after such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed "How to Apply for Hong Kong Offer Shares — XI. Refund of application monies" in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bankers or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to despatch share certificates for the Offer Shares on Tuesday, 12 October 2010. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 13 October 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised.

The Global Offering

Our Global Offering consists of the Hong Kong Public Offering and the International Offering. We intend to initially make available up to 409,800,000 Offer Shares under the Global Offering, of which 368,820,000 Offer Shares will be conditionally placed at the Offer Price pursuant to the International Offering and the remaining 40,980,000 Offer Shares will be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering subject, in each case, to reallocation on the basis described under " – The Hong Kong Public Offering" below. The 409,800,000 Offer Shares in the Global Offering will represent approximately 30.0% of our enlarged share capital immediately after the completion of the Capitalisation Issue and the Global Offering.

You may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but you may not apply in both offerings for the Offer Shares.

In other words, you may only apply for and receive either Hong Kong Offer Shares under the Hong Kong Public Offering or International Offer Shares under the International Offering, but not under both offerings. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offering will involve private placements of the Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption from the registration requirements under the US Securities Act and to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions pursuant to Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares to investors under the International Offering will be determined by the Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Offer Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

In connection with the Global Offering, the Option Selling Shareholders intend to grant the Over-allotment Option to the Global Coordinator on behalf of the International Purchasers. The Over-allotment Option gives the Global Coordinator the right, exercisable at any time from the day on which trading of our Shares commences on the Stock Exchange within 30 days from the last day for lodging of applications under the Hong Kong Public Offering, to require the Option Selling Shareholders to sell up to an aggregate of 61,470,000 additional Shares, representing in aggregate 15% of the initial size of the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Offering, if any. The Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, we will make an announcement.

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Global Coordinator may choose to borrow Shares from Max Vision under the Stock Borrowing Agreement, or acquire Shares from other sources.

If such stock borrowing arrangement between the Global Coordinator and Max Vision is entered into, it will only be effected by the Global Coordinator or its agent for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Max Vision or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, or (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option have been sold. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Max Vision by the Global Coordinator or its agent in relation to such stock borrowing arrangement.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Purchasers. The Hong Kong Public Offering and the International Offering are subject to the conditions described in the section headed "Underwriting" in this prospectus. In particular, we (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters), must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was entered into on 29 September 2010 and, is subject to an agreement on the Offer Price between the Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) for purposes of the Hong Kong Public Offering. The International Purchase Agreement (including the agreement on the Offer Price among us (for ourselves and on behalf of the Selling Shareholders) and the Global Coordinator on behalf of the International Purchasers for purposes of the International Offering) is expected to be entered into on 6 October 2010, being the Price Determination Date. The Hong Kong Underwriting Agreement and the International Purchase Agreement are inter-conditional upon each other.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in " – Conditions of the Global Offering" above in this prospectus) for the subscription in Hong Kong of, initially, 40,980,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent approximately 3.0% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering.

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of the 40,980,000 Offer Shares initially included in the Hong Kong Public Offering (that is, 20,490,000 Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

The allocation of our Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Currently, we have allocated 40,980,000 Shares to the Hong Kong Public Offering, representing 10% of our Shares initially available in the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available for subscription under the Hong Kong Public Offering, then our Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of our Offer Shares available under the Hong Kong Public Offering will be increased to 122,940,000 Shares (in the case of (i)), 163,920,000 Shares (in the case of (ii)) and 204,900,000 Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Offer Shares available under the Global Offering (before any exercise of the Over-allotment Option). In addition, the Global Coordinator has the discretion to reallocate our Shares offered in the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Global Coordinator may, in their discretion, reallocate to the International Offering all or any unsubscribed Shares offered in the Hong Kong Public Offering in such amount as they deem appropriate.

THE INTERNATIONAL OFFERING

The number of the Offer Shares to be initially offered for subscription and sale under the International Offering will be 368,820,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and approximately 27.0% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on our behalf by the International Purchasers or through selling agents appointed by them. International Offer Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions pursuant to Regulation S, and with QIBs in the United States in reliance on Rule 144A or another exemption from the registration requirements under the US Securities Act. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

The Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer price of the securities. In Hong Kong and certain other jurisdictions, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Global Coordinator (the "Stabilising Manager") and/or its affiliates and agents, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to expire on 5 November 2010. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The stabilising action which may be taken by the Stabilising Manager may include primary and ancillary stabilising action such as purchasing or agreeing to purchase any of the Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 61,470,000 Shares, which is 15% of the Shares available under the Global Offering. For purposes of covering such over-allocations, the Stabilising Manager may borrow from Max Vision in the aggregate up to 61,470,000 Shares, which is equivalent to the maximum number of Shares to be sold upon exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilisation) Rules includes (a) primary stabilisation, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimising any reduction in the market price of the Shares, and (b) ancillary stabilisation in connection with any primary stabilising action, including: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (v) offering or attempting to do anything described in (ii), (iii) or (iv). The Stabilising Manager may take any one or more of the stabilising actions described above.

The Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares. There is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain any such position. In the event of any liquidation of any such long position, there may be an impact on the market price of the Shares. Investors should be aware that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action. Stabilising bids may be made or transactions effected in the course of stabilising action at any price below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time.

I. METHODS OF APPLICATION

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through the designated website of the **HK eIPO White Form** Service Provider, referred herein as the "**HK eIPO White Form** service" or (iii) giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC.

II. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a US person (as defined in Regulation S);
- are outside the United States and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number, and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form** service. If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised office, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Global Coordinator (or its agents or nominees) may accept the application at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Global Coordinator or the designated **HK eIPO White Form** Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, or directors or chief executives of our Company or any of our subsidiaries, or their respective associates or any other connected persons of our Company or our subsidiaries.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

III. APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 September 2010 until 12:00 noon on Wednesday, 6 October 2010 from:

Deutsche Bank AG, Hong Kong Branch
48th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

CCB International Capital Limited
34th Floor, Two Pacific Place
88 Queensway
Hong Kong

or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

	Branch name:	Branch address:
Hong Kong	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road
	Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardine's Bazaar, Causeway Bay

	Branch name:	Branch address:
Kowloon	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
New Territories	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung
	Tsuen Wan Castle Peak Road Branch	G/F., 423-427 Castle Peak Road, Tsuen Wan

or any of the following branches of The Bank of East Asia, Limited:

	Branch name:	Branch address:
Hong Kong	Main Branch	10 Des Voeux Road Central
	North Point Branch	326-328 King's Road
	Shaukiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road
	Queen's Road East Branch	Ground Floor Shop B & C, 228 Queen's Road East, Wanchai
Kowloon	Mongkok Branch	638-640 Nathan Road
	East Tsim Sha Tsui Branch	Shop G3-G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
New Territories	Tai Wai Branch	16-18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Tuen Mun Town Plaza Branch	Shop 2-10, UG/F, Tuen Mun Town Plaza Phase II, 3 Tuen Lung Street, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 September 2010 until 12:00 noon on Wednesday, 6 October 2010 from:

(i) The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(ii) Your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, among other things, you:

(i) **agree** with our Company and each shareholder of our Company, and our Company agrees with each of its shareholders, to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;

(ii) **agree** with our Company and each shareholder of our Company that the Shares are freely transferable by the holders thereof;

(iii) **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(iv) **agree** that our Company, our Directors, the Global Coordinator, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;

(v) **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Offering;

(vi) **agree** to disclose to our Company and/or the Hong Kong Share Registrar, the receiving banks, the Global Coordinator, the Sponsor and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

(a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If the application is made by an individual CCASS Investor Participant:

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorised attorney, our Company and the Global Coordinator as our agent may accept it at its discretion, and subject to any conditions it thinks fit, including evidence of the authority of your attorney. Our Company and the Global Coordinator, in its capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

IV. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

(i) You may apply through **HK eIPO White Form** service by submitting an application through the designated website at **www.hkeipo.hk** if you satisfy the relevant eligibility criteria for this as set out in "II. Who can apply for Hong Kong Offer Shares" above and on the same website. If you apply through **HK eIPO White Form** service, the Shares will be issued in your own name.

(ii) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.

(iii) If you give electronic application instructions through the designated website at **www.hkeipo.hk**, you will have authorised the designated **HK eIPO White Form** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

(iv) In addition to the terms and conditions set out in this prospectus, the designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at **www.hkeipo.hk**. You will be required to read, understand and agree to such terms and conditions in full before making any application.

(v) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and the Hong Kong Share Registrar.

(vi) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.hkeipo.hk**.

(vii) You should give electronic application instructions through **HK eIPO White Form** service at the times set out in the paragraph headed "VI. When may applications be made" below.

(viii) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 6 October 2010, or such later time as described under the paragraph headed "VI. When may applications be made – Effect of bad weather on the opening of the application lists" below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk**.

(ix) Once you have completed payment in respect of any electronic application instruction given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(x) Warning: The application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. **Our Company, our Directors, the Global Coordinator, the Sponsor and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the HK eIPO White Form service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form.

Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Hong Kong Offer Shares on the terms and conditions of this prospectus and **HK eIPO White Form** service designated website at **www.hkeipo.hk** subject to the Articles of Association;

- **undertakes** and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;

- **declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;

- **undertakes and confirms** that the applicant and the person for whose benefit the applicant are applying have not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, nor otherwise participate in the International Offering;

- **understands** that this declaration and representation will be relied upon by our Company in deciding whether or not to make any allocation of Hong Kong Offer Shares in response to such application;

- **authorises** our Company to place the applicant's name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any share certificates and/or any refund cheque(s) by ordinary post at the applicant's own risk to the address given on the **HK eIPO White Form** Application Form except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any share certificate(s) and/or refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** service designated website at **www.hkeipo.hk** and this prospectus;

- **requests** that any refund cheque(s) be made payable to the applicant; and (subject to the terms and conditions set out in this prospectus) to send any refund cheque(s) by ordinary post and at the applicant's own risk to the address given on the **HK eIPO White Form** application form (except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** designated website at **www.hkeipo.hk** and this prospectus);

- **have read** the terms and conditions and application procedures set out on in the **HK eIPO White Form** service designated website at **www.hkeipo.hk** and this prospectus and agrees to be bound by them;

- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant are applying are non-US person(s) outside the United States (as defined in Regulation S), when completing and submitting this Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allocation of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether nor not having the force of law) of any territory outside Hong Kong; and

- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental information

If any supplement to this prospectus is issued, applicant(s) who have already submitted electronic application instructions through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the **HK eIPO White Form** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorise** our Company, and/or the Global Coordinator as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **HK eIPO White Form** service designated website at **www.hkeipo.hk**;

- **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

- **agree** that our Company and our Directors, are liable only for the information and representations contained in this prospectus and any supplement thereto;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service;

- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service, and that you are duly authorised to submit the application as that other person's agent;

- **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Offering;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **agree** to disclose to our Company, and/or the Hong Kong Share Registrar, the receiving banks, the Global Coordinator, the Sponsor and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

- **agree** with our Company and each shareholder of our Company to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;

- **agree** with our Company and each shareholder that the Shares are freely transferable by the holders thereof;

- **represent, warrant and undertake** that you are not, and none of the other person(s) for whose benefit you are applying is, a US person (as defined in Regulation S) when completing the Application Form;

- **represent and warrant** that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus, the **HK eIPO White Form** service designated website at **www.hkeipo.hk** and agree to be bound by them;

- **undertake and agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and

- if the laws of any place outside Hong Kong are applicable to your application, **agree and warrant** that you have complied with all such laws and none of our Company, the Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **HK eIPO White Form** service designated website at **www.hkeipo.hk**.

Our Company, the Global Coordinator, the Sponsor, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorised attorney, our Company or the Global Coordinator, as our agents, may accept it at its discretion and subject to any conditions as it may think fit, including evidence of the authority of your attorney.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at **www.hkeipo.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out in the paragraph headed "X. Results of Allocations – Despatch/collection of share certificates and refund cheques/e-Refund payment instructions" below.

V. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and the Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

- **agrees** that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

- **undertakes and agrees** to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- **undertakes and confirms** that that person has not applied for or taken up any Offer Shares under the International Offering nor otherwise participated in the International Offering;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- **understands** that the above declaration will be relied upon by our Company, our Directors and the Global Coordinator in deciding whether or not to make any allocation of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- **authorises** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;

- **agrees** that our Company, our Directors, the Global Coordinator, the Sponsor, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this prospectus;

- **agrees** to disclose that person's personal data to our Company, the Global Coordinator, the Sponsor and/or their respective agents any information which they may require about that person;

- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before Saturday, 30 October 2010, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Saturday, 30 October 2010, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before Saturday, 30 October 2010, if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;

- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;

- **agrees** with our Company, for itself and for the benefit of each of its shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each of its shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;

- **agrees** with our Company (for itself and for the benefit of each of its shareholders) that Shares are freely transferable by the holders thereof; and

- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed and authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;

- **instructed and authorised** HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy, and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee by crediting your designated bank account; and

- **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Personal data

The section of the Application Form entitled "Personal Data" applies to any personal data held by our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares. To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 6 October 2010.

VI. WHEN MAY APPLICATIONS BE MADE

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, 6 October 2010, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below. Cheque(s) or banker's cashier order(s) should be crossed "Account Payee Only" and made payable to "ICBC (Asia) Nominee Limited – Sun.King Power Electronics Public Offer".

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Deutsche Bank AG, Industrial and Commercial Bank of China (Asia) Limited or The Bank of East Asia, Limited, listed under the paragraph headed "III. Applying by using an Application Form – Where to collect the Application Forms" above at the following times:

Thursday, 30 September 2010	**:**	**9:00 a.m. to 5:00 p.m.**
Saturday, 2 October 2010	**:**	**9:00 a.m. to 1:00 p.m.**
Monday, 4 October 2010	**:**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 5 October 2010	**:**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 6 October 2010	**:**	**9:00 a.m. to 12:00 noon**

The application lists will be open **from 11:45 a.m. to 12:00 noon on Wednesday, 6 October 2010**.

No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until after the closing of the application lists. No allotment of any of the Shares will be made later than Saturday, 30 October 2010.

HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** from 9:00 a.m. on Thursday, 30 September 2010 until 11:30 a.m. on Wednesday, 6 October 2010 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below (24 hours daily, except on the last application day).

The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 6 October 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Electronic application instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 30 September 2010	**:**	**9:00 a.m. to 8:30 p.m.[(1)]**
Saturday, 2 October 2010	**:**	**8:00 a.m. to 1:00 p.m.[(1)]**
Monday, 4 October 2010	**:**	**8:00 a.m. to 8:30 p.m.[(1)]**
Tuesday, 5 October 2010	**:**	**8:00 a.m. to 8:30 p.m.[(1)]**
Wednesday, 6 October 2010	**:**	**8:00 a.m.[(1)] to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 September 2010 until 12:00 noon on Wednesday, 6 October 2010 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Wednesday, 6 October 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 October 2010. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Offer do not open and close on Wednesday, 6 October 2010 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. An announcement will be made in such event.

VII. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for Hong Kong Offer Shares if and only if you are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instructions given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving electronic application instructions through the designated website at **www.hkeipo.hk** and completing payment in respect of such electronic application instructions, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service; or

- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.

Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service;

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic applications instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service;

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service for more than 20,490,000 Shares, being 50% of the Share initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section headed " Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on your **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company, then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VIII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked**

  By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf or the **HK eIPO White Form** Service Provider may not be revoked on or before Saturday, 30 October 2010 unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility for that person for this prospectus. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly or to the **HK eIPO White Form** Service Provider. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Saturday, 30 October 2010 except by means of one of the procedures referred to in this prospectus. If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

  If your application or the application made by HKSCC Nominees or the **HK eIPO White Form** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocations, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of our Company, the Global Coordinator or the designated HK eIPO White Form Service Provider (where applicable) or its or their respective agents and nominees to reject or accept your application:**

  Our Company and the Global Coordinator (as agents for our Company) or the designated **HK eIPO White Form** Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

  Our Company, the Global Coordinator and the Hong Kong Underwriters, in their capacity as our agents, and their agents and nominees do not have to give any reason for any rejection or acceptance.

- **If the allocation of Hong Kong Offer Shares is void:**

  The allocation of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply using a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

  - within three weeks from the closing of the application lists; or
  - within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allocation if:**

  - you make multiple applications or suspected multiple applications;
  - you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offering. By filling in any of the Application Forms or apply by giving **electronic application instructions** to HKSCC or apply by **HK eIPO White Form** service through the designated **HK eIPO White Form** Service Provider, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
  - your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.hkeipo.hk**;
  - your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
  - our Company or the Global Coordinator believes that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed or your address is located;

- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the Hong Kong Public Offer for subscription (that is 20,490,000 Shares);

- your Application Form is not completed in accordance with the instructions stated in the Application Form (if you apply by an Application Form);

- the Underwriting Agreements do not become unconditional; or

- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

IX. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK$1.93 per Offer Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in full. This means that for every board lot of 2,000 Shares you will pay HK$3,898.91. The Application Forms have tables showing the exact amount payable for certain multiples of Shares up to 20,490,000 Shares.

You must pay the amount payable upon application for the Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

X. RESULTS OF ALLOCATIONS

Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offer and the basis of allocation of Hong Kong Offer Shares will be made available in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 12 October 2010.

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from the Stock Exchange's website at **www.hkexnews.hk**;

- Results of allocations for the Hong Kong Public Offering will be available from our Hong Kong Public Offering results of allocation website at **www.tricor.com.hk/ipo/result** on a 24-hour basis from 8:00 a.m. on Tuesday, 12 October 2010 to 12:00 midnight on Tuesday, 19 October 2010. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result. Our Company's website (**www.speg.hk**) will also publish a hyper-link to the aforesaid website during the same period;

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 October 2010 to Friday, 15 October 2010; and

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual locations from Thursday, 14 October 2010 to Thursday, 14 October 2010 at all the receiving banks' locations at the addresses set out in the paragraph headed "III. Applying by using an Application Form – Where to collect the Application Forms" above.

Despatch/Collection of share certificates and refund cheques/e-Refund payment instructions

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK$1.45 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering – The Hong Kong Public Offering" or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but subject as mentioned below, in due course, there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

(i) for applications on **WHITE** Application Forms or by giving electronic application instructions through the **HK eIPO White Form** service: (a) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (b) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful. For wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for Shares successfully applied for will be deposited into CCASS as described below. (You will receive one share certificate for all the Hong Kong Offer Shares issued to you, except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described above); and or

(ii) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (a) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (b) all the application monies, if the application is wholly unsuccessful; and/or (c) the difference between the Offer Price and the offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the price per Offer Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and share certificates for successful applicants under **WHITE** Application Forms and or by giving electronic application instructions through the **HK eIPO White Form** service are expected to be posted on or before Tuesday, 12 October 2010. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 13 October 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting – The Hong Kong Public Offering – Grounds for termination of the Hong Kong Underwriting Agreement" has not been exercised.

If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person from the Hong Kong Share Registrar and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) from the Hong Kong Share Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 October 2010 or such other date as notified by our Company in the newspapers as the date of collection/despatch of refund cheques/share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 12 October 2010, by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, 12 October 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in accordance with the details set out in this paragraph headed "X. Results of Allocations." You should check the results published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 October 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheques (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or you have applied for 1,000,000 Hong Kong Offer Shares or more and have not indicated on your Application Forms that you wish to collect your refund cheque(s) (if any) in person, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering – Conditions of Global Offering" in this prospectus, or if your application is revoked or any allotment under the application has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate portion of the application monies, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, if any, (without interest) will be sent to the address on your Application Form on Tuesday, 12 October 2010 by ordinary post and at your own risk.

If you apply through HK eIPO White Form

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Share Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 October 2010, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/refund cheques giving e-Refund payment instructions.

If you do not collect your share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** on Tuesday, 12 October 2010 by ordinary post and at your own risk.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on Tuesday, 12 October 2010.

If you used multi-bank accounts to pay the application monies, refund cheque(s) (if any) will be despatched to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on Tuesday, 12 October 2010, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out in the paragraph headed "IV. Applying through **HK eIPO White Form** service – Supplemental information" above.

If you apply by giving electronic application instructions through HKSCC Nominees

(i) Allocation for Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each persons for whose benefit each such instructions is given will be treated as an applicant.

(ii) Deposit of Share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Tuesday, 12 October 2010, or, in the event under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- We expect to make available the Offer Price, the application results of CCASS Participant (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Public Offer in the manner described in "Results of allocations" above and to publish the basis of allocation of the Hong Kong Offer Shares in the newspapers on Tuesday, 12 October 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 October 2010 or such other date as shall be determined by HKSCC of HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 12 October 2010. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the price per Offer Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 October 2010. No interest will be paid on the application monies.

XI. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, our Company will refund your application monies, including a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies before the date of despatch of refund cheques will be retained for the benefit of our Company.

If your application is accepted only in part, our Company will refund the appropriate portion of your application monies, including the related a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund the surplus application monies, together with the related brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

In a contingent situation involving a substantial over-subscription, at the discretion of our Company and the Global Coordinator, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, 12 October 2010 in accordance with the various arrangements as described above.

XII. DEALINGS AND SETTLEMENT

Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 13 October 2010.

The Shares will be traded in board lots of 2,000 each. The stock code of the Shares is 580.

Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC may choose. Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix VII to this prospectus, a copy of the accountants' report is available for inspection.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

30 September 2010

The Directors
Sun.King Power Electronics Group Limited
Deutsche Bank AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Sun.King Power Electronics Group Limited (the "Company", formerly known as China Power Electronics Group Limited), its subsidiaries (including special purpose entity controlled by the Company) and the Futech Business (defined below, together with the Company and its subsidiaries hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 and the five months ended 31 May 2010 (the "Track Record Period") for inclusion in the prospectus of the Company dated 30 September 2010 (the "Prospectus") in connection with the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 March 2010. Pursuant to a group reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Development" of the Prospectus (the "Group Reorganisation"), the Company became the holding company of its subsidiaries on 23 September 2010.

The direct and indirect interests in the following subsidiaries held by the Company and the interest in the Futech Business combined by the Company throughout the Track Record Period or from the date of incorporation/establishment or to the date of disposal if this is a shorter period (unless otherwise stated) and at the date of this report are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group: As at 31 December 2007	2008	2009	As at 31 May 2010	At date of this report	Principal activities
Sunking Pacific Limited 賽晶亞太有限公司 ("Sunking Pacific")	Hong Kong 30 January 2008	HK$1	–	100%	100%	100%	100%	Investment holding
Beijing Sunking Electronic Technology Co., Ltd. 北京華瑞賽晶電子科技有限公司 ("Beijing Sunking")(1)	The People's Republic of China (the "PRC") 5 June 2002 as a domestic limited liability company	RMB1,000,000	90%	100%	100%	100%	100%	Trading agent for various products and technologies

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group: As at 31 December 2007	2008	2009	As at 31 May 2010	At date of this report	Principal activities
Jiashan Sunking Power Equipment Technology Co., Ltd. 嘉善華瑞賽晶電氣設備科技有限公司 ("Jiashan Sunking")	PRC 13 September 2004 as a wholly-foreign owned enterprise	US$12,500,000	100%	100%	100%	100%	100%	Sale, research and development, after sales service and production of electrical/electronic component and installation, including Insulated Gate Bipolar Transistor ("IGBT")
Tianjin Sunking Xinglu Water Technology Co., Ltd. 天津市華瑞賽晶興路水科技有限公司 ("Tianjin Sunking")(2)	PRC 12 January 2000 as a domestic limited liability company	RMB5,000,000	–	100%	100%	100%	100%	Environmental machinery, electronic facilities, new type of purification and water facilities, technology advisory, technology transfer, technology service, sale and distribution production of environmental machinery
Wuxi Sunking Power Capacitor Co., Ltd. 無錫賽晶電力電容器有限公司 ("Wuxi Sunking")(3)	PRC 4 May 2008 as a wholly-foreign owned enterprise	US$15,000,000	–	100%	100%	100%	100%	Production of electrical capacitors and its complete device, amorphous alloy transformer, DC current anode saturable reactors, FM voltage AC traction device; trading agent of various products and technologies
Jiangsu Sunking Power Equipment Co., Ltd. 江蘇賽晶電氣設備有限公司 ("Jiangsu Sunking")	PRC 5 November 2008 limited liability company	RMB20,000,000	–	100%	100%	100%	100%	Manufacture and sale of capacitor
Jiashan Sunking Converter Technology Co., Ltd. 嘉善華瑞賽晶變流技術有限公司 ("Jiashan Converter Technology")	PRC 29 March 2010 limited liability company	RMB8,000,000	–	–	–	65%	85%	Manufacture and sale of transformers, capacitors and their ancillary equipments, electricity switch control equipments, power electronic components, and other power transmission and distribution and control equipments, and research and development of the aforesaid products
Futech Group Limited ("Futech Group")(4)	British Virgin Islands 19 December	US$1	100	–	–	–	–	Trading agent for various products and technologies

Notes:

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

(2) Formerly known as Tianjin Xinglu Water Technology Co., Ltd. ("天津市興路水科技有限公司"). The Group acquired a 100% interest in Tianjin Sunking on 24 February 2008 (see note 33) and the Financial Information has incorporated the assets, liabilities and results of Tianjin Sunking from the date of acquisition.

(3) Formerly known as Wuxi Sunking Power Equipment Co., Ltd. ("無錫賽晶電氣設備有限公司").

(4) During the Track Record Period, Mr. Xiang Jie ("Mr. Xiang"), the then sole shareholder of the Company's parent company, Sun•King Group Limited (賽晶集團有限公司), formerly known as Sunking Group Ltd. ("Sunking BVI"), directly held the entire equity interest in Futech Group from 1 January 2007 to 31 March 2008, the date when Mr. Xiang transferred the entire equity interest in Futech Group to Sunking BVI. After that, Sunking BVI directly held the entire equity interest in Futech Group up to 30 November 2008, the date when Futech Group was disposed of by Sunking BVI to an independent third party. During the period from 1 January 2007 to 30 November 2008, the major business of Futech Group was acting as the purchasing agent for certain of the entities now comprising the Group (the "Futech Business").

The Futech Business carried on by Futech Group has been gradually taken up by other group entities prior to the disposal of Futech Group by Sunking BVI and the assets and liabilities of Futech Group which are relevant to the Futech Business were transferred to Beijing Sunking, a special purpose entity controlled by the Group in November 2008 (the "Transfer"). As a result of the Transfer, Futech Group ceased operation in November 2008 and was disposed of by Sunking BVI to an independent third party for nominal consideration as detailed in note 32.

The Financial Information is prepared to present the historical financial information of the Group's business during the Track Record Period including those carried on by Futech Group. As a result, the financial information of the Futech Business for the period from 1 January 2007 to 30 November 2008 has been incorporated into the Financial Information using the principle of merger accounting as if the Futech Business has been combined with other business of the Group from 1 January 2007 and up to the date of its disposal by Sunking BVI.

The Company and its subsidiaries have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for Futech Group since its date of incorporation as there is no statutory audit required for companies incorporated in the British Virgin Islands.

The statutory financial statements of Beijing Sunking, Jiashan Sunking, Tianjin Sunking, Wuxi Sunking and Jiangsu Sunking were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP"). The statutory financial statements of Sunking Pacific were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were audited by the following certified public accountants registered in the PRC and Hong Kong, as appropriate:

Name of subsidiary	Financial year	Name of auditor
Beijing Sunking	For year ended 31 December 2007	北京和興會計師事務所有限公司 Beijing He Xing Certified Public Accountants Co., Ltd.
	For each of the years ended 31 December 2008 and 2009	北京中恒明會計師事務所有限公司 Beijing Zhong Heng Min Certified Public Accountants Co., Ltd.
Jiashan Sunking	For year ended 31 December 2007	嘉興誠洲聯合會計師事務所 Jiaxing Cheng Zhou Joint Certified Public Accountants Co., Ltd.
	For each of the years ended 31 December 2008 and 2009	浙江萬邦會計師事務所有限公司嘉善分所 Zhejiang Wide World Certified Public Accountants Co., Ltd. Jiashan Branch
Tianjin Sunking	For each of the years ended 31 December 2007, 2008 and 2009	天津正則會計師事務所有限公司 Tianjin Zheng Ze Certified Public Accountants Co., Ltd.

Name of subsidiary	Financial year	Name of auditor
Wuxi Sunking	From 4 May 2008 (date of establishment) to 31 December 2008 and for the year ended 31 December 2009	無錫正卓會計事務所 Wuxi Zheng Zhuo Certified Public Accountants Co., Ltd.
Jiangsu Sunking	From 5 November 2008 (date of establishment) to 31 December 2008 and for the year ended 31 December 2009	無錫正卓會計師事務所 Wuxi Zheng Zhuo Certified Public Accountants Co., Ltd.
Sunking Pacific	From 30 January 2008 (date of incorporation) to 31 December 2008 and for the year ended 31 December 2009	和信會計師事務所有限公司 KTC Partners CPA Limited

For the purpose of this report, the directors of the Company and Sunking Pacific have prepared the financial statements of the Company and the consolidated financial statements of Sunking Pacific, respectively, which are the then holding companies of the subsidiaries of the Group for the Track Record Period or since their respective dates of incorporation/ establishment or acquisition to 31 May 2010 or the date of disposal, where there is a shorter period (the "Underlying Financial Statements") in accordance with accounting policies which conform with International Financial Reporting Standards. We have carried out an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 1 of section E to the Financial Information below. No adjustments have been made by us to the Underlying Financial Statements in preparing our report for the inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company and Sunking Pacific who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 of section E to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 May 2010 and of the Group as at 31 December 2007, 31 December 2008, 31 December 2009 and 31 May 2010, and of the combined results and combined cash flows of the Group for the Track Record Period.

The comparative combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the five months ended 31 May 2009 together with the notes thereon have been extracted from the Group's financial information for the same period (the "31 May 2009 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 May 2009 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review of the 31 May 2009 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on 31 May 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 May 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with International Financial Reporting Standards.

A. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Five months ended 31 May	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	188,296	249,521	261,704	51,073	118,563
Cost of sales	7	(142,449)	(178,779)	(181,789)	(31,642)	(87,517)
Gross profit		45,847	70,742	79,915	19,431	31,046
Investment income	8	80	462	387	32	96
Other gains and losses	9	(904)	8,420	(2,178)	(1,096)	4,714
Distribution and selling expenses		(990)	(10,503)	(4,801)	(1,558)	(4,012)
Administrative and general expenses		(9,182)	(16,383)	(22,671)	(7,181)	(11,429)
Other expenses		(5,710)	(268)	(565)	(216)	(4,562)
Interest expense in relation to bank loans wholly repayable within five years		(343)	(480)	(975)	(405)	(1,416)
Profit before tax	10	28,798	51,990	49,112	9,007	14,437
Income tax expense	12	(5,954)	(7,018)	(10,262)	(1,882)	(5,068)
Profit for the year/period and total comprehensive income for the year/period		22,844	44,972	38,850	7,125	9,369
Attributable to:						
Owners of the Company		22,003	44,972	38,850	7,125	9,369
Non-controlling interests		841	–	–	–	–
Profit for the year/period and total comprehensive income for the year/period		22,844	44,972	38,850	7,125	9,369
		RMB cents	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share – basic	13	5.62	5.19	3.79	0.70	0.91

B. COMBINED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company
		At 31 December			At 31 May	At 31 May
	NOTES	2007	2008	2009	2010	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS						
Property, plant and equipment	15	11,095	32,933	91,570	106,654	–
Prepaid lease payments – non-current	16	1,818	17,420	17,016	16,866	–
Intangible asset	17	–	281	440	416	–
Available-for-sale investment	18	–	504	–	–	–
Deferred tax assets	19	73	–	–	–	–
TOTAL NON-CURRENT ASSETS		12,986	51,138	109,026	123,936	–
CURRENT ASSETS						
Inventories	20	31,658	22,389	20,137	34,894	–
Trade and other receivables	21	37,652	50,442	161,035	225,535	–
Amount due from a shareholder	22	33,100	–	–	–	–
Amount due from a related party	23	4,730	1,784	40	1,715	–
Deposits and prepayments		2,191	2,018	2,946	9,505	5,307
Other financial assets	24	–	5,958	1,295	–	–
Prepaid lease payments – current	16	40	361	360	360	–
Pledged bank deposits	25	828	11,726	4,237	9,355	–
Bank balances and cash	25	13,437	20,649	38,946	26,015	–
TOTAL CURRENT ASSETS		123,636	115,327	228,996	307,379	5,307
TOTAL ASSETS		136,622	166,465	338,022	431,315	5,307
CURRENT LIABILITIES						
Trade and other payables	26	77,758	33,338	61,240	66,753	1,483
Tax liabilities		5,990	2,554	10,403	8,131	–
Short-term bank loans	27	6,600	6,000	20,000	92,288	–
Amount due to a shareholder	28	–	7,525	7,481	12,850	5,919
Deferred income	29	–	–	3,810	3,746	–
TOTAL CURRENT LIABILITIES		90,348	49,417	102,934	183,768	7,402
NET CURRENT ASSETS		33,288	65,910	126,062	123,611	(2,095)
TOTAL ASSETS LESS CURRENT LIABILITIES		46,274	117,048	235,088	247,547	(2,095)
NON-CURRENT LIABILITIES						
Deferred tax liabilities	19	–	1,736	3,088	3,263	–
TOTAL NET ASSETS		46,274	115,312	232,000	244,284	(2,095)

		The Group				The Company
		At 31 December			At 31 May	At 31 May
	NOTES	2007	2008	2009	2010	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES						
Paid in capital/share capital.	30	36,616	–	–	–	–
Share premium and reserves................		5,610	137,000	214,838	216,253	–
Retained earnings (accumulated losses).....		2,937	(21,688)	17,162	26,531	(2,095)
Equity attributable to owners of the Company..		45,163	115,312	232,000	242,784	(2,095)
Non-controlling interests...		1,111	–	–	1,500	–
TOTAL EQUITY		46,274	115,312	232,000	244,284	(2,095)

C. COMBINED STATEMENTS OF CHANGES IN EQUITY

The Group	Attributable to the owners of the Company						
	Paid in capital/share capital	Deemed contribution	Other reserve	(Accumulated losses) retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	34,163	3,433	1,000	(17,228)	21,368	270	21,638
Profit for the year and total comprehensive income for the year	–	–	–	22,003	22,003	841	22,844
Capital contribution from owners	2,453	–	–	–	2,453	–	2,453
Recognition of equity-settled share-based payment (Note a)	–	1,177	–	–	1,177	–	1,177
Distribution to owners (Note 14)	–	–	–	(1,838)	(1,838)	–	(1,838)
Balance at 31 December 2007	36,616	4,610	1,000	2,937	45,163	1,111	46,274
Profit and total comprehensive income for the year	–	–	–	44,972	44,972	–	44,972
Deemed contribution upon obtaining additional interests in a subsidiary (Note b)	–	–	1,111	–	1,111	(1,111)	–
Deemed contribution upon disposal of a subsidiary (Note c)	–	–	8,617	–	8,617	–	8,617
Capital contribution from owners	56,104	–	–	–	56,104	–	56,104
Contribution from owners (Note d)	–	–	27,773	–	27,773	–	27,773
Contribution arising on Group reorganization (Note e)	(92,720)	–	92,720	–	–	–	–
Recognition of equity-settled share-based payment (Note a)	–	1,169	–	–	1,169	–	1,169
Distribution to owners (Note 14)	–	–	–	(69,597)	(69,597)	–	(69,597)
Balance at 31 December 2008	–	5,779	131,221	(21,688)	115,312	–	115,312
Profit and total comprehensive income for the year	–	–	–	38,850	38,850	–	38,850
Contribution from owners (Note f)	–	–	75,146	–	75,146	–	75,146
Recognition of equity-settled share-based payment (Note a)	–	2,692	–	–	2,692	–	2,692
Balance at 31 December 2009	–	8,471	206,367	17,162	232,000	–	232,000
Profit and total comprehensive income for the period	–	–	–	9,369	9,369	–	9,369
Capital contribution from non-controlling shareholders (Note g)	–	–	–	–	–	1,500	1,500
Recognition of equity-settled share-based payment (Note a)	–	1,415	–	–	1,415	–	1,415
Balance at 31 May 2010	–	9,886	206,367	26,531	242,784	1,500	244,284
UNAUDITED							
Balance at 1 January 2009	–	5,779	131,221	(21,688)	115,312	–	115,312
Profit and total comprehensive income for the period	–	–	–	7,125	7,125	–	7,125
Recognition of equity-settled share-based payment (Note a)	–	745	–	–	745	–	745
Balance at 31 May 2009	–	6,524	131,221	(14,563)	123,182	–	123,182
The Company							
Balance at 1 January 2010	–	–	–	–	–	–	–
Profit and total comprehensive income for the period	–	–	–	(2,095)	(2,095)	–	(2,095)
Balance at 31 May 2010	–	–	–	(2,095)	(2,095)	–	(2,095)

Notes:

(a) During the Track Record Period, share-based payment expense incurred and recognized by the Group was settled by the issuance of equity by Sunking BVI without charging the Group. As a result, the amounts involved are treated as deemed contribution from shareholder of the Company.

(b) On 10 April 2008, Jiashan Sunking, Mr. Xiang and Mr. Xu Nanping entered into the Agreements (as defined in note1), whereby the Group obtained additional interests in Beijing Sunking without consideration, detail of which are disclosed in note 1. As a result, the carrying value of non-controlling interests was treated as deemed contribution from shareholder and transferred to "other reserve" on that date.

(c) In November 2008, Sunking BVI disposed of Futech Group to an independent third party for a consideration of US$1. The derecognition of Futech Group's net liabilities of RMB8,617,000 upon the disposal was deemed as contribution from Sunking BVI and included in "other reserve".

(d) On 30 May 2008, Sunking BVI, the then shareholder of Sunking Pacific, waived loans of RMB27,773,000 advanced to Sunking Pacific.

(e) On 30 July 2008, Sunking BVI, the then shareholder of both Sunking Pacific and Jiashan Sunking, transferred its 100% equity interest of Jiashan Sunking to Sunking Pacific for a consideration of RMB92,720,000, which was equal to the total capital of Jiashan Sunking as at that date. This transfer was accounted for as restructuring of companies under the common control of Sunking BVI, using the principle of merger accounting as set out in note 3 of section E below. The consideration was waived and deemed as contribution from Sunking BVI and included in "other reserve".

(f) On 15 June 2009 and 28 September 2009, Sunking BVI waived loans of RMB75,146,000 advanced to Sunking Pacific.

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

D. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities:					
Profit before tax	28,798	51,990	49,112	9,007	14,437
Adjustments for:					
Finance costs	343	480	975	405	1,416
Investment income	(80)	(462)	(387)	(32)	(96)
Discount on acquisition of a subsidiary	–	(1)	–	–	–
Depreciation and amortization of non-current assets	402	1,775	2,380	823	1,840
Allowance for doubtful debts	1,180	–	–	–	1,535
Release of prepaid lease payment	38	123	360	150	150
Amortisation of deferred income	–	–	–	–	(64)
Loss on disposal of property, plant and equipment	–	6	3	–	–
Net foreign exchange (gain) loss	(244)	1,539	(1,390)	(24)	(2,477)
Fair value (gain) loss on financial assets at fair value through profit or loss	–	(6,554)	(416)	1,044	48
Gain on disposal of available-for-sale investment	–	–	(296)	–	–
Share-based compensation expenses	1,177	1,169	2,692	745	1,415
Operating cash flow before movements in working capital	31,614	50,065	53,033	12,118	18,204
(Increase) decrease in inventories	(14,751)	10,282	2,252	(14,914)	(14,757)
(Increase) decrease in trade and other receivables	(20,874)	(12,709)	(109,793)	6,131	(66,035)
(Increase) decrease in deposits and prepayments	(2,191)	188	(928)	608	(1,252)
Increase (decrease) in trade and other payables	11,598	(46,959)	28,864	2,701	6,556
Increase in amount due to a shareholder	–	–	–	–	1,978
Increase (decrease) in other financial assets	–	596	5,079	(389)	1,247

	Notes	Year ended 31 December			Five months ended 31 May	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash generated by (used in) operations		5,396	1,463	(21,493)	6,255	(54,059)
Income taxes paid		(99)	(28)	(1,061)	(77)	(7,165)
Interest paid		(343)	(480)	(975)	(405)	(1,137)
Net cash generated by (used in) operating activities		4,954	955	(23,529)	5,773	(62,361)
Investing activities:						
(Increase) decrease in pledged bank deposits		(604)	(10,898)	7,489	(1,782)	(5,118)
Interest received		80	462	387	32	96
Payments for acquisition of property, plant and equipment		(9,263)	(23,971)	(60,932)	(29,381)	(16,878)
Proceeds from disposal of property, plant and equipment		–	387	–	–	–
Payments for acquisition of land use right		(100)	(16,046)	–	–	–
Payments for acquisition of intangible assets		–	(303)	(247)	(147)	(22)
Payments for acquisition of available-for-sale investment		–	(504)	–	–	–
Net cash outflow on disposal of a subsidiary	32	–	(889)	–	–	–
Net cash inflow on acquisition of a subsidiary	33	–	16	–	–	–
Government grants received		–	–	3,810	–	–
(Advance to) repayment from a shareholder		(1,060)	33,100	–	–	–
Advance to a related party		(1,439)	(386)	(205)	(205)	(1,675)
Repayment from a related party		–	3,332	1,949	1,809	–
Net cash used in investing activities		(12,386)	(15,700)	(47,749)	(29,674)	(23,597)

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Financing activities:					
Proceeds from short-term bank loans	6,600	6,000	40,000	20,000	72,288
Repayment of short-term bank loans	–	(6,600)	(26,000)	(6,000)	–
Advance from a shareholder	–	8,680	442	138	–
Repayment to a shareholder	–	–	(486)	(375)	(550)
Proceeds from capital contribution	2,453	83,877	75,146	–	–
Distribution to owners	(1,838)	(69,597)	–	–	–
Capital contributed from non-controlling shareholders	–	–	–	–	1,500
Net cash generated by financing activities	7,215	22,360	89,102	13,763	73,238
Net (decrease) increase in cash and cash equivalents	(217)	7,615	17,824	(10,138)	(12,720)
Cash and cash equivalents at the beginning of the financial year/period	13,644	13,437	20,649	20,649	38,946
Effects of exchange rate changes on the balance of cash held in foreign currencies	10	(403)	473	24	(211)
Cash and cash equivalents at the end of the financial year/period	13,437	20,649	38,946	10,535	26,015

E. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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. 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 import and sales of power electronic components, manufacture and sale of IGBT power modules, deionised water cooling systems, reactors, capacitors and other power electronic components.

Pursuant to the Group Reorganisation, the Company became the holding company of the Group on 23 September 2010. The Company and its subsidiaries and the Futech Business have been under the common control of Mr. Xiang throughout the Track Record Period or since their respective date of incorporation or establishment up to 31 May 2010 or the date of disposal, where this is a shorter period. The Group resulting from the Group Reorganisation and the Transfer is regarded as a continuing entity. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company has always been the holding company of the Group throughout the Track Record Period, using the principles of merger accounting as set out in note 3 below.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies and business of the Group as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation or establishment up to 31 May 2010 or the date of disposal, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2007, 2008 and 2009 and 31 May 2010 have been prepared to present the assets and liabilities of the companies and business comprising the Group as if the current group structure had been in existence as at those dates.

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

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

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

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

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

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

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

On 10 April 2010, the entire equity interest in Beijing Sunking was transferred from Mr. Xiang and Mr. Xu Nanping to Jiashan Sunking for a total consideration of RMB1,905,000. Among the total consideration, RMB190,000 was returned from Mr. Xu Nanping on 27 May 2010 and the remaining RMB1,715,000 was recorded as receivables from Mr. Xiang as at 31 May 2010.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its principal subsidiaries operate (the functional currency of the Company and its principal subsidiaries).

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

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on 1 January 2010 throughout the Track Record Period, except for IFRS 3 (Revised) and IAS 27 (Revised), which are only applied since 1 January 2010 (the Group has no transactions under IFRS 3 (Revised) and IAS 27 (Revised) during the five months ended 31 May 2010).

At the date of this report, the following new and revised standards, amendments or interpretations have been issued which are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs May 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Right Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group has not early adopted these new and revised standards, amendments or interpretations in the preparation of the Financial Information.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost convention except for certain financial instruments which are measured at fair value and in accordance with the accounting policies set out below which are in conformity with IFRSs.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporated the financial information of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

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

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

Merger accounting for business combinations under common control

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

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

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

Business combinations other than common control combinations

Business combinations prior to 1 January 2010

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

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

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

Business combinations on or after 1 January 2010

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

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

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

Property, plant and equipment

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

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

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

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

Leasing

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

The Group as lessee

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

Prepaid lease payments

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

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the combined statements of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with on future related costs are recognised in profit or loss in the period in which they become receivable.

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

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

Intangible assets

Research and development expenditure

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

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

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

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

– the ability to use or sell the intangible asset;

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

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

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

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

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

Impairment losses on tangible and intangible assets

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

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

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

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

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

Loan and receivables

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as assets at FVTPL, loans and receivables or held-to-maturity investments.

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

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

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

Share-based payment transactions

Ordinary shares of parent company granted to employees of the Group

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

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

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

Ordinary shares of parent company granted to consultants of the Group

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Impairment of trade receivables

When there is objective evidence of impairment of trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008 and 2009 and 31 May 2010, the carrying amounts of trade receivables were approximately RMB11,264,000, RMB36,510,000, RMB124,852,000 and RMB175,666,000, respectively.

Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down of inventories in that period. As at 31 December 2007, 2008 and 2009 and 31 May 2010, the carrying amount of inventories was approximately RMB31,658,000, RMB22,389,000, RMB20,137,000 and RMB34,894,000, respectively.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

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

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

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

Categories of financial instruments

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

	The Group				The Company
	At 31 December			At 31 May	At 31 May
	2007	2008	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Foreign exchange forward contract at FVTPL	–	5,958	1,295	–	–
Loan and receivables (including cash and cash equivalents)	85,415	84,905	200,516	258,723	–
Available-for-sale investment	–	504	–	–	–
Financial liabilities					
Amortised cost	84,115	45,387	77,971	168,387	5,919

Financial risk management objectives and policies

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

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

Foreign currency risk management

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

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

	The Group				The Company
	At 31 December			At 31 May	At 31 May
	2007	2008	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
US$	66	319	247	2,040	–
CHF	2,520	1,316	4,202	2,583	–
Liabilities					
US$	(8,150)	(764)	(778)	(1,834)	–
EUR	(843)	(3,327)	(1,097)	(2,325)	–
CHF	(18,810)	(10,677)	(36,764)	(39,075)	–
HKD	–	–	–	(4,863)	(4,863)

Foreign currency sensitivity analysis

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

	The Group				The Company
	Year ended 31 December			Five months ended 31 May	Five months ended 31 May
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
US$ impact	(404)	(22)	(27)	10	–
EUR impact	(42)	(166)	(55)	(116)	–
CHF impact	(815)	(468)	(1,628)	(1,825)	–
HKD impact	–	–	–	(243)	(243)

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

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency forward contracts				
To purchase CHF using RMB (see note 24)	–	5,958	1,295	–

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

	The Group			
	Year ended 31 December			Five months ended 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency forward contracts impact	–	5,137	702	–

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group's cash flow interest rate risk relates primarily to their variable-rate bank deposits. The Group currently has not entered into interest rate swaps to hedge against their exposure to changes in fair values of the borrowings. Currently, the Group does not have a specific policy to manage their interest rate risk, but will closely monitor the interest rate risk exposure in the future. In the opinion of the management, the Group does not have significant exposure to cash flow interest rate risk as at 31 December 2007, 2008 and 2009 and 31 May 2010. Therefore, no sensitivity analysis has been presented.

Credit risk management

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

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

The Group has concentration of credit risk in respect of bank balances. Approximately 90%, 91%, 89% and 84% of the bank balances as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively, were deposited at three major banks; the credit risk on these liquid funds is limited because the counterparties are state-owned banks located in the PRC.

The Group has concentration of credit risk in respect of note receivables. Approximately 46%, 56%, 35% and 48% of the note receivables balances were issued by 2, 4, 3 and 2 major banks as at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively. The credit risk on note receivables is limited because the counterparties are state-owned banks located in the PRC.

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

Customer	The Group							
	At 31 December						At 31 May	
	2007		2008		2009		2010	
	TAR		TAR		TAR		TAR	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
A	*	*	*	*	54,322	44	88,231	50
B	*	*	17,255	47	13,536	11	24,430	14
C	3,034	27	*	*	*	*	*	*
D	1,224	11	*	*	*	*	*	*
E	1,095	10	*	*	*	*	*	*
F	1,260	11	*	*	*	*	*	*

The Group has concentration of credit risk as 38%, 52%, 55% and 64% as at 31 December 2007, 2008 and 2009 and 31 May 2010 of the total trade receivables was due from two customers. In order to minimize the credit risk of these major customers, the management of the Group determines the credit limits and credit approvals, and monitors follow-up action to recover over-due balances. As for the customer A and customer B, both of them are reputable state-owned enterprises. In addition to the normal credit review and follow-up procedures on over-due balances, the management of the Group monitors their financial positions periodically to ensure the recoverability is not impaired.

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

Liquidity risk management

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

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

The Group	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31 December 2007
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2007						
Non-derivative financial liabilities						
Trade and other payables	N/A	19,913	57,602	–	77,515	77,515
Short-term bank loans	7.03	39	6,677	–	6,716	6,600
		19,952	64,279	–	84,231	84,115

The Group	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31 December 2008
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008						
Non-derivative financial liabilities						
Trade and other payables	N/A	19,094	12,768	–	31,862	31,862
Amount due to a shareholder	N/A	7,525	–	–	7,525	7,525
Short-term bank loans	7.47	37	75	6,075	6,187	6,000
		26,656	12,843	6,075	45,574	45,387

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

The Group	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31 May 2010
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 May 2010						
Non-derivative financial liabilities						
Trade and other payables	N/A	9,573	53,676	–	63,249	63,249
Amount due to a shareholder	N/A	12,850	–	–	12,850	12,850
Short-term bank loans	4.88	20,676	4,441	68,454	93,571	92,288
		43,099	58,117	68,454	169,670	168,387

The Company	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31 May 2010
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 May 2010						
Non-derivative financial liabilities						
Amount due to a shareholder	N/A	5,919	–	–	5,919	5,919

Fair value

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

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

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

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

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

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

Foreign currency forward contracts as detailed in note 24 are measured using inputs of quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The Group	**Level 2**
	RMB'000
At 31 December 2008	
Financial assets at FVTPL	
Derivative financial assets	5,958
At 31 December 2009	
Financial assets at FVTPL	
Derivative financial assets	1,295

There were no transfers between Level 1 and 2 during each of the years ended 31 December 2008 and 2009.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold to outside customers during the Track Record Period.

Mr. Xiang, the Chief Executive Officer and Chairman of the Company is the chief operating decision maker of the Group and he regularly reviews revenue analysis by major products and the Group's profit for the year/period under IFRS to make decisions about resources allocation and performance assessment. No segment information is presented other than entity-wide disclosures as no other discrete financial information is available for the assessment of performance and resources allocation of different business activities.

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

Revenue analyzed by major products is as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Sale of:					
Imported power electronic components	185,485	181,818	139,140	33,570	45,767
Sale of:					
IGBT power modules	–	–	45,904	–	39,932
Anode saturable reactors	1,590	260	11,759	–	1,790
HV power capacitors	–	–	–	–	2,063
Silicon rectifier valves and others	1,221	61,807	58,061	16,817	27,215
Deionised water cooling systems	–	5,636	6,840	686	1,796
Sub-total of manufactured goods	2,811	67,703	122,564	17,503	72,796
Total turnover	188,296	249,521	261,704	51,073	118,563

Information about major customers

Revenue from major customers which individually accounts for 10% or more of the Group's revenue during each year/period is as follows:

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A (for sales of IGBT power modules and imported power electronic components)	*	*	45,904	*	40,151
Customer B (for sales of imported power electronic components)	41,087	47,956	*	5,821	11,932
Customer C (for sales of imported power electronic components)	*	*	*	8,709	*

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

7. COST OF SALES AND PURCHASES

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories recognized as expense	142,449	178,779	181,789	31,642	87,517

Products purchased from a major supplier account for 75%, 68%, 81%, 68% and 77% of the Group's total purchase during each of the years ended 31 December 2007, 2008 and 2009 and each of the five months ended 31 May 2009 and 2010. The following table shows the total purchase amount from that supplier during each of the years ended 31 December 2007, 2008 and 2009 and each of the five months ended 31 May 2009 and 2010.

Information about a major supplier

Purchase from the sole major supplier which accounts for 10% or more of the Group's purchase are as follows:

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Supplier A	115,598	112,689	141,200	31,061	75,722

8. INVESTMENT INCOME

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income	80	462	387	32	96

9. OTHER GAINS AND LOSSES

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net foreign exchange gain (loss)	(904)	1,872	(2,888)	(52)	4,762
Fair value gain (loss) on foreign exchange forward contracts	–	6,554	416	(1,044)	(48)
Gain on disposal of available-for-sale investment	–	–	296	–	–
Loss on disposal of property, plant and equipment	–	(6)	(2)	–	–
Total	(904)	8,420	(2,178)	(1,096)	4,714

10. PROFIT BEFORE TAX

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax has been arrived at after charging:					
Directors' remuneration, including share based-payment expense and retirement benefit schemes contributions (note 11)	218	536	1,009	387	811
Other staff costs	2,100	3,484	5,959	2,020	3,716
Other staff's retirement benefit schemes contributions	150	424	928	346	660
Other share-based payment expense	1,177	998	2,254	562	926
Total staff costs	3,645	5,442	10,150	3,315	6,113
Allowance for doubtful debts (Note)	1,180	–	–	–	1,535
Amortisation of intangible assets	–	22	88	32	46
Auditor's remuneration	48	32	54	4	8
Depreciation of property, plant and equipment	402	1,753	2,292	791	1,794
Operating lease rentals in respect of rented premises	511	2,031	2,309	856	829
Release of prepaid lease payment	38	123	360	150	150
Research and development expenses (Note)	4,530	268	565	216	932
Legal and professional fees (Note)	–	–	–	–	2,095

Note: During the Track Record Period, allowance for doubtful debts, legal and professional fees and research and development expenses were included in other expenses in the combined statements of comprehensive income.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors of the Company and group entities for the Track Record Period were as follows:

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Directors' emoluments:					
– salaries and other benefits	126	229	415	156	245
– discretionary bonus (Note)	88	83	–	–	–
– share-based payments expense	–	171	438	183	489
– retirement benefit schemes contributions	4	53	156	48	77
	218	536	1,009	387	811

Note: The discretionary bonus is determined by taking into consideration the Group's business results, individual performance and market conditions.

	Basic salaries	Discretionary Bonus	Share-based and other benefits	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
For the year ended 31 December 2007					
Mr. Xiang	65	48	–	4	117
Mr. Gong Ren Yuan	61	40	–	–	101
	126	88	–	4	218
For the year ended 31 December 2008					
Mr. Xiang	97	50	–	20	167
Mr. Gong Ren Yuan	87	33	–	20	140
Mr. Huang Xiang Qian	45	–	171	13	229
	229	83	171	53	536
For the year ended 31 December 2009					
Mr. Xiang	125	–	–	50	175
Mr. Gong Ren Yuan	115	–	–	46	161
Mr. Yue Zhou Min	85	–	208	25	318
Mr. Huang Xiang Qian	90	–	230	35	355
	415	–	438	156	1,009
For the five months ended 31 May 2009 (Unaudited)					
Mr. Xiang	48	–	–	17	65
Mr. Gong Ren Yuan	45	–	–	16	61
Mr. Yue Zhou Min	26	–	87	–	113
Mr. Huang Xiang Qian	37	–	96	15	148
	156	–	183	48	387
For the five months ended 31 May 2010					
Mr. Xiang	65	–	307	24	396
Mr. Gong Ren Yuan	59	–	–	23	82
Mr. Yue Zhou Min	43	–	86	7	129
Mr. Huang Xiang Qian	78	–	96	23	204
	245	–	489	77	811

The five highest paid individuals included 2, 3, 3, 2 and 3 directors of the Group, for each of the years ended 31 December 2007, 2008 and 2009 and each of the five months ended 31 May 2009 and 2010, respectively. Details of whose emoluments are set out above. The emoluments of the remaining individuals during the Track Record Period were as follows:

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employees					
– salaries and other benefits	148	126	140	109	91
– discretionary bonus	100	75	–	–	–
– share-based payments expense	–	314	422	241	191
– retirement benefits scheme contributions	10	38	63	25	17
	258	553	625	375	299

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the Track Record Period.

The annual emoluments of each of the five highest paid individuals during the Track Record Period were below HK$1,000,000.

12. INCOME TAX EXPENSE

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax:					
PRC enterprise income tax ("EIT")	6,027	5,209	8,910	1,634	4,893
Deferred tax charge (credit):					
Current year/period	(73)	1,809	1,352	248	175
Total tax expense	5,954	7,018	10,262	1,882	5,068

Sunking Pacific was incorporated in Hong Kong, where the applicable income tax rate is 16.5% for each of the years ended 31 December 2008 and 2009 and each of the five months ended 31 May 2009 and 2010.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the statutory Enterprise Income Tax ("EIT") rate from 33% for 2007 to 25% from 1 January 2008 onwards.

In year 2006, Beijing Sunking obtained the High and New Technology Enterprise Certificate from related authorized government agency and was entitled to favorable income tax rate of 7.5% for 2007.

In 2007, Jiashan Sunking was recognised as Foreign Invested Manufacturing Enterprise and was entitled to exemption from EIT for two years commencing from its first profit making year in 2007, followed by a 50% tax rate reduction for EIT for the subsequent three years. Therefore, the applicable income tax rate for Jiashan Sunking is nil for each of the years ended 31 December 2007 and 2008 and is 12.5% for the year 2009 and each of the five months ended 31 May 2009 and 2010.

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

Futech Group was incorporated in the British Virgin Islands where the applicable income tax rate is nil but may be deemed as having a permanent establishment in the PRC. Its income tax expense was accrued accordingly with the applicable income tax of 33% and 25% for each of the years ended 31 December 2007 and 2008 prior to the disposal by Sunking BVI in November 2008.

The tax charge for the Track Record Period can be reconciled to profit before tax as follows:

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	28,798	51,990	49,112	9,007	14,437
Income tax expense at PRC income tax rates 2007: 7.5%; 2008: 25%; 2009: 25%; 2010: 25% (Note 1)	2,160	12,998	12,278	2,252	3,609
Tax effect of expenses not deductible for tax purpose (Note 2)	324	452	715	131	1,573
Effect of different tax rate of subsidiaries (Note 3)	3,351	(28)	(9)	(2)	(163)
Effect of tax holidays granted to subsidiaries	–	(7,595)	(6,535)	(1,199)	(2,012)
Tax effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	–	499	1,582	290	771
Tax effect of utilisation of unused tax losses and other deductible temporary differences not previously recognized as deferred tax assets	–	–	(12)	(2)	(16)
Deferred tax liabilities recognised in respect of withholding tax (Note 4)	–	687	2,202	404	832
Others	119	5	41	8	474
Taxation for the year/period	5,954	7,018	10,262	1,882	5,068

Note 1: The PRC income tax rate for the year ended 31 December 2007 was 7.5% which represented the applicable income tax rate of Beijing Sunking which the Group's operations were substantially conducted; the PRC income tax rate for each of the years ended 31 December 2008 and 2009 and each of the five months ended 31 May 2009 and 2010 was 25%, which represented the applicable income tax rate of Beijing Sunking and Jiashan Sunking which the Group's operations were substantially conducted.

Note 2: The expenses not deductible mainly include entertainment expenses exceeding tax limit, loss on disposal of assets not eligible for tax deduction purpose, share-based payment expense and expenses booked in the Company.

Note 3: The amount for the year ended 31 December 2007 was attributable to Futech Group.

Note 4: 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 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 Financial Information in respect of undistributed retained profits of the PRC entities amounting to nil, RMB13,746,000, RMB44,048,000 and RMB16,625,000 for each of the years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010, respectively.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the followings:

	Year ended 31 December			Five months ended 31 May	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Profits					
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	22,003	44,972	38,850	7,125	9,369
Number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings per share	391,233,520	867,205,553	1,024,540,000	1,024,540,000	1,024,540,000

The number of shares for the purposes of basic earnings per share has been determined assuming the capitalisation issue as detailed in Appendix VI of the Prospectus occurred on the first day of the Track Record Period.

The Group has no potential ordinary shares during the Track Record Period.

14. DISTRIBUTION TO OWNERS

During 2007 and 2008, Futech Group distributed RMB1,838,000 and RMB2,815,000 to Mr. Xiang respectively. In addition, on 31 March 2008, Futech Group distributed RMB26,000,000 to Sunking BVI as dividends. Before cession of distribution business, Futech Group distributed another RMB40,782,000 to Sunking BVI as dividends on 30 November 2008.

15. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2007	–	–	545	365	–	1,751	2,661
Additions	–	46	447	1,101	541	7,128	9,263
Transfer	–	1,226	–	–	–	(1,226)	–
At 31 December 2007	–	1,272	992	1,466	541	7,653	11,924
Additions	–	427	811	1,655	636	20,442	23,971
Acquisition of a subsidiary	–	–	13	–	–	–	13
Transfer	6,423	2,031	245	–	–	(8,699)	–
Disposals	–	–	(194)	(516)	–	–	(710)
At 31 December 2008	6,423	3,730	1,867	2,605	1,177	19,396	35,198
Additions	751	1,286	1,183	771	540	56,401	60,932
Transfer	12,836	1,827	56	–	–	(14,719)	–
Disposals	–	–	(6)	–	(636)	–	(642)
At 31 December 2009	20,010	6,843	3,100	3,376	1,081	61,078	95,488
Additions	–	191	412	519	–	15,756	16,878
Transfer	10,000	25,523	471	–	–	(35,994)	–
At 31 May 2010	30,010	32,557	3,983	3,895	1,081	40,840	112,366
DEPRECIATION							
At 1 January 2007	–	–	(277)	(150)	–	–	(427)
Provided for the year	–	(19)	(112)	(211)	(60)	–	(402)
At 31 December 2007	–	(19)	(389)	(361)	(60)	–	(829)
Provided for the year	(105)	(257)	(262)	(418)	(711)	–	(1,753)
Eliminated on disposals	–	–	27	290	–	–	317
At 31 December 2008	(105)	(276)	(624)	(489)	(771)	–	(2,265)
Provided for the year	(182)	(516)	(467)	(685)	(442)		(2,292)
Eliminated on disposals	–	–	3	–	636	–	639
At 31 December 2009	(287)	(792)	(1,088)	(1,174)	(577)	–	(3,918)
Provided for the period	(262)	(700)	(354)	(329)	(149)	–	(1,794)
At 31 May 2010	(549)	(1,492)	(1,442)	(1,503)	(726)	–	(5,712)
NET BOOK VALUES							
At 31 December 2007	–	1,253	603	1,105	481	7,653	11,095
At 31 December 2008	6,318	3,454	1,243	2,116	406	19,396	32,933
At 31 December 2009	19,723	6,051	2,012	2,202	504	61,078	91,570
At 31 May 2010	29,461	31,065	2,541	2,392	355	40,840	106,654

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

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

Certain buildings with carrying amount of RMB174,000, RMB9,913,000, RMB16,390,000 and RMB18,105,000 as at 31 December 2007, 2008 and 2009 and 31 May 2010 are pledged against short-term bank loans of the Group.

16. PREPAID LEASE PAYMENTS

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,896	1,858	17,781	17,376
Additions during the year/period	–	16,046	–	–
Adjustment of original costs	–	–	(45)	–
Charged to combined statement of comprehensive income for the year/period	(38)	(123)	(360)	(150)
At end of year/period	1,858	17,781	17,376	17,226
Less: amount to be amortised within one year	(40)	(361)	(360)	(360)
Non-current portion	1,818	17,420	17,016	16,866

The land use rights are under medium-term lease for a period of 50 years and will expire in 2054 and 2058, which are located in Jiashan and Wuxi, the PRC, respectively. Certain land use rights with carrying amount of RMB1,858,000, RMB1,814,000, RMB1,730,000 and RMB17,226,000 as at 31 December 2007, 2008 and 2009 and 31 May 2010 is pledged against short-term bank loans of the Group.

17. INTANGIBLE ASSET

The Group	Computer software
	RMB'000
COST	
At 1 January 2007 and 2008	–
Additions	303
At 31 December 2008	303
Additions	247
At 31 December 2009	550
Additions	22
At 31 May 2010	572
AMORTISATION	
Balance at 1 January 2007 and 2008	–
Amortisation	(22)
At 31 December 2008	(22)
Amortisation	(88)
At 31 December 2009	(110)
Amortisation	(46)
At 31 May 2010	(156)
CARRYING VALUES	
As at 31 December 2007	–
As at 31 December 2008	281
As at 31 December 2009	440
At 31 May 2010	416

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

18. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	–	504	–	–

The above unlisted investment represented a 20.7% equity investment in the registered capital of Xi'an Cando Industry and Commerce Ltd. ("Xi'an Cando"), a private entity incorporated in Xi'an, the PRC.

The directors of the Company consider that the Group had no significant influence over Xi'an Cando as the Group was not able to nominate representative to the board of directors of Xi'an Cando nor could it participate in any operating and financial decisions of Xi'an Cando.

The investment was measured at cost less impairment at 31 December 2008 because the range of reasonable fair value estimates was so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

In November 2009, the Group disposed of the investment to a third party for a consideration of RMB800,000.

19. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the Track Record Period:

The Group	Unrealised foreign exchange forward contract gains	Pre-operating expense	Unrealised profit	Bad debt provision	Accrued expenses	Withholding tax on undistributed profit of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	–	–	–	–	–	–	–
Credited to combined statement of comprehensive income for the year	–	73	–	–	–	–	73
At 31 December 2007	–	73	–	–	–	–	73
Credited to combined statement of comprehensive income for the year	(1,165)	–	–	–	43	(687)	(1,809)
At 31 December 2008	(1,165)	73	–	–	43	(687)	(1,736)
Credited to combined statement of comprehensive income for the year	841	(19)	–	–	28	(2,202)	(1,352)
At 31 December 2009	(324)	54	–	–	71	(2,889)	(3,088)
Credited to combined statement of comprehensive income for the period	324	(8)	154	125	62	(832)	(175)
At 31 May 2010	–	46	154	125	133	(3,721)	(3,263)

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

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	73	–	–	–
Deferred tax liabilities	–	(1,736)	(3,088)	(3,263)

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

The Group has unused tax losses of nil, RMB1,996,000, RMB4,466,000 and RMB7,549,000 as at 31 December 2007, 2008 and 2009 and 31 May 2010 available to offset against future profits that may be carried forward accordingly. In respect of the tax losses as at 31 December 2008, tax losses of RMB1,996,000 will expire by 2013. In respect of the tax losses as at 31 December 2009, tax losses of RMB1,952,000 will expire by 2013 and RMB2,514,000 will expire by 2014. In respect of the tax losses as of 31 May 2010, tax losses of RMB1,952,000 will expire by 2013, RMB2,514,000 will expire by 2014 and RMB3,083,000 will expire by 2015. Other deductible temporary differences not recognised as deferred tax assets are deferred income and amounted to nil, nil, RMB3,810,000 and RMB3,746,000 as at 31 December 2007, 2008 and 2009 and 31 May 2010. No deferred tax asset has been recognised in respect of the tax losses and deferred income due to the unpredictability of future profit streams.

20. INVENTORIES

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	822	4,789	6,177	7,292
Work-in-process	–	124	1,874	4,864
Finished goods	30,836	17,476	12,086	22,738
Total	31,658	22,389	20,137	34,894

21. TRADE AND OTHER RECEIVABLES

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	11,264	36,510	124,852	175,666
Note receivables	19,468	9,788	28,830	39,766
Other receivables	6,920	4,144	7,353	10,103
Total	37,652	50,442	161,035	225,535

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

Generally, the Group allows credit period ranging from 0 to 180 days to its trade customers. For certain major and well established customers, 10% of the amounts invoiced to these customers are due after the expiry of the relevant warranty period, which is eighteen months from delivery date of the Group's products or twelve months from installation of the Group's products by the respective customers. As at 31 December 2007, 2008 and 2009 and 31 May 2010, trade receivables expected to be recovered or settled more than the next twelve months from the respective reporting dates amounting to nil, nil, RMB5,371,000 and RMB10,068,000, respectively.

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

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	9,036	18,795	99,734	97,055
91-180 days	1,611	12,770	20,463	70,619
181-360 days	230	4,523	2,600	6,361
>360 days	387	422	2,055	1,631
Total	11,264	36,510	124,852	175,666

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB7,220,000, RMB27,505,000, RMB67,052,000 and RMB84,622,000 as at 31 December 2007, 2008 and 2009 and 31 May 2010 which are past due at the end of reporting period for which the Group has not provided for impairment loss.

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

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Not yet due	4,044	9,005	57,800	91,044
Overdue 1-180 days	6,603	22,560	63,821	78,698
Overdue 181-360 days	230	4,523	1,358	4,810
Overdue >360 days	387	422	1,873	1,114
Total	11,264	36,510	124,852	175,666

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

Certain trade receivables with carrying amount of nil, nil, nil and RMB32,718,000 as of 31 December 2007, 2008 and 2009 and 31 May 2010 are pledged against short-term bank loans of the Group.

Movement in the allowance for doubtful debts:

	The Group			
	Year ended 31 December			Five months ended 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	–	–	–	–
Impairment losses recognised on receivables	1,180	–	–	1,535
Amounts written off as uncollectible	(1,180)	–	–	(350)
Balance at end of the year/period	–	–	–	1,185

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

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
0-180 days	19,468	8,166	23,725	32,966
181-360 days	–	1,622	5,105	6,800
Total	19,468	9,788	28,830	39,766

Certain note receivables with carrying amount of nil, nil, nil and RMB24,288,000 as of 31 December 2007, 2008 and 2009 and 31 May 2010 are pledged against short-term bank loans of the Group.

22. AMOUNT DUE FROM A SHAREHOLDER

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trading in nature				
Sunking BVI	33,100	–	–	–

The amount due from a shareholder represented advances which were unsecured, non-interest bearing and to be settled on demand.

The Group	Maximum amount outstanding			
	Year ended 31 December			Five months ended 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Sunking BVI	33,100	33,100	–	–

23. AMOUNT DUE FROM A RELATED PARTY

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trading in nature				
Mr. Xiang	4,730	1,784	40	1,715

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

The Group	Maximum amount outstanding			
	Year ended 31 December			Five months ended 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Xiang	4,730	4,845	1,851	1,715

24. OTHER FINANCIAL ASSETS

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign exchange forward contracts	–	5,958	1,295	–

Major terms of the foreign currency forward contracts as at 31 December 2008 and 2009 are as follows:

Notional amount	Forward contract rates	Maturity
At 31 December 2008		
20 contracts to buy CHF15,774,000 in total	CHF1:RMB5.9401 to 6.2462	From 5 January 2009 to 1 December 2009
At 31 December 2009		
2 contracts to buy CHF2,117,000 in total	CHF1: RMB6.0221	From 1 January 2010 to 29 January 2010

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

25. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carried interest at market rates ranging from 0.72% to 3.33% per annum, 0.36% to 1.71% per annum, 0.36% to 1.71% per annum and 0.36% to 1.98% per annum at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively.

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

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Bank balance and cash and pledged bank deposits denominated in				
CHF	1,103	806	2,878	2,144
US$	66	319	247	208
Total	1,169	1,125	3,125	2,352

Certain bank balances and cash and pledged bank deposits of approximately RMB13,096,000, RMB31,250,000, RMB40,058,000 and RMB33,018,000 at 31 December 2007, 2008 and 2009 and 31 May 2010, respectively were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is controlled by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

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

26. TRADE AND OTHER PAYABLES

	The Group				The Company
	At 31 December			At 31 May	At 31 May
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	25,167	17,756	43,862	51,436	–
Advance from customers	44,048	11,242	4,083	4,136	–
Other payables	8,543	4,340	13,295	11,181	1,483
	77,758	33,338	61,240	66,753	1,483

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

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

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
0-180 days	25,114	17,406	43,373	51,090
>181 days	53	350	489	346
Total	25,167	17,756	43,862	51,436

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

27. SHORT-TERM BANK LOANS

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank loans	6,600	6,000	20,000	92,288

The bank borrowing are secured (see note 15, 16 and 21) and the effective interest rates on the Group's fixed-rate bank borrowings are also equal to weighted average contracted interest rates as 7.03%, 7.47%, 5.31% and 4.88% per annum at 31 December 2007, 2008 and 2009 and 31 May 2010. All the Group's bank loans have contractual maturity within one year from the end of the reporting period.

28. AMOUNT DUE TO A SHAREHOLDER

	The Group				The Company
	At 31 December			At 31 May	At 31 May
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-trading in nature					
Sunking BVI	–	7,525	7,481	12,850	5,919

The amount due to a shareholder represented loan provided by a shareholder, which was unsecured, non-interest bearing and repayable on demand.

29. DEFERRED INCOME

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	–	–	3,810	3,746

In 2009, the Group received a government subsidy of RMB3,810,000 to compensate the purchase cost of its machineries. The amount is treated as deferred income and amortized to income over the useful lives of related assets once the machineries are ready for their intended use by the management and depreciation commences. A credit to income of nil, nil and RMB64,000 has been recognised for the year ended 31 December 2009 and each of the five months ended 31 May 2009 and 2010, respectively.

30. PAID-IN CAPITAL/SHARE CAPITAL

The paid-in capital of the Group at 31 December 2007 represented fully paid and registered capital of Jiashan Sunking, the then holding company of the group entities.

The share capital of the Group at 31 December 2008 and 2009 represented the issued and fully paid capital of the ordinary shares of Sunking Pacific, the then holding company of the group entities.

The share capital of the Group at 31 May 2010 represented the issued and fully paid capital of the ordinary shares of Sunking Pacific and the Company.

	Sunking Pacific		The Company		Total
	Number of shares (HK$1.0 each)	Amount	Number of shares (HK$0.1 each)	Amount	Amount
		HK$'000		HK$'000	HK$'000
Authorised:					
On 31 January 2008, date of incorporation of Sunking Pacific and at 31 December 2008 and 2009	10,000	10	–	–	
On 19 March 2010, date of incorporation of the Company	–	–	3,800,000	380	
At 31 May 2010	10,000	10	3,800,000	380	
Issued and fully paid:					
Issued on 31 January 2008, date of incorporation of Sunking Pacific and at 31 December 2008 and 2009	1	–	–	–	–
Issued on 19 March 2010, date of incorporation of the Company	–	–	1	–	–
At 31 May 2010	1	–	1	–	–
					RMB'000
Presented as					–

31. SHARE-BASED PAYMENTS TRANSACTIONS

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

Ordinary shares of Sunking BVI granted to consultants of the Group

During the Track Record Period, a total of 1,440,000 ordinary shares of Sunking BVI were granted and issued to consultants of the Group in the capacity of independent service providers.

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

Grant Series	Date of grant	Vesting period/date	Number of shares granted	Fair value per share at grant date
				RMB
2006A	01/01/2006	01/01/2006~31/03/2007	810,000	2.40
2006B	01/07/2006	01/07/2006~30/06/2007	300,000	2.56
2007	01/11/2007	01/11/2007	130,000	3.11
2009	01/07/2009	01/07/2009	150,000	5.74
2010	18/01/2010	18/01/2010	50,000	7.10

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

The following table discloses movements of the Sunking BVI's unvested ordinary shares granted to consultants during each of the years of 2007, 2008 and 2009 and the five months ended 31 May 2010.

	2006A	2006B	2007	2009	2010	Total
Unvested shares at 1 January 2007	810,000	300,000	–	–	–	1,110,000
Granted.	–	–	130,000	–	–	130,000
Vested.	(810,000)	(300,000)	(130,000)	–	–	(1,240,000)
Unvested shares at 31 December 2007 and 31 December 2008 .	–	–	–	–	–	–
Granted.	–	–	–	150,000	–	150,000
Vested.	–	–	–	(150,000)	–	(150,000)
Unvested shares at 31 December 2009	–	–	–	–	–	–
Granted.	–	–	–	–	50,000	50,000
Vested.	–	–	–	–	(50,000)	(50,000)
Unvested shares at 31 May 2010	–	–	–	–	–	–

As the fair value of the service provided by consultants could not be estimated reliably, the Company measured the service received by reference to the fair value of the common shares granted at the date of grant. The expense recognized in respect of the above share award was RMB1,117,000, nil, RMB861,000, nil and RMB355,000 for each of the year ended 31 December 2007, 2008 and 2009 and each of the five months ended 31 May 2009 and 2010 and have been included in administrative and general expenses.

Ordinary shares of Sunking BVI granted to employees of the Group

During the Track Record Period, 2,602,709 ordinary shares of Sunking BVI were granted to employees of the Group.

Details of ordinary shares granted to employees during the Track Record Period are as follows:

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

The following table discloses movements of the unvested ordinary shares of Sunking BVI granted to employees during each of the years of 2007, 2008 and 2009 and the five months ended 31 May 2010.

	2008	2009A	2009B	2010	Total
Unvested shares at 1 January and 31 December 2007	–	–	–	–	–
Granted	2,059,000	–	–	–	2,059,000
Unvested shares at 31 December 2008	2,059,000	–	–	–	2,059,000
Granted	–	200,000	110,000	–	310,000
Vested	(881,853)	(50,000)	(10,909)	–	(942,762)
Forfeited (Note)	(142,709)	–	–	–	(142,709)
Unvested shares at 31 December 2009	1,034,438	150,000	99,091	–	1,283,529
Granted	–	–	–	233,709	233,709
Vested	(191,563)	(20,833)	(9,091)	(43,279)	(264,766)
Unvested shares at 31 May 2010	842,875	129,167	90,000	190,430	1,252,472

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

The expense recognized in respect of the above share award was nil, RMB1,169,000, RMB1,831,000, RMB745,000 and RMB1,060,000 for each of the years ended 31 December 2007, 2008 and 2009 and each of the five months ended 31 May 2009 and 2010 and have been included in the profit or loss as follow:

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	–	251	330	141	108
Distribution and selling expenses	–	188	226	106	86
Administrative and general expenses	–	730	1,275	498	866
Total	–	1,169	1,831	745	1,060

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

Inputs into the share pricing model are as follows:

	Type							
	01/01/2006	01/07/2006	01/11/2007	01/04/2008	31/12/2008	01/07/2009	01/01/2010	18/01/2010
Marketability discount	30.0%	30.0%	30.0%	25.0%	25.0%	17.5%	14.0%	14.0%
Weighted average capital cost	19.0%	20.5%	20.0%	18.5%	18.5%	19.0%	18.0%	18.0%
Income approach percentage	75.0%	75.0%	75.0%	75.0%	75.0%	50.0%	50.0%	50.0%

32. DISPOSAL OF A SUBSIDIARY

During 2008, Sunking BVI disposed of Futech Group to an independent third party for a consideration of US$1. As a result, Futech Group no longer contributed to the business of the Group and its net liabilities were derecognised from the date of disposal. The net liabilities of Futech Group at the date of disposal were as follows:

	RMB'000
Net liabilities disposed of:	
Trade and other receivables	6,193
Bank balance and cash	889
Trade and other payables	(5,927)
Amount due to a shareholder	(1,155)
Tax liabilities	(8,617)
Net liabilities	(8,617)
Deemed contribution from owner on disposal	8,617
Total consideration	–
Net cash out-flow arising from disposal:	
Bank balance and cash disposed of	(889)

33. ACQUISITION OF A SUBSIDIARY

On 24 February 2008, the Group acquired the entire equity interest of Sunking Tianjin, an entity engaged in the manufacture and sales of ultra-pure water system, for a cash consideration of RMB100,000 from an independent third party. The acquiree's carrying amount and the fair value of the net assets at the date of acquisition is as follows:

	RMB'000
Current assets	
Cash and cash equivalents	116
Trade and other receivables	81
Inventories	1,013
Deposits and prepayments	15
Non-current assets	
Plant and machinery	13
Current liabilities	
Trade and other payables	(1,137)
	101
Discount on acquisition	(1)
Total consideration paid	100
Net cash inflow arising from acquisition:	
Bank balance and cash acquired	116
Consideration paid	(100)
	16

34. OPERATING LEASES

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Minimum lease payments paid under operating leases during the year/period	511	2,031	2,309	856	914

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

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

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,374	2,188	1,681	1,058
In the second to fifth year inclusive	2,405	1,152	873	582
Total	3,779	3,340	2,554	1,640

Leases are negotiated for terms from one to three years.

35. CAPITAL COMMITMENTS

	The Group			
	At 31 December			At 31 May
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	1,569	30,360	12,959	7,690

36. RETIREMENT BENEFITS SCHEME

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

During the Track Record Period, the total amounts contributed by the Group to the scheme and charged to the combined statements of comprehensive income represent contribution payable to the scheme by the Group at rates specified in the rules of the schemes and are as follows:

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Amount contributed and charged to the combined statements of comprehensive income	154	477	1,084	394	737

As at 31 December 2007, 2008 and 2009 and 31 May 2010, the contributions due in respect of each year/period that had not been paid over to the scheme were RMB nil, RMB15,000, RMB4,000 and RMB50,000, respectively.

37. RELATED PARTY TRANSACTIONS

The Group's related party transactions are disclosed in notes 22, 23, 28 and 31 during the Track Record Period.

The remuneration of directors and other members of key management during the Track Record Period were as follows:

	Year ended 31 December			Five months ended 31 May	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short-term benefits	740	1,253	1,358	496	607
Post-employment benefits	30	174	347	123	166
Share-based payments	–	992	1,601	645	984
	770	2,419	3,306	1,264	1,757

Key management represents the directors and other senior management personnel disclosed in the Prospectus. The remuneration of key management is determined with reference to the performance to individuals and market trends.

F. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period.

Under the arrangement currently in force, the aggregate amount of directors' fees and other emoluments for the year ending 31 December 2010 is estimated to be approximately RMB2,406,000.

G. SUBSEQUENT EVENTS

On 18 June 2010, Jiashan Sunking entered into an agreement with Shanghai Lang Zhi De Resources Technology Company Limited ("Shanghai Lang Zhi De"), Mr. Zhu Xiaodong and Mr. Chen Yong, all independent third parties, pursuant to which Jiashan Sunking acquired 20% of the equity interest in Shanghai Lang Zhi De by cash injection of RMB5,000,000 into Shanghai Lang Zhi De. The Group will account for its equity investment in Shanghai Lang Zhi De as investment in an associate.

Pursuant to the articles of association of the Group's subsidiary Jiashan Converter Technology, which was established on 29 March 2010, its non-controlling shareholder Rui Hua Ying Investment Holdings Co. Ltd. ("Rui Hua Ying") should contribute RMB2,000,000 to Jiashan Converter Technology as capital contribution for its 20% equity interest in Jiashan Converter Technology. On 5 July 2010, Jiashan Sunking (the Group's subsidiary holding 65% equity interest in Jiashan Converter Technology) entered into a share transfer agreement with Rui Hua Ying. Pursuant to the terms of this agreement, the Group agreed to take up Rui Hua Ying's 20% equity interest in Jiashan Converter Technology by contributing capital of RMB2,000,000 to Jiashan Converter Technology, increasing the Group's equity interest in Jiashan Converter Technology from 65% to 85%. Such deemed acquisition of partial interest in Jiashan Converter Technology is accounted for as an equity transaction, which has no significant accounting impact to the Group.

In August 2010, Jiashan Sunking entered into an equity transfer agreement with the Stated-owned Assets Supervision and Administration Commission of Jiujiang to acquire 34% equity interest in a legal entity, Jiujiang Rectifier Factory (九江整流器廠) for a cash consideration of RMB24,070,000. In September 2010, Jiashan Sunking transferred 29% equity interest in Jiujiang Rectifier Factory to Rui Hua Ying for a cash consideration of RMB20,530,000. These transactions have no significant financial impact to the Group and the Group's remaining 5% equity investment in Jiujiang Rectifier Factory is accounted as available-for-sale investment.

Pursuant to a resolution in writing passed by the sole shareholder on 19 August 2010, the authorised share capital of the Company was increased from HK$380,000 to HK$200,000,000 by the creation of additional 1,996,200,000 shares of HK$0.1 each. On 23 September 2010, the Company allotted and issued, credited as fully paid at par, an aggregate of 51,226,999 new shares to Sunking BVI pursuant to the Reorganisation Deed.

Pursuant to resolutions in writing passed by the sole shareholder on 23 September 2010, conditional upon the share premium account of the Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, the Directors of the Company were authorised to capitalise HK$97,331,300 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 973,313,000 shares for allotment and issue to the shareholders whose names appear on the register of members of the Company at 4:00 p.m. on 24 September 2010 in the same proportion their then existing shareholdings in the Company, and that the 973,313,000 shares to be allotted and issued shall rank pari passu in all respects with the existing issued shares (other than the right to participate in the Capitalisation Issue).

On 23 September 2010, a share option scheme was approved and adopted and the Directors were authorised at their absolute discretion to grant options to subscribe for the shares under the share option scheme and to allot and issue the shares pursuant thereto.

H. SUBSEQUENT FINANCIAL INFORMATION

No audited financial information has been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2010.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

For illustrative purposes only, the following statement of unaudited pro forma adjusted net tangible assets of the Group is prepared to illustrate the effect of the Global Offering on the audited net tangible assets of our Group as at 31 May 2010 as if the Global Offering had occurred on 31 May 2010 and is based on the combined net tangible assets of our Group as at 31 May 2010 attributable to the owners of our Company derived from the Accountants' Report, as set out in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group as at 31 May 2010 or any future date.

	Audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2010[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted net tangible assets per Share[(3)]	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$1.45 per Share.............	242,368	390,171	632,539	0.46	0.53
Based on an Offer Price of HK$1.93 per Share.............	242,368	525,394	767,762	0.56	0.65

Notes:

(1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 May 2010 are based on audited combined net assets attributable to the owners of the Company as at 31 May 2010 of approximately RMB242.8 million as set out in Appendix I to this prospectus as adjusted for the intangible assets attributable to the owner of the Company as at 31 May 2010 of RMB0.4 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.45 and HK$1.93, respectively, after deduction of the underwriting fees and other related expenses payable by the Company. They do not take into account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate or the Repurchase Mandate. The forecast net proceeds from the Global Offering are translated at an exchange rate of HK$1.00 to RMB0.8629 which was quoted by the PBOC on 21 September 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be translated to Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 1,366,040,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Global Offering assuming they occurred on 31 May 2010. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate or the Repurchase Mandate.

(4) By comparing the valuation of our Group's property interests of RMB85,960,000 as set out in Appendix IV to this prospectus and the unaudited net book value of those properties including buildings, land use rights and construction in progress of RMB78,351,000 as at 31 July 2010, the valuation surplus was approximately RMB7,609,000. The valuation surplus of the property interests will not be incorporated in our Group's consolidated financial statements in the future. If the valuation surplus was to be included in the combined financial statements, an additional depreciation charge of approximately RMB149,000 per annum would be incurred.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per share for the six months ended 30 June 2010 has been prepared on the basis of notes set out below for the purpose of illustrating the effect of the Global Offering on the estimated earnings per share as if it had taken place on 1 January 2010. This unaudited pro forma earnings per share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the completion of the Global Offering or for any future periods.

Estimated combined profit attributable to owners of our Company for the six months ended 30 June 2010(1)	not less than RMB7.0 million
Unaudited pro forma estimated earnings per Share for the six months ended 30 June 2010(2)	not less than RMB0.51 cent

Notes:

(1) The bases on which the above profit estimate for the six months ended 30 June 2010 have been prepared are summarised in the section headed "Profit Estimate" in Appendix III to this prospectus.

(2) The calculation of unaudited pro forma estimated earnings per Share is calculated by dividing the estimated combined profit attributable to owners of our Company for the six months ended 30 June 2010 by a total of 1,366,040,000 Shares (assuming the Shares in issue at the date of this prospectus and those Shares to be issued under the Capitalisation Issue and the Global Offering had been in issue on 1 January 2010 but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by us pursuant to the Issue Mandate and the Repurchase Mandate).

C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of the Group.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

30 September 2010

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SUN.KING POWER ELECTRONICS GROUP LIMITED

We report on the unaudited pro forma financial information of Sun.King Power Electronics Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed global offering might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated 30 September 2010 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Parts A and B of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 31 May 2010 or any future date; or

- the earnings per share and results of the Group for the six months ended 30 June 2010 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. PROFIT ESTIMATE FOR THE SIX MONTHS ENDED 30 JUNE 2010

Our estimated combined profit attributable to the owners of our Company for the six months ended 30 June 2010 is set out in the section headed “Financial Information – Profit estimate for the six months ended 30 June 2010” in this prospectus.

Bases

Our Directors have prepared the estimate of the combined profit attributable to the owners of our Company for the six months ended 30 June 2010 based on the audited combined results of the Group for the five months ended 31 May 2010, the unaudited combined results as shown in the unaudited management accounts of our Group for the one month ended 30 June 2010. The estimated has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group as summarised in the accountants’ report set out in Appendix I to this prospectus.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this prospectus by our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in connection with the profit estimate of the Group for the six months ended 30 June 2010.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

30 September 2010

The Directors
Sun.King Power Electronics Group Limited
Deutsche Bank AG, Hong Kong Branch

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the combined profit of Sun.King Power Electronics Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2010 attributable to the owners of the Company (the "Profit Estimate"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 30 September 2010 issued by the Company (the "Prospectus"). The Profit Estimate is prepared based on the audited combined results of the Group for the five months ended 31 May 2010 and the combined results shown in the unaudited management accounts of the Group for the month ended 30 June 2010.

In our opinion, the Profit Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the bases made by the directors of the Company as set out in part (A) of Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended 31 December 2009 and the five months ended 31 May 2010 as set out in Appendix I to the Prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by the Sponsor in connection with the profit estimate of the Group for the six months ended 30 June 2010.

Deutsche Bank
德意志银行

48th Floor, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

30 September 2010

The Directors
Sun.King Power Electronics Group Limited

Dear Sirs,

We refer to the estimate of the combined net profit attributable to the owners of Sun.King Power Electronics Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2010 (the "Estimate") as set out in the prospectus issued by the Company dated 30 September 2010 (the "Prospectus").

The Estimate, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the five months ended 31 May 2010 and the unaudited combined results as shown in the unaudited management accounts of the Group for the one month ended 30 June 2010.

We have discussed with you the bases made by the Directors of the Company as set out in Appendix III to the Prospectus upon which the Estimate has been made. We have also considered the letter dated 30 September 2010 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Estimate has been made.

On the basis of the information comprising the Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Estimate, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Deutsche Bank AG, Hong Kong Branch

Heidi Yang	**Gerry Zhao**
Managing Director	*Director*

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 July 2010 of the property interests of the Group.

Jones Lang LaSalle® Sallmanns

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

30 September 2010

The Board of Directors
Sun.King Power Electronics Group Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties in which Sun.King Power Electronics Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 July 2010 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Due to the nature of the buildings and structures of the properties in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Group II, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us by the Group on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests by the Group and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers, Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: *Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and relevant valuation experience in the Asia-Pacific region.*

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in the PRC

No.	**Property**	**Capital value in existing state as at 31 July 2010** *RMB*
1.	A parcel of land 7 buildings and various structures No. 81 Zhijiang Road Weitang Town Jiashan County Jiaxing City Zhejiang Province The PRC	26,371,000
2.	A parcel of land 6 buildings and various structures No. 18 Chunhui Road Huishan Economic Development Zone Wuxi City Jiangsu Province The PRC	59,268,000
	Sub-total:	**85,639,000**

Group II – Property interests leased and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010 *RMB*
3.	Units 1601 to 1610 in Block A, Tri-tower No. 66 Zhongguancun East Road Haidian District Beijing The PRC	No commercial value
4.	Industrial Building B02 No. 28 Haitai South Road Huayuan Industrial Park Tianjin Binhai Hi-Tech Industry Development Zone Tianjin The PRC	No commercial value
	Sub-total:	**Nil**
	Grand total:	**85,639,000**

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 *RMB*
1.	A parcel of land 7 buildings and various structures No. 81 Zhijiang Road Weitang Town Jiashan County Jiaxing City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 32,575.60 sq.m. and 7 buildings and various ancillary structures erected thereon which were completed in 2008 and 2009. The buildings have a total gross floor area of approximately 13,388.47 sq.m. The buildings include 2 industrial buildings, 2 dormitories, an electricity building, a pump house and a guardhouse. The structures mainly include boundary fences and roads. The land use rights of the property have been granted for a term expiring on 12 April 2054 for industrial use.	The property is currently occupied by the Group for production purpose.	26,371,000

Notes:

1. The property is currently held and occupied by Jiashan Sunking Power Equipment Technology Co., Ltd. ("Jiashan Sunking"), a wholly owned subsidiary of the Company, except for the portion mentioned in note 5 below.

2. Pursuant to a State-owned Land Use Rights Certificate – Shan Guo Yong (2009) Di No. 00206230, the land use rights of a parcel of land with a site area of approximately 32,575.60 sq.m. have been granted to Jiashan Sunking for a term expiring on 12 April 2054 for industrial use.

3. Pursuant to 2 Building Ownership Certificates – Jia Shan Xian Fang Quan Zheng Shan Zi Di Nos. S0000313 and S0020432, 4 buildings with a total gross floor area of approximately 13,170.18 sq.m. are owned by Jiashan Sunking.

4. Pursuant to a Maximum Amount Mortgage Contract dated 26 April 2010 entered into between Jiashan Sunking and Bank of China Limited of Jiashan Sub-branch (the "mortgagee"), the land use rights of the property and buildings mentioned in note 3 are subject to a mortgage in favour of the mortgagee for a term commencing from 29 April 2010 and expiring on 29 April 2012 for a maximum loan of RMB27,830,000.

5. Pursuant to a Tenancy Agreement, a portion of one of the buildings mentioned in note 3 with a lettable area of approximately 1,500 sq.m. is leased to Jiashan Hua Rui Sunking Converter Technology Co., Ltd., ("Jiashan Converter Technology", a 65% interest owned subsidiary of the Company) for a term of 10 years commencing from 23 November 2009 and expiring on 22 November 2019 at a monthly rent of RMB12,000, exclusive of water and electricity charges.

6. In the valuation of this property, we have attributed no commercial value to 3 buildings with a total gross floor area of approximately 218.29 sq.m., for which Jiashan Sunking has not obtained any proper title certificate. These buildings include an electricity building, a pump house and a guardhouse. However, for reference purpose, we are of the opinion that the capital value of the 3 buildings (excluding the land) as at the date of valuation would be RMB321,000 assuming all relevant title certificates had been obtained and they could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jiashan Sunking, as the registered owner of the land use rights mentioned in note 2, has legally obtained the land use rights of the property and has the rights to occupy and use the land of the property in accordance with the State-owned Land Use Rights Certificate and PRC laws;

   b. Jiashan Sunking, as the registered owner of the buildings mentioned in note 3, has legally obtained the building ownership rights of the buildings and has the rights to occupy and use the buildings in accordance with the Building Ownership Certificates and PRC laws;

   c. Pursuant to the Maximum Amount Mortgage Contract mentioned in note 4, Jiashan Sunking could not, in whole or in part, transfer, lease, lend, invest, reconstruct or otherwise dispose of the land use rights of the property and buildings mentioned in note 3 without written consent of the mortgagee during the mortgage term;

   d. Jiashan Sunking has not obtained any proper title certificate of the buildings mentioned in note 6, which would not have significant adverse effect on the operation of Jiashan Sunking;

   e. The Tenancy Agreement mentioned in note 5 is legal, valid and binding on both signing parties; and

   f. The Tenancy Agreement has not been duly registered with the relevant government authority. However, this would not have any adverse effects on the validity of the lease or the use of the leased property by Jiashan Converter Technology.

8. We have disregarded the mortgage above when we arrived at our opinion of the capital value of this property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 *RMB*
2.	A parcel of land 6 buildings and various structures No. 18 Chunhui Road Huishan Economic Development Zone Wuxi City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 40,076.20 sq.m. and 6 buildings and various ancillary structures erected thereon which were completed in 2009. The buildings have a total gross floor area of approximately 23,252.86 sq.m. The buildings include 2 industrial buildings, 2 office buildings and 2 guardhouses. The structures mainly include boundary fences, roads and gates. The land use rights of the property have been granted for a term expiring on 29 October 2058 for industrial use.	The property is currently occupied by the Group for production purpose.	59,268,000

Notes:

1. The property is currently held and occupied by Wuxi Sunking Power Capacitor Co., Ltd. ("Wuxi Sunking"), a wholly owned subsidiary of the Company.

2. Pursuant to a State-owned Construction Land Use Rights Grant Contract – No. 3202562008CR0002 dated 15 October 2008 entered into between Wuxi Municipal Land Resources Bureau and Wuxi Sunking, the land use rights of a parcel of land with a site area of approximately 40,321.2 sq.m. were contracted to be granted to Wuxi Sunking for industrial use. The land premium was RMB15,430,000.

3. Pursuant to a State-owned Land Use Rights Certificate – Xi Hui Guo Yong (2010) Di No. 0218, the land use rights of a parcel of land with a site area of approximately 40,076.20 sq.m. have been granted to Wuxi Sunking for a term expiring on 29 October 2058 for industrial use.

4. Pursuant to 2 Building Ownership Certificates – Xi Fang Quan Zheng Hui Shan Zi Di Nos. HS1000329574-1&2, 6 buildings with a total gross floor area of approximately 23,252.86 sq.m. are owned by Wuxi Sunking.

5. Pursuant to 2 Maximum Amount Mortgage Contracts dated 5 February 2010 and 2 July 2010 respectively entered into between Wuxi Sunking and China Construction Bank Co., Ltd. Wuxi Xishan Sub-branch (the "mortgagee"), the land use rights of the property and the buildings mentioned in note 4 are subject to mortgages in favor of the mortgagee for terms commencing from 1 February 2010 and 2 July 2010 respectively and expiring on 1 February 2013 for total maximum loan of RMB36.25 million.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wuxi Sunking, as the registered owner of the land use rights mentioned in note 3, has legally obtained the land use rights of the property and has the rights to occupy and use the land of the property in accordance with the State-owned Land Use Rights Certificate and PRC laws;

   b. Pursuant to the Maximum Amount Mortgage Contracts mentioned in note 5, Wuxi Sunking could not dispose of the land use rights of the property and the buildings mentioned in note 4 by any way without the written consent from the mortgagee during the mortgage term; and

   c. Wuxi Sunking, as the registered owner of the buildings mentioned in note 4, has legally obtained the building ownership rights of the buildings of the property and has the rights to occupy and use the buildings in accordance with the Building Ownership Certificates and PRC laws.

7. We have disregarded the mortgage mentioned above when we arrived at our opinion of the capital value of the property.

VALUATION CERTIFICATE

Group II – Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 *RMB*
3.	Units 1601 to 1610 in Block A, Tri-tower No. 66 Zhongguancun East Road Haidian District Beijing The PRC	The property comprises 10 units on Level 16 of a 25-storey office building completed in about 2005. The property has a total gross floor area of approximately 1,133.71 sq.m. The property is leased to Beijing Sunking for a term of 3 years expiring on 4 September 2010 at a monthly rent of RMB113,796.14 with a rent-free period of one month every year, exclusive of management fees, water, electricity and heating charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is currently leased and occupied by Beijing Sunking Electronic Technology Co., Ltd. ("Beijing Sunking"), a wholly-owned subsidiary of the Company.

2. Pursuant to a Tenancy Agreement dated 30 August 2007, the property is leased to Beijing Sunking from Great Wall Technology Company Limited (the "Lessor") for a term of 3 years commencing from 5 September 2007 and expiring on 4 September 2010 at a monthly rent of RMB113,796.14, exclusive of management fees, water, electricity and heating charges.

   Pursuant to a supplementary agreement dated 30 August 2010, the aforesaid Tenancy Agreement was renewed to extend for another six months expiring on 4 March 2011.

3. As confirmed by the Group, the Lessor is an independent third party, which is not connected with and is independent of any of the directors or any of their respective associates of the Group.

4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Pursuant to a Building Ownership Certificate – Jing Fang Quan Zheng Hai Gu Geng Zi Di No. 0109352, the Lessor is the legal owner of the property;

   b. The Tenancy Agreement is legal, valid and binding on both signing parties; and

   c. The Tenancy Agreement has not been duly registered with the relevant government authority. However, this would not have any adverse effects on the validity of the lease or the use of the property by Beijing Sunking.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 *RMB*
4.	Industrial building B02 No. 28 Haitai South Road Huayuan Industrial Park Tianjin Binhai Hi-Tech Industry Development Zone Tianjin The PRC	The property comprises an industrial building completed in about 2006. The property has a gross floor area of approximately 2,734.15 sq.m. The property is leased to Tianjin Sunking for a term of 3 years expiring on 31 March 2012, at a quarterly rent of RMB174,643.83, exclusive of management fees, water, electricity and heating charges.	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. The property is currently leased and occupied by Tianjin Sunking Xinglu Water Technology Co., Ltd. ("Tianjin Sunking"), a wholly owned subsidiary of the Company.

2. Pursuant to a Tenancy Agreement dated 1 April 2009, the property is leased to Tianjin Sunking from Tianjin Riji Yuan Property Development Co., Ltd. (the "Lessor") for a term of 3 years commencing from 1 April 2009 and expiring on 31 March 2012, at a quarterly rent of RMB174,643.83 exclusive of management fees, water, electricity and heating charges.

3. As confirmed by the Group, the Lessor is an independent third party, which is not connected with and is independent of any of the directors or any of their respective associates of the Group.

4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Pursuant to a Building Ownership Certificate – Fang Quan Zheng Jin Fang Zi Di No. 000013054, the Lessor is the legal owner of the property;

   b. The Tenancy Agreement is legal, valid and binding on both signing parties; and

   c. The Tenancy Agreement has not been duly registered with the relevant government authority. However, this would not have any adverse effects on the validity of the lease or the use of the property by Tianjin Sunking.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 March 2010 under the Companies Law. The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 23 September 2010 to take effect on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office of the Company or at the office were the branch register of members of the Company is maintained provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution – majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 6 April 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on 19 March 2010. Our Company has established a principal place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on 9 September 2010. Mr. Ngai Wai Fung has been appointed as the authorised representative of our Company for acceptance of service of process and any notices required to be served on our Company in Hong Kong. The address for acceptance of service of process and notices in Hong Kong is the same as our principal place of business in Hong Kong set out above.

As our Company is incorporated in the Cayman Islands, its operations are subject to the Cayman Islands laws and its constitutional documents which comprise the Memorandum and the Articles. A summary of certain parts of our constitution and the relevant aspects of the Cayman Islands Company Law is set out in Appendix V to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company on the date of its incorporation was HK$380,000 divided into 3,800,000 Shares of HK$0.1 each. On 19 March 2010, one Share of HK$0.1 each was allotted and issued, credited as fully paid, to Codan Trust Company (Cayman) Limited, which transferred the same Share to Mr. Xiang Jie on the same date.

On 19 August 2010, the authorised share capital of our Company was increased from HK$380,000 to HK$200,000,000 by the creation of additional 1,996,200,000 Shares of HK$0.1 each.

On 23 September 2010, our Company allotted and issued, credited as fully paid at par, an aggregate of 51,226,999 new Shares to Sunking BVI pursuant to the Reorganisation Deed.

Immediately following completion of the Capitalisation Issue and the Global Offering but taking no account of any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK$200,000,000 divided into 2,000,000,000 Shares, of which 1,366,040,000 Shares will be allotted and issued, fully paid or credited as fully paid, and 633,960,000 Shares will remain unissued. Other than pursuant to the exercise of any option which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company.

Save for the aforesaid and those mentioned in the section headed " Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our sole shareholder passed on 19 August 2010 and 23 September 2010

Pursuant to a resolution in writing passed by our sole shareholder on 19 August 2010, the authorised share capital of our Company was increased from HK$380,000 to HK$200,000,000 by the creation of additional 1,996,200,000 Shares of HK$0.1 each.

Pursuant to resolutions in writing passed by our sole shareholder on 23 September 2010:

(a) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) our Company approved and adopted the Articles in substitution for and to the exclusion of the then articles of association with effect from the Listing Date;

(ii) the Global Offering was approved and our Directors were authorised to allot and issue such number of new Shares forming part of the Offer Shares and to approve the transfer of the Sale Shares;

(iii) conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalise HK$97,331,300 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par a total of 973,313,000 Shares for allotment and issue to our shareholders whose names appear on the register of members of our Company at 4:00 p.m. on 24 September 2010 in the same proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, and that the 973,313,000 Shares to be allotted and issued shall rank pari passu in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors were authorised to take all actions as they consider necessary or desirable to give effect to the Capitalisation Issue;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the Articles, Shares with an aggregate nominal amount not exceeding (a) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme); and (b) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (vi) below, such mandate to remain in effect until whichever is the earliest of:

(aa) the conclusion of the next annual general meeting of our Company;

(bb) the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(cc) the passing of an ordinary resolution by our shareholders in general meeting revoking or varying such mandate;

(v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(aa) the conclusion of the next annual general meeting of our Company;

(bb) the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(cc) the passing of an ordinary resolution by our shareholders in general meeting revoking or varying such mandate;

(vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted, issued or dealt with by our Directors pursuant to such mandate an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme);

(vii) the Share Option Scheme was approved and adopted and our Directors were authorised at their absolute discretion to grant options to subscribe for the Shares under the Share Option Scheme and to allot and issue the Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and

(b) the Reorganisation Deed was approved.

4. Corporate reorganisation

Our Group underwent the Reorganisation in preparation for the Listing, details of which are set out in the section headed “History and Development – Reorganisation” of this prospectus.

5. Changes in share capital of our subsidiaries

Our subsidiaries are referred to in the accountants' report in Appendix I to this prospectus. The following sets out the changes in the share capital of our subsidiaries during the two years preceding the date of this prospectus:

(a) Jiangsu Sunking

On 5 November 2008, Jiangsu Sunking was established in the PRC as a limited liability company with registered capital of RMB50,000,000. Beijing Sunking is entitled to 76% of the equity interest by investing RMB38,000,000 in Jiangsu Sunking and Wuxi Sunking is entitled to 24% of the equity interest by investing RMB12,000,000 in Jiangsu Sunking.

(b) Jiashan Converter Technology

On 29 March 2010, Jiashan Converter Technology was established in the PRC as a limited liability company with registered capital of RMB10,000,000. At the time of its establishment, Jiashan Sunking was entitled to 65% of the equity interest by investing RMB6,500,000 in Jiashan Converter Technology, Rui Hua Ying was entitled to 20% of the equity interest by investing RMB2,000,000 in Jiashan Converter Technology and Shanghai Mai Dier was entitled to 15% of the equity interest by investing RMB1,500,000 in Jiashan Converter Technology.

On 5 July 2010, Jiashan Sunking entered into a share transfer agreement with Rui Hua Ying, pursuant to which Rui Hua Ying agreed to transfer its entitlements to 20% equity interest in Jiashan Converter Technology to Jiashan Sunking in consideration of Jiashan Sunking injecting capital in the sum of RMB2,000,000 (being the portion of the capital otherwise required to be injected by Rui Hua Ying prior to such transfer) into Jiashan Converter Technology in accordance with the articles of association of Jiashan Converter Technology.

(c) New Excel

On 9 July 2010, New Excel was incorporated in the BVI with authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On 30 July 2010, New Excel allotted and issued 1 share to our Company, which was credited as fully paid at a premium on 23 September 2010 pursuant to the Reorganisation Deed.

Save for the aforesaid, there was no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by ordinary resolutions of its shareholders in a general meeting, either by way of general mandate or by special approval of a particular transaction.

Note: Pursuant to resolutions in writing passed by our sole shareholder on 23 September 2010, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, up to 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned in this prospectus. The Repurchase Mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable laws of the Cayman Islands to be held, or (iii) its being revoked or varied by an ordinary resolution of our shareholders in a general meeting of our Company (the "**Relevant Period**").

(b) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and our shareholders as a whole to have general authority from our shareholders to enable our Company to repurchase the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles, the Listing Rules, the Companies Law and any applicable laws of the Cayman Islands. Our Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules.

Under Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of the Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital. Any premium payable on redemption or repurchases over the par value of the Shares must be provided for out of profits or the share premium account of our Company or, subject to the Companies Law, out of capital.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell the Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles, the Companies Law and any applicable laws of the Cayman Islands.

No connected person has notified our Company that he has a present intention to sell the Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of any repurchase of the Shares, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code.

Save as aforesaid, our Directors are not aware of any consequence of repurchases which would arise under the Takeovers Code.

(e) Share capital

The exercise in full of the Repurchase Mandate, on the basis of 1,366,040,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (taking no account of any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme) could accordingly result in up to 136,604,000 Shares being repurchased by our Company during the Relevant Period.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the capital contribution transfer agreement (in Chinese) dated 10 April 2010 and the supplemental capital contribution transfer agreement (in Chinese) dated 15 April 2010 entered into between Mr. Xiang Jie, Mr. Xu Nanping and Jiashan Sunking in relation to the transfer of 90% equity interest in Beijing Sunking from Mr. Xiang Jie to Jiashan Sunking and the remaining 10% equity interest from Mr. Xu Nanping to Jiashan Sunking for a total consideration of RMB1,905,200;

(b) the SLZD Agreement;

(c) the Termination Agreements (in Chinese), which consist of an agreement signed between Jiashan Sunking and Beijing Sunking dated 1 July 2010 to terminate the Exclusive Service Agreement, an agreement signed between Jiashan Sunking, Beijing Sunking, Mr. Xiang Jie and Mr. Xu Nanping dated 1 July 2010 to terminate the Option Agreement and two agreements entered into between Jiashan Sunking and each of Mr. Xiang Jie and Mr. Xu Nanping dated 1 July 2010 to terminate the Pledge Agreements;

(d) the share transfer agreement (in Chinese) dated 5 July 2010 and entered into between Jiashan Sunking and Rui Hua Ying in relation to the transfer of entitlements to 20% equity interest in Jiashan Converter Technology from Rui Hua Ying to Jiashan Sunking in consideration of Jiashan Sunking injecting capital in the sum of RMB2,000,000 (being the portion of the capital otherwise required to be injected by Rui Hua Ying prior to such transfer) into Jiashan Converter Technology in accordance with the articles of association of Jiashan Converter Technology;

(e) the First Jiujiang Transfer Agreement;

(f) the Second Jiujiang Transfer Agreement;

(g) the Reorganisation Deed;

(h) the Deed of Non-Compete;

(i) the Deed of Indemnity;

(j) a cornerstone investor placing agreement dated 27 September 2010 and entered into between the Company, China Alpha II Fund Ltd. and the Global Coordinator, pursuant to which China Alpha II Fund Ltd. agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$8 million at the Offer Price;

(k) a cornerstone investor placing agreement dated 27 September 2010 and entered into between the Company, Gaoling Fund L.P., Gaoling Yali Fund, L.P. and the Global Coordinator, pursuant to which Gaoling Fund, L.P. and Gaoling Yali Fund, L.P. agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US$8 million at the Offer Price; and

(l) the Hong Kong Underwriting Agreement.

2. Information about our subsidiaries in the PRC

Brief particulars of our subsidiaries established in the PRC are set out below:

(a) Beijing Sunking

Date of establishment:	8 July 2002
Term:	10 years (from 8 July 2002 to 7 July 2012)
Nature:	Limited liability company
Registered capital:	RMB1,000,000
Shareholder:	Jiashan Sunking (100%)
Legal representative:	Mr. Xiang Jie (項頡)
Scope of business:	Being trading agent for various products and technology

(b) Jiashan Sunking

Date of establishment:	13 September 2004
Term:	50 years (from 13 September 2004 to 12 September 2054)
Nature:	Wholly foreign-owned enterprise
Total investment:	US$20,000,000
Registered capital:	US$12,500,000
Shareholder:	Sunking Pacific (100%)
Legal representative:	Mr. Wang Deli (汪得利)
Scope of business:	Production, sale, research and development of power electronic components and installation

(c) Wuxi Sunking

Date of establishment:	4 May 2008
Term:	50 years (from 4 May 2008 to 29 April 2058)
Nature:	Limited liability company (wholly-owned by Taiwan, Hong Kong and Macau legal persons)
Registered capital:	US$20,000,000
Beneficial shareholder:	Sunking Pacific (100%)
Legal representative:	Mr. Xiang Jie (項頡)
Scope of business:	Production of complete sets of power capacitors, amorphous alloy transformers, anode saturable reactors for direct current transmission, draw gears for alternating current frequency and pressure modulation, and being trading agent of various products and technology

(d) Tianjin Sunking

Date of establishment:	12 January 2000
Term:	20 years (from 12 January 2000 to 11 January 2020)
Nature:	Limited liability company
Registered capital:	RMB5,000,000
Shareholder:	Jiashan Sunking (100%)
Legal representative:	Mr. Gong Renyuan (龔任遠)
Scope of business:	Technical development, technical consulting, technical transfer, technical services, retail and wholesale of environmental machinery, electronic equipments, new type of purified water and sewage treatment equipments, and production of environmental equipments

(e) Jiangsu Sunking

Date of establishment:	5 November 2008
Term:	20 years (5 November 2008 to 4 November 2028)
Nature:	Limited liability company
Registered capital:	RMB50,000,000
Shareholders:	Beijing Sunking (76%), Wuxi Sunking (24%)
Legal representative:	Mr. Gong Renyuan (龔任遠)
Scope of business:	Production and sale of complete sets of power capacitors, anode saturable reactors for direct current transmission, draw gears for alternating current frequency and pressure modulation, and convertors

(f) Jiashan Converter Technology

Date of establishment:	29 March 2010
Term:	50 years (29 March 2010 to 28 March 2060)
Nature:	Limited liability company
Registered capital:	RMB10,000,000
Shareholders:	Jiashan Sunking (85%) and Shanghai Mai Dier (15%)
Legal representative:	Mr. Xiang Jie (項頡)
Scope of business:	Manufacturing of transformers, rectifiers and current sensors, capacitors and their ancillary equipments, electricity switch control equipments, power electronic components, and other power transmission and distribution and control equipments, and research and development of the aforesaid products

3. Intellectual property rights

As at the Latest Practicable Date, our Group registered or applied for registration of the following intellectual property rights.

(a) Trademarks

(i) As at the Latest Practicable Date, our Group applied for registration of the following trademarks:

Trademark	Class	Application number	Application acceptance date	Applicant	Place of application
	7, 9, 11, 12, 37, 39, 40, 42	301721042	24 September 2010	Company	Hong Kong
赛晶电气	9	7264261	25 March 2009	Wuxi Sunking	PRC
SUN.KING	9	5754482	11 June 2007	Beijing Sunking	PRC
CPEG	9	8627394	6 September 2010	Beijing Sunking	PRC
CPEG	11	8627415	6 September 2010	Beijing Sunking	PRC

(b) Patent

(i) As at the Latest Practicable Date, our Group was granted the following patent in the PRC:

Type	Patent description	Patent number	Valid period	Registrant
Utility Model	Storage device for simultaneously storing cold and hot water	ZL200920095888.6	17 March 2009 to 16 March 2019	Tianjin Sunking

(c) Domain name

(i) As at the Latest Practicable Date, our Group registered the following domain name:

Domain name	Registrant	Registration date	Expiry date
sunking-tech.com	Beijing Sunking	29 April 2001	29 April 2020
cpeg.cn	Beijing Sunking	19 August 2010	19 August 2015
cpeg.hk	Beijing Sunking	19 August 2010	19 August 2015
speg.com.cn	Beijing Sunking	19 September 2010	19 September 2012
speg.hk	Beijing Sunking	19 September 2010	19 September 2012

Save for the aforesaid, there are no other intellectual property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND MANAGEMENT

1. Particulars of service agreements

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date. Each of our executive Directors is entitled to a basic salary. The annual remunerations (excluding any discretionary bonus which may be paid) payable to our executive Directors are set out below.

Executive Director	RMB
Mr. Xiang Jie	400,000
Mr. Gong Renyuan	300,000
Mr. Yue Zhoumin	240,000
Mr. Huang Xiangqian	336,000

Each of Mr. Ye Weigang Greg and Mr. Wong Kunkau, being our non-executive Directors, has been appointed for an initial term of three years commencing from the Listing Date. Our non-executive Directors will not receive any salary from our Company.

Each of Mr. Wang Yi, Mr. Li Fengling and Mr. Chen Shimin, being our independent non-executive Directors, has been appointed for a term of three years commencing from 1 July 2010, 1 July 2010 and 19 August 2010, respectively. The annual director's fees payable to our independent non-executive Directors are as follows:

Independent non-executive Director	HK$
Mr. Wang Yi	160,000
Mr. Li Fengling	160,000
Mr. Chen Shimin	160,000

Save for the director's fees, none of our independent non-executive Directors is expected to receive any other remunerations for holding their office as an independent non-executive Director. None of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

2. Directors' remuneration

Remuneration and benefits in kind of approximately RMB1.0 million and RMB0.8 million in aggregate were paid and granted to the relevant Directors by our Group in respect of the year ended 31 December 2009 and the five months ended 31 May 2010, respectively.

3. Personal guarantees

Save and except as disclosed in Appendix I to this prospectus, none of our executive Directors or related parties had provided guarantees for debts and liabilities due by any members of our Group within two years preceding the date of this prospectus.

4. Interests and/or short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations

Following completion of the Capitalisation Issue and the Global Offering (but without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to our Company and the Stock Exchange, will be as follows:

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

Notes:

1. The letter “L” denotes the Director’s long position in the Shares.

2. These 415,274,180 Shares are held by Max Vision, which in turn is wholly and beneficially owned by Mr. Xiang Jie. As such, Mr. Xiang Jie is deemed under the SFO to be interested in 415,274,180 Shares held by Max Vision on the Listing Date. Of these 415,274,180 Shares, 61,470,000 Shares may be subject to any stock borrowing arrangement to be effected pursuant to the Stock Borrowing Agreement.

5. Interests and/or short position discloseable under the SFO and our substantial shareholders

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Global Offering (but without taking account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and assuming that the Over-allotment Option is not exercise), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of entity	The company concerned	Nature of interest	Total number of securities held(Note 1)	Approximate percentage of interest in the company concerned
Max Vision	Our Company	Beneficial owner	415,274,180(L)	30.4%
Meng Fankun (孟繁琨)	Our Company	Interest of spouse	415,274,180(L) (Note 2)	30.4%
NewMargin	Our Company	Beneficial owner	240,000,000(L)	17.6%
Common Goal	Our Company	Beneficial owner	91,040,000(L)	6.7%
Peregrine Greater China Capital Appreciation Fund, LP	Our Company	Interest in controlled corporation	91,040,000(L) (Note 3)	6.7%
Shanghai Mai Dier	Jiashan Converter Technology	Beneficial owner	RMB1.5 million out of registered capital of RMB10 million(L)	15%

Notes:

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

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

3. Peregrine Greater China Capital Appreciation Fund, L.P. holds 100% equity interest in Common Goal. As such, it is deemed to be interested in 91,040,000 Shares held by Common Goal.

6. Agency fees or commission

Save as disclosed in the section headed "History and Development" of this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries.

7. Disclaimers

Save as disclosed in this prospectus,

(a) none of the Directors or chief executive of our Company has any interest and/or short position in the Shares, underlying Shares, listed or unlisted derivatives of or debentures of our Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to our Company and the Stock Exchange once the Shares are listed;

(b) taking no account of the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following the completion of the Capitalisation Issue and the Global Offering will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors or the experts named in the paragraph headed "Consents and qualifications of experts" in this Appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within two years preceding the date of this prospectus;

(d) none of our Directors or the experts named in the paragraph headed "Consents and qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group within the two years preceding the date of this prospectus;

(e) none of our Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(f) none of the experts named in the paragraph headed "Consents and qualification of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group or is an officer or servant or in employment of an officer or servant of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The principal terms of the Share Option Scheme conditionally adopted by resolutions in writing passed by our sole shareholder on 23 September 2010 are set out below:

1. Conditions

(a) The Share Option Scheme is conditional upon:

(i) the Listing Committee granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit (as defined in paragraph 7(b)) to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and

(ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of our shareholder(s).

(b) If the conditions referred to in paragraph 1(a) are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(c) Reference in paragraph 1(a)(i) to the Listing Committee formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.

(d) A certificate of a Director that the conditions set out in paragraph 1(a) have been satisfied and the date on which such conditions were satisfied or that such conditions have not been satisfied as of any particular date and the exact date on which the Share Option Scheme is adopted upon fulfilment of the condition set out in paragraph 1(a)(ii) (the "**Adoption Date**") shall be conclusive evidence of the matters certified.

2. Purpose, duration and administration

(a) The purpose of the Share Option Scheme is to enable our Group to grant options to the Eligible Participants (as defined in paragraph 3(a) below) as incentives or rewards for their contribution to our Group.

(b) The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall (save for the grant of options referred to in paragraph 3(b) which shall be approved in the manner referred to therein and save as otherwise provided herein) be final and binding on all persons who may be affected thereby.

(c) Subject to paragraph 1 and 13, the Share Option Scheme shall be valid and effective until the close of business of our Company on the date which falls ten (10) years after the Adoption Date (the "**Termination Date**"), after which period no further options may be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(d) An Eligible Participant who accepts the offer in accordance with the terms of the Share Option Scheme or (where the context so permits and as referred to in paragraph 5(d)(i)) his personal representative (the "**Grantee**") shall ensure that the acceptance of an offer, the holding and exercise of his option in accordance with the Share Option Scheme, the allotment and issue of Shares to him upon the exercise of his option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. Our Directors may, as a condition precedent of making an offer and allotting Shares upon an exercise of an option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as it may reasonably require for such purpose.

3. Grant of options

(a) Subject to paragraph 3(b), our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of ten (10) years commencing from the Adoption Date to make an offer to any person belonging to the following classes of participants (the "**Eligible Participants**") to subscribe, and no person other than the Eligible Participant named in such offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof) at such price per Share at which a Grantee may subscribe for the Shares on the exercise of an option, as determined in accordance with paragraph 4 (the "**Subscription Price**"), as our Directors shall, subject to paragraph 3, determine:

(i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**");

(ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;

(iii) any supplier of goods or services to any member of our Group or any Invested Entity;

(iv) any customer of any member of our Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

(b) Without prejudice to paragraph 7(d) below, the making of an offer to any Director, chief executive or substantial Shareholder of our Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any non-executive Director who or whose associate is the proposed Grantee of an option).

(c) The eligibility of any of the Eligible Participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(d) An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as our Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the option and the "**Option Period**" (which means, in respect of any particular option, a period (which may not expire later than 10 years from the offer date of that option) to be determined and notified by our Directors to the Grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses under the provisions of paragraph 6; and (ii) 10 years from the offer date of that option) in respect of which the offer is made and further requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the offer date.

(e) An offer shall state, in addition to the matters specified in paragraph 3(d), the following:

(i) the name, address and position of the Eligible Participant;

(ii) the number of Shares under the option in respect of which the offer is made and the Subscription Price for such Shares;

(iii) the Option Period in respect of which the Offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the option comprised in the offer;

(iv) the last date by which the offer must be accepted (which may not be later than 21 days from the offer date);

(v) the procedure for acceptance;

(vi) the performance target(s) (if any) that must be attained by the Eligible Participant before any option can be exercised;

(vii) such other terms and conditions of the offer as may be imposed by our Directors as are not inconsistent with the Share Option Scheme; and

(viii) a statement requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme including, without limitation, the conditions specified in, *inter alia*, paragraphs 2(d) and 5(a).

(f) An offer shall have been accepted by an Eligible Participant in respect of all Shares under the option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by our Company together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(h) Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 3(f) or 3(g), an option in respect of the number of Shares in respect of which the offer was so accepted will be deemed to have been granted by our Company to such Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraph 3(f) or 3(g), it will be deemed to have been irrevocably declined.

(i) The Option Period of an option may not end later than ten (10) years after the Offer Date of that Option.

(j) Options will not be listed or dealt in on the Stock Exchange.

(k) For so long as the Shares are listed on the Stock Exchange:

(i) an offer may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarter or any other interim period) whether or not required under the Listing Rules); and

(bb) the deadline for our Company to publish an announcement of its results for any year or half-year, quarter or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no offer may be made; and

(ii) our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

4. *Subscription Price*

The Subscription Price in respect of any option shall, subject to any adjustments made pursuant to paragraph 8, be at the discretion of our Directors, provided that it shall not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(c) the nominal value of the Share,

except that for the purpose of calculating the Subscription Price under paragraph 4(b) above for an option offered within five business days of the Listing Date, the price at which the Shares are to be offered for subscription under the Global Offering shall be used as the closing price for any business day falling within the period before the Listing Date.

5. ***Exercise of options***

(a) An option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle our Company to cancel any option granted to such Grantee to the extent not already exercised.

(b) Unless otherwise determined by our Directors and stated in the offer to a Grantee, a Grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(c) Subject to, *inter alia*, paragraph 2(d) and the fulfilment of all terms and conditions set out in the offer, including the attainment of any performance targets stated therein (if any), an option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraphs 5(d) and 5(e) by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the option remains unexercised is less than one board lot or where the option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for Shares in respect of which the notice is given. Within 21 days (7 days in the case of an exercise pursuant to paragraph 5(d)(iii)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial advisers pursuant to paragraph 8, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of option by a personal representative pursuant to paragraph 5(d)(i), to the estate of the Grantee) fully paid and issue to the Grantee (or his estate in the event of an exercise by his personal representative as aforesaid) a share certificate for every board lot of Shares so allotted and issued and a share certificate for the balance (if any) of the Shares so allotted and issued which do not constitute a board lot.

(d) Subject as hereinafter provided, an option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:

(i) if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively;

(ii) if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph 6(a)(iv) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within such period as our Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not;

(iii) if a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all our Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the Grantee shall, notwithstanding any other terms on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in accordance with the provisions of paragraph 5(c) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

(iv) in the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two (2) business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 5(c) and our Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his option not less than one (1) day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up; and

(v) if the Grantee is a company wholly owned by one or more Eligible Participants:

(aa) the provisions of paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall apply to the Grantee and to the options granted to such Grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall occur with respect to the relevant Eligible Participant; and

(bb) the options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(e) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of our Company for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

6. Early termination of Option Period

(a) The Option Period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall lapse on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of any of the periods referred to in paragraph 5(d);

(iii) the date of commencement of the winding-up of the Company;

(iv) in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the Grantee or our Group or the Invested Entity into disrepute);

(v) in respect of a Grantee other than an Eligible Employee, the date on which our Directors shall at their absolute discretion determine that (aa) (1) such Grantee or his associate has committed any breach of any contract entered into between such Grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (bb) the Option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and

(vi) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph 5(a) by the Grantee in respect of that or any other option.

(b) A resolution of our Directors to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 6(a)(iv) or that any event referred to in paragraph 6(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.

(c) Transfer of employment of a Grantee who is an Eligible Employee from one member of our Group to another member of our Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an Eligible Employee is placed on such leave of absence which is considered by the directors of the relevant member of our Group not to be a cessation of employment of the Grantee.

7. Maximum number of Shares available for subscription

(a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30 per cent. of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by our Group if the grant of such option will result in the limit referred to in this paragraph 7(a) being exceeded.

(b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10 per cent. of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 136,604,000 Shares (the "**General Scheme Limit**") provided that:

(i) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(ii), our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted; and

(ii) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(i), our Company may seek separate shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph 7(b)(i) to Eligible Participants specifically identified by our Company before such approval is sought.

(c) Subject to paragraph 7(d), the total number of Shares issued and which may fall to be issued upon exercise of the options and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1 per cent. of the issued share capital of our Company for the time being. Where any further grant of options to a Grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by our shareholders in general meeting with such Grantee and his associates abstaining from voting.

(d) Without prejudice to paragraph 3(b), where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1 per cent. of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK$5 million;

such further grant of options must be approved by our shareholders in general meeting.

(e) For the purpose of seeking the approval of our shareholders under paragraphs 7(b), 7(c) and 7(d), our Company must send a circular to our shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

8. Adjustments to the Subscription Price

(a) In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

(i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or

(ii) the Subscription Price of any option; and/or

(iii) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

(iv) any such adjustment shall give the Grantee the same proportion of the issued share capital of our Company for which such Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;

(v) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(vi) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(vii) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to in this paragraph 8(a), other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(b) If there has been any alteration in the capital structure of our Company as referred to in paragraph 8(a), our Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 5(c), inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 8(a).

(c) In giving any certificate under this paragraph 8, the auditors or the independent financial adviser appointed under paragraph 8(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby.

9. Cancellation of options

(a) Subject to paragraph 5(a) and Chapter 17 of the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

(b) Where our Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our shareholders pursuant to paragraph 7(b)(i) or 7(b)(ii).

10. Share capital

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient authorised but unissued share capital of our Company to allot and issue the Shares on the exercise of any option.

11. Disputes

Any dispute arising in connection with the number of Shares the subject of an option, or any adjustment under paragraph 8(a) shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

12. Alteration of the Share Option Scheme

(a) Subject to paragraphs 12(b) and 12(d), the Share Option Scheme may be altered in any respect by a resolution of our Directors except that:

(i) the provisions of the Share Option Scheme as to the definitions of "Eligible Participants", "Grantee", "Option Period" and "Termination Date";

(ii) the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of our shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of our shareholders under the Articles for a variation of the rights attached to the Shares.

(b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by our shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(c) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our shareholders in general meeting.

(d) The terms of the Share Option Scheme and/or any options amended pursuant to this paragraph 12 must comply with the applicable requirements of the Listing Rules.

13. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 136,604,000 Shares in total.

2. Indemnities

Mr. Xiang Jie and Max Vision (the "**Indemnifiers**") have entered into the Deed of Indemnity (being a material contract referred to in the paragraph headed "Summary of material contracts" of this Appendix) with and in favour of our Company (for itself and as trustee for each of our subsidiaries).

Under the Deed of Indemnity, each of the Indemnifiers irrevocably, jointly and severally agrees, covenants and undertakes to our Company (for itself and a trustee for each of our subsidiaries) that he/it will indemnify each of the members of our Group against, amongst other things, all claims, expenses and fines in connection with the absence of building ownership certificates for the production plant of Jiashan Sunking (together with the costs of relocating the production plant of Jiashan Sunking); all claims, expenses and fines in connection with the failure of Beijing Sunking and Jiashan Sunking in making housing provident fund contributions for their employees until May 2008 and April 2010 respectively and the failure of Tianjin Sunking in making social security fund contributions in full for its employees during the period from February 2008 to May 2008; non-registration of the tenancy agreements in respect of the leased properties occupied by Beijing Sunking and Tianjin Sunking; any claims which any of the Financial Investors and Strategic Investor may have against any member of the Group under their respective preference share purchase agreements with Sunking BVI; the taxation falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date when the Global Offering becomes unconditional (the "**Effective Date**"); and any liability for Hong Kong estate duty which might be incurred by any member of our Group and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the Effective Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of our Group for the three financial years ended 31 December 2007, 2008 and 2009 and the five months ended 31 May 2010 as set out in the accountants' report in Appendix I to this prospectus; and (b) the taxation arises or is incurred as a result of a retrospective change in law or the interpretation or practice by the relevant tax authority coming into force after the Effective Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

4. The Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

5. Preliminary expenses

The estimated preliminary expenses of our Company are approximately US$7,750 and are payable by our Company.

6. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

7. Consents and qualifications of experts

Deutsche Bank AG, Hong Kong Branch, Deloitte Touche Tohmatsu, Commerce and Finance Law Offices, Jones Lang LaSalle Sallmanns Limited and Conyers Dill & Pearman have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included. The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
Deutsche Bank AG, Hong Kong Branch	Licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
Deloitte Touche Tohmatsu	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Property valuers
Commerce and Finance Law Offices	Legal advisers on PRC laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Compliance adviser

Our Company has appointed Taifook Capital Limited as the compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

10. Shares will be eligible for CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS for clearing and settlement.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Particulars of the Selling Shareholders

The particulars of the Selling Shareholders are set out below:

A. Being the Initial Selling Shareholders

1.	**Name of the vendor**	Max Vision
	Description	A BVI Business Company incorporated pursuant to the BVI Business Companies Act, 2004 in the British Virgin Islands on 11 June 2010 and having company number 1589406
	Name of shareholder of the vendor	Max Vision is 100% owned by Mr. Xiang Jie
	Director of the vendor	Mr. Xiang Jie (項頡)
	Registered office	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	No. of Shares offered for sale in the International Offering (after the Capitalisation Issue)	16,000,000 Shares
	No. of Shares offered for sale under the exercise of the Over-allotment Option (after the Capitalisation Issue)	Nil

2.	**Name of the vendor**	Gong Renyuan
	Description	A PRC citizen and our executive Director
	Address	Unit 701, Unit 2, Building 7, Gan Lan Cheng, Chaoyang District, Beijing, the People's Republic of China
	No. of Shares offered for sale in the International Offering (after the Capitalisation Issue)	6,000,000 Shares
	No. of Shares offered for sale under the Over-allotment Option (after the Capitalisation Issue)	Nil
3.	**Name of the vendor**	Jin Jiafeng
	Description	A PRC citizen and the chief financial officer of our Group
	Address	Room 2001, Building No. 1, No. 538 Xiao Mu Qiao Road, Xuhui District, Shanghai, PRC
	No. of Shares offered for sale in the International Offering (after the Capitalisation Issue)	4,000,000 Shares
	No. of Shares offered for sale under the Over-allotment Option (after the Capitalisation Issue)	Nil

B. Being an Initial Selling Shareholder and an Option Selling Shareholder

4.	**Name of the vendor**	Common Goal
	Description	A BVI Business Company incorporated pursuant to the BVI Business Companies Act, 2004 in the British Virgin Islands on 8 August 2008 and having company number 1497307
	Name of shareholder of the vendor	Common Goal is 100% owned by Peregrine Greater China Capital Appreciation Fund, L.P.
	Directors of the vendor	Mr. Wong Kun Kau and Ms. Esther Ka Wai Wong
	Registered office	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	No. of Shares offered for sale in the International Offering (after the Capitalisation Issue)	42,300,000 Shares
	No. of Shares offered for sale under the Over-allotment Option (after the Capitalisation Issue)	Up to 1,470,000 Shares

C. Being the Option Selling Shareholders

5.	**Name of the vendor**	NewMargin
	Description	An Exempted Limited Partnership registered in the Cayman Islands pursuant to the Exempted Limited Partnership Law, 1991 in the Cayman Islands on 25 June 2007
	Name of general partner of the vendor	NewMargin Growth Ventures, LLC
	Registered office	P.O. Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
	No. of Shares offered for sale in the International Offering (after the Capitalisation Issue)	Nil
	No. of Shares offered for sale under the Over-allotment Option (after the Capitalisation Issue)	Up to 40,000,000 Shares

6.	**Name of the vendor**	CIAM Group Limited
	Description	An Exempted Company with limited liability incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange with stock code 378
	Name of substantial shareholders of the vendor (based on the annual report of CIAM for the year 2009)	CIAM is 72.77% owned by Right Precious Limited, while CITIC International Assets Management Limited, CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited and CITIC Group are deemed to be interested to the shares held by Right Precious Limited under the SFO, CIAM is 9.90% owned by Dundee Greentech Limited, while Dundee Energy Limited, Radiant Enterprises Group Limited, The Dundee Merchant Bank, Liu Hailong and Dundee Corporation are deemed to be interested to the shares held by Right Precious Limited under the SFO
	Directors of the vendor	Mr. Dou Jianzhong, Mr. Lo Wing Yat Kelvin, Mr. Yip Chi Chiu, Mr. Lu Zhicheng, Ms. Carolyn Anne Prowse, Mr. Graham Roderick Walker, Mr. Wong Yau Kar David, Mr. Zhao Tieliu, Mr. Hung Chi Yuen Andrew, Mr. Sit Fung Shuen Victor and Mr. Toh Hock Ghim
	Registered office	Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
	No. of Shares offered for sale in the International Offering (after the Capitalisation Issue)	Nil
	No. of Shares offered for sale under the Over-allotment Option (after the Capitalisation Issue)	Up to 12,000,000 Shares

7.	**Name of the vendor**	Hou Libo
	Description	A PRC citizen and an employee of our Group
	Address	Room 504, Building. 303, No. 3 Wang Jing Xi Yuan Residential Area, Chaoyang District, Beijing, PRC
	No. of Shares offered for sale in the International Offering (after the Capitalisation Issue)	Nil
	No. of Shares offered for sale under the Over-allotment Option (after the Capitalisation Issue)	Up to 8,000,000 Shares

13. Miscellaneous

Save as disclosed in this prospectus,

(a) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries was issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries was under option or was agreed conditionally or unconditionally to be put under option;

(c) within the two years preceding the date of this prospectus, no commission was paid or payable to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(d) the Company does not have, nor has it agreed to issue, any founder shares, management shares, deferred shares or debentures; and

(e) the Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "Other information – Consents and qualifications of experts" in Appendix VI to this prospectus, a statement of particulars of the Selling Shareholders and the material contracts referred to in the section headed "Further information about our business – Summary of material contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Pang & Co. in association with Salans LLP at Suite 7601A, Level 76, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the letter relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the letters relating to the profit estimate of our Group, the texts of which are set out in Appendix III to this prospectus;

(e) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Sallmanns Limited, the text of which is set out in Appendix IV to this prospectus;

(f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;

(g) the written consents referred to in the paragraph headed "Other information – Consents and qualifications of experts" in Appendix VI to this prospectus;

(h) the material contracts referred to in the paragraph headed "Further information about our business – Summary of material contracts" in Appendix VI to this prospectus;

(i) the service contracts referred to in the paragraph headed "Further information about our Directors and Management" in Appendix VI to this prospectus;

(j) the PRC legal opinions issued by Commerce and Finance Law Offices, in respect of various aspects of our Group and the property interest of our Group in the PRC;

(k) the statement of particulars of the Selling Shareholders including their names, addresses and description;

(l) the Companies Law; and

(m) the rules of the Share Option Scheme.

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